Lancashire County Council

Pension Fund Committee

Friday, 12th March, 2021 at 10.30 am in Zoom Virtual Meeting - Zoom

Agenda

Part I (Open to Press and Public)

Lancashire
County
Council

12. **Lancashire County Pension Fund - Training Plan 2021** (Pages 135 - 142)

13. **Responsible Investment Report** (Pages 143 - 168)

14. **Approval of 2021/22 Workplan for the Lancashire Local Pension Board** (Pages 169 - 174)

15. **Urgent Business**

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

16. **Date of Next Meeting**

The next meeting of the Committee will be held at 10.30am on the 18th June 2021 either remotely or at County Hall, Preston.

17. **Exclusion of Press and Public**

The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the press and public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

Part II (Not open to Press and Public)

18. **Local Pensions Partnership Annual Budget 2021/22, and 4 Year Planning Period** (Pages 175 - 202)

19. **Lancashire County Pension Fund Performance Overview** (Pages 203 - 230)

20. **Investment Panel Report** (Pages 231 - 250)

21. **Investment Consultancy and Fiduciary Management Investigation Order 2019.** (Pages 251 - 266)

L Sales
Director of Corporate Services

County Hall
Preston

Lancashire County Council

Pension Fund Committee

Minutes of the Virtual Meeting held via Zoom on Friday, 27th November, 2020 starting at 10.30 am

Present:

County Councillor E Pope (Chair)

County Councillors

T Ashton	K Ellard
J Burrows	T Martin
L Collinge	J Mein
G Dowding	A Riggott
C Edwards	A Snowden

A Schofield

Co-opted members

Mr P Crewe, Trade Unions
Councillor M Smith, Blackpool Council
Councillor R Whittle, Blackburn with Darwen Borough Council
Councillor D Borrow, Borough and City Councils
Ms J Eastham, Further Education/Higher Education Institutions

Also in attendance

Ms King, Interim Head of Pension Fund, Lancashire County Council.
Ms A Devitt, Independent Adviser.
Mr E Lambert, Independent Adviser.
Mr A Ayre, Audit Manager, Grant Thornton.
Mr C Rule, Chief Executive, Local Pensions Partnership.
Ms J Darbyshire, Director of Administration, Local Pensions Partnership
Mr G Smith, Director of Strategy, Local Pensions Partnership.
Mr W Bourne, Chair of the Lancashire Local Pension Board (observer).

1. Welcome and Apologies

The Chair welcomed everyone to the meeting and introduced Michelle King, the recently appointed Interim Head of the Pension Fund. It was noted that apologies had been received from Councillor Foster (co-opted member).

2. Disclosure of Pecuniary and Non-Pecuniary Interests

No declarations of interest were made in relation to any item on the agenda at this point in the meeting.

3. Minutes of the Meeting held on the 18th September 2020

The Chair informed the meeting that the Lancashire County Pension Fund was one of the finalists for LGPS Fund of the Year in the LAPFF Investment Awards 2020 in early December 2020.

Resolved: That the Minutes of the meeting held on the 18th September 2020 are confirmed as an accurate record and signed by the Chair in due course.

4. Lancashire County Pension Fund - External Audit Findings Report

Mr Ayre, Audit Manager from Grant Thornton, presented his report on the findings of the external audit of the Lancashire County Pension Fund Accounts for the year ended 31st March 2020. He reported that the accounts had been considered by the Audit, Risk and Governance Committee on the 19th October and all items identified as outstanding as at the date of issue of the audit findings report had subsequently been completed. It was noted that once the post balance sheet events had been updated and the management representation letter received the accounts would be signed off.

The Committee noted that the auditors had provided an unqualified audit opinion, including an 'Emphasis of Matter' paragraph highlighting asset valuation material uncertainties on the pension fund accounts and a 'consistency' opinion on the Annual Report of the Fund.

Resolved: That the findings of the external audit of the Lancashire County Pension Fund Accounts for the year ended 31st March, 2020, together with the adjustments to the financial statements and the updates given by the auditor at the meeting, are noted.

Mr Ayre dialled out of the meeting at this point.

5. Lancashire County Pension Fund 2020/21 Q2 Budget Monitoring

The Head of Fund presented a report on the financial performance of the Fund during the 6 months to 30th September 2020 together with a comparison of the results with the approved budget for the same period and an updated forecast for the year ending 31st March 2021.

It was reported that the impact of the Covid-19 pandemic was reflected in the position at 6 months and that the Investment Panel expected the Fund to have almost fully recovered by 12 months. It was also noted that the full year forecast was for net funds of £216.9m against a budget of £219.1m, a reduction of £2.2m.

Resolved: That the financial results of the Fund for the 6 months to the 30th September 2020, together with the budget and forecast variances set out in the report presented and the updates given at the meeting, are noted.

6. Admissions and Termination Policy

A report was presented on the Admissions and Termination Policy for the Fund, which had been updated following a consultation with employers to include recent changes to legislation on exit credits, allowances for the on-going effects of the McCloud judgement and to bring the policy in line with the Funding Strategy Statement which had been amended in March 2020.

Resolved: That the updated Admissions and Termination Policy for the Fund, as set out at Appendix 'A' to the report presented is approved.

7. Local Pensions Partnership: Governance Charter

A report was presented on the Governance Charter for the Local Pensions Partnership which had been developed in consultation with the Pension Fund Committee and the Pension Board.

Resolved: That the Governance Charter for the Local Pensions Partnership, as set out at Appendix 'A' to the report presented, is noted

8. Local Pensions Partnership 2019/20 Annual Report and Accounts

A report was presented on the Local Pensions Partnership Annual Report and Accounts for the year ended 31st March 2020 which had been approved by the Partnership Board and published on the Company website.

Resolved: That the content of the 2019/20 Annual Report and Accounts for the Local Pensions Partnership, as set out at Appendix 'A' to the report presented, is noted.

9. Feedback from members of the Committee on pension related training.

Individual members of the Committee gave feedback on their experiences at a number of virtual pension related events which had taken place since the last meeting. It was reported that the events had been well organised and were generally considered to have been informative.

County Councillors E Pope, A Schofield, L Collinge, T Martin, J Mein and G Dowding together with co-opted members P Crewe, Councillor Whittle, Councillor Smith, Councillor Borrow and Ms Eastham all participated in the presentations on divestment on the 19th November 2020.

Resolved: That the report and feedback given at the meeting in relation to the training received by individual members of the Committee is noted.

10. Responsible Investment Report

The Chair presented a detailed report on responsible investment activity during Q3 of 2020 and highlighted the action taken by Local Pensions Partnership Investments to liquidate shares in British American Tobacco.

Mr Rule, Chief Executive of the Local Pensions Partnership informed the meeting that Frances Deakin, the Head of Responsible Investment, was joint winner of the Investment Manager of the Year at the Professional Pensions - Women in Pensions Awards 2020. He also updated the Committee on the Fund's current brown/green exposures and highlighted that 95% (by value) of holdings were rated highly when measured against the Transition Pathway Initiative, demonstrating integration of climate change into their operation planning and/or strategic planning. Energy/tobacco accounted for less than 1% of the portfolio and LPPI was working with investor groups and partnerships to increase engagement (and in some cases take the lead) in areas such as diversity and workforce management.

It was also reported that after the 19th November 2020 presentation on divestment the Interim Head of Fund had arranged a meeting including one of the speakers, an Independent Adviser to the Fund, LPPI's Chief Investment Officer and the Head of Responsible Investment amongst others, to discuss the 7 principles of sustainable development and how they may relate to the investments of the Fund.

Resolved:

1. That the updates on responsible investment activity, as set out in the Appendix to the report presented, and given at the meeting are noted.

2. That the Committee congratulate Frances Deakin, the Head of Responsible Investment, on winning Investment Manager of the Year at the Professional Pensions - Women in Pensions Awards 2020.

3. That a report be presented to the next meeting of the Committee on the outcome of the officer meeting in December 2020 to discuss the 7 principles of sustainable development and how they may be applied to the investments of the Fund.

11. Urgent Business

No items of urgent business were raised under this heading at the meeting.

12. Programme of meetings 2021/22

It was reported that in October 2020 the full Council had approved a 2021/22 programme of meetings which included dates for the Pension Fund Committee.

Resolved:

1. That the 2021/22 programme of meetings of the Pension Fund Committee, as set out below and approved by full Council on the 15th October 2020, is noted.

   18th June 2021
   17th September 2021

26th November 2021
11th March 2022

2. All the above meetings to start at 10.30am and be held remotely via Zoom or, subject to the relaxation of current Covid-19 restrictions, in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

13. Date of Next Meeting

It was noted that the next scheduled meeting of the Committee would be held at 10.30am on the 12th March, 2021, either remotely via Zoom or at County Hall, Preston.

14. Exclusion of Press and Public

Resolved: That the press and public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading of each item. It is considered that in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

15. Local Pensions Partnership - Balanced Scorecard Summary and Action Plan

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Mr Smith, The Director of Strategy at the Local Pensions Partnership, presented a report on the outcomes of a balanced scorecard exercise which had involved interviews with a range of stakeholders as part of a review of the effectiveness of the service.

It was reported that the exercise had compared the Partnership against a number of established peer Pension Funds and providers and as a result the Partnership had achieved a relatively low rating. However, an improvement action plan had been developed based on the findings of the review and implemented and it was expected that any future exercise would result in an improved rating.

Resolved: That the summary of the outcome of the balanced scorecard exercise regarding the Local Pensions Partnership and the associated improvement action plan are noted.

16. Local Pensions Partnership update

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Committee considered a report on activity by the Local Pensions Partnership which included reference to savings information requested by the Ministry of Housing, Communities and Local Government, an update on shareholder matters and the financial position of the Local Pensions Partnership group up to 30th September 2020.

The Director of Pensions Administration also presented a detailed quarterly update on the performance of the pension administration service.

Resolved: That the updates on investment and administration activity, together with the financial position of the Local Pensions Partnership as set out in the report presented and given at the meeting, are noted.

17. Investment Panel Report

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Ms Devitt, Independent Adviser to the Fund, presented a report on the performance of global markets/economies and factors which influenced the investment market in which the Fund operated such as the recent US election, the ongoing Covid-19 pandemic and development of associated vaccines and the approaching end of the Brexit transition period with the EU.

Resolved: That the update on the performance of global markets/economies, as set out in the report presented, is noted

18. Lancashire County Pension Fund Performance Overview

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Mr Lambert, Independent Adviser to the Fund, presented a report on the performance of the Fund up to September 2020 and highlighted key areas of interest such as the total portfolio return over different periods, the performance of individual assets and the current funding level.

Resolved: That the performance of the Fund up to September 2020, as set out in the report presented, is noted.

19. Lancashire County Pension Fund Risk Register

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Ms King, the Interim Head of Fund, presented a report on the updated Risk Register for the Fund and specific register regarding risks associated with the Covid-19 pandemic.

She highlighted a change to the rating of the risk regarding the ongoing recruitment of a new Head of Fund and reported the addition of a new risk associated with the transition of the Employer Risk Service to the Fund. With regard to references in the Register to an expected report on the updated Investment Strategy Statement Ms King informed the meeting that the finalisation of certain benchmarks had delayed the report which would now be presented to the Committee in March 2021.

Resolved:

1. That the Lancashire County Pension Fund Risk Register and summary, as set out in the Appendices to the report presented, are noted.

2. That a report on the updated Investment Strategy Statement, referred to in the Risk Register, be presented to the next meeting of the Committee.

Local Pension Partnership representatives, Mr Bourne and others dialled out of the meeting at this point.

20. Extension of the appointment of the Chair of the Lancashire Local Pension Board.

Exempt information as defined in paragraphs 1, 2 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Committee considered a report regarding the extension of the current contract between the County Council and the London Pension Fund Authority (LPFA) in relation to the independent Chair of the Lancashire Local Pension Board.

Resolved:

1. That the extension of the current joint contract of Mr W Bourne as the independent Chair of the Lancashire Local Pension Board for a further 2 years, on the basis set out in Appendix 'A' to the report presented, is approved.

2. That full Council be recommended to approve the extension of the appointment referred to at 1 above for a further two years with effect from 1st April 2021.

3. That the LPFA Board be informed of the decision specified above and asked to pursue a similar approval through its own decision making process.

L Sales
Director of Corporate Services

County Hall
Preston

Pension Fund Committee
Meeting to be held on Friday, 12 March 2021

Electoral Division affected:
None;

Lancashire County Pension Fund Investment Strategy Statement
(Appendix 'A' refers).

Contact for further information:
Michelle King, Interim Head of Fund, Lancashire County Pension Fund
Michelle.king2@lancashire.gov.uk

Executive Summary

Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 requires that Lancashire County Council, as administering authority of the Lancashire County Pension Fund, publish an Investment Strategy Statement and that it be "kept under review and revised from time to time and at least every three years".

This report presents an updated Investment Strategy Statement, identifies changes that have been made and seeks approval of the Statement.

Recommendation

To approve the updated Investment Strategy Statement at Appendix 'A' to this report.

Background and Advice

Lancashire County Council, as the administering authority of the Lancashire County Pension Fund is required to publish an Investment Strategy Statement which, under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, must be revised at least every three years.

The Investment Strategy Statement was last approved by Committee in March 2018.

The copy of the Statement attached as Appendix 'A' reflects amendments to the strategic asset allocation and performance benchmarks of the Fund and provides an update on the transition of Fund investments into asset pools.

The updated Investment Strategy Statement refers to the Fund's Responsible Investment Policy which can be located at Lancashire Fund Information - Lancashire County Council.

Details of revisions to the statement are set out below.

Strategic asset allocation

An updated strategic asset allocation of the Fund, as recommended by Investment Panel in August 2020, was approved by Pension Fund Committee in September 2020 and is included in Appendix 'A'   The changes are set out in the table below.

Asset Class	Original		Recommendation from Investment Panel 24th August 2020	Approved September 2020	
	SAA Target	Tolerance		SAA Target	Tolerance
Global Equities	42.5%	40% - 50%	Increase by 2.0%	44.5%	40% - 50%
Private Equity	5.0%	0% - 10%	No change	5.0%	0% - 10%
Fixed Income	2.5%	0% - 5%	Reduce by 1%	1.5%	0% - 5%
Credit	15.0%	10% - 25%	Increase by 2%	17%	12.5% - 22.5%
Real Estate	15.0%	10% - 20%	Reduce by 2.5%	12.5%	7.5% - 17.5%
Legacy Shared Ownership	4.0%	0% - 5%	Reduce by 1%	3%	0% - 5%
Infrastructure	15.0%	10% - 20%	No change	15%	10% - 20%
Diversifying Strategies	0.0%	0% - 5%	No change	0.0%	0% - 5%
Cash	1.0%	0% - 5%	Increase by 0.5%	1.5%	0% - 5%
Total	**100%**			**100%**	

Other revisions

Disclosure of the performance benchmarks applicable to individual asset classes has been updated where applicable.

The updated statement includes narrative on two 'new' asset classes, namely 'Legacy Shared Ownership' and 'Diversifying Strategies'. Legacy Shared Ownership has a performance benchmark and allocation tailored to a specific part of the UK property market. The Diversifying Strategies asset class comprises investments held in the LPPI Diversifying Strategies Fund, launched in October 2018.

Consultations

The Investment Panel and Local Pensions Partnership Investments Limited were consulted on the revised Investment Strategy Statement.

Implications:

This item has the following implications, as indicated:

Risk management

The Investment Strategy Statement must be reviewed at least every three years and is key to governance of the Fund.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel

N/A

Reason for inclusion in Part II, if appropriate

N/A

Investment Strategy Statement

1. Introduction

Lancashire County Council ("LCC") is the administering authority of the Lancashire County Pension Fund (the "Fund"). This Investment Strategy Statement ("the Statement") has been prepared in accordance with DCLG guidance on Preparing and Maintaining an Investment Strategy Statement (July 2017) and after taking appropriate advice.

As set out in the Regulations, the Pension Fund Committee (the "Committee") will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change in relation to any matter contained in this Statement, changes will be reflected within six months of the change occurring.

The Regulations require all Administering Authorities to take "proper advice" when formulating an investment strategy. In preparing this document and the overall investment strategy the Committee has taken advice from the LCPF Investment Panel (the "Panel", a panel of independent advisors appointed by LCC for the purpose of providing advice on pension related matters) and Local Pension Partnership Investment Limited (LPP I) which is a FCA regulated investment manager with specific expertise and regulatory permissions to provide advice on investments.

In 2000, the Government commissioned a 'Review of Institutional Investment in the United Kingdom' by Paul Myners. Following the report the Government issued a set of investment principles which have subsequently been reviewed by HM Treasury. The Fund has considered the principles and considers that it is compliant with them.

2. Investment Objectives

The Fund's primary investment objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due.

In order to meet this overriding objective the Committee maintains an investment policy so as to:

- Maximise the returns from investments whilst keeping risk within acceptable levels and ensuring liquidity requirements are at all times met;
- Contribute towards achieving and maintaining a future funding level of 100%;

The Fund will use its influence as a large institutional investor to encourage responsible long-term behaviour, which includes exercise of voting rights and ownership, delegated to LPP I and overseen by the Committee.

3. Investment Governance

The Committee is responsible for approving and reviewing on a regular basis an overall Investment Strategy and determining asset allocation to such asset classes as the Panel consider appropriate. This includes setting the higher level objectives and risk tolerances of the Fund. The Committee, in conjunction with the scheme's actuary, sets the required rate of return needed to achieve its objectives and the risks it is willing to take. Once these parameters are established, the Committee will determine the strategic asset allocation or policy portfolio that it believes has the highest probability of succeeding.

The Panel will:

• review the Fund's long term investment strategy and where necessary make recommendations to the Committee;

• propose strategic and/or tactical asset allocations, with input from LPP I

• set and monitor the range of asset allocations used by LPP I

• consider appropriate risk management strategies to include the matching of pension liabilities with suitable investments, possibly involving derivatives, and where necessary make recommendations to the Committee;

• consider foreign exchange hedging strategies relating to the equity and/or other asset allocations and where necessary make recommendations to the Committee;

• monitor and review the investment activity; and

• review and report on the performance of the Fund and where necessary make recommendations to the Committee.

The implementation of the asset allocation is delegated to LPP I. LCC is a founding shareholder of LPP I and maintains ongoing corporate governance controls but plays no direct role in investment management activities.

LPP I are responsible for managing 100% of the assets of the Fund. The large majority of the Fund's assets have been transitioned into investment pooling vehicles, also managed by LPP I, as illustrated in the table below. A small minority of assets remain on the balance sheet of the Fund as "legacy assets".

Asset class	**Percentage of total assets in pools**
Public Equity	100%
Fixed Income	100%
Diversifying Strategies	100%
Credit	91%
Infrastructure	84%
Private Equity	98%
Real Estate	64% *
Total	**90%**

**Excluding Legacy Shared Ownership, the percentage of the Fund's Real Estate assets that are pooled is 85%.*

4. Asset Allocation Framework

To pay benefits over time the Fund needs to generate a rate of return that is at least equal to the actuarial discount rate. The starting point for considering asset allocation is a simple portfolio of bonds and equities. However, this basic portfolio does not maximise diversification and therefore risk adjusted return.

In order to prudently diversify sources of risk and return, the Fund allocates capital across a wide variety of different asset classes. To be added to the portfolio, asset classes are first judged for suitability; they have to be well understood by the Committee, consistent with the Fund's risk and return objectives; and they have to make a significant contribution to the portfolio by improving overall return and risk characteristics. In addition, the new asset classes have to be less than perfectly correlated with equities and bonds, so that the Fund benefits from increased diversification. The Fund has identified a total of nine asset classes that, combined, may form the policy portfolio.

The nine asset classes shown in the table below have different exposures to economic factors (GDP growth and inflation) and combine different geographies and currencies. In assessing suitability the Committee has considered the respective return drivers, exposure to economic growth and sensitivity to inflation – each an important consideration, relative to the sensitivities of the Fund's liabilities and managing risk.

Asset Class	Long-Term Return Drivers	Economic Growth *	Inflation *	Geography	Currency
Global Equity	- Economic growth - Dividend income - Earnings growth - Change in company valuation	+	+/ - **	Diversified	Diversified
Private Equity	- Economic growth - Company growth - Earnings growth - Change in company valuation - Availability of finance - Illiquidity premium	+	+/ - **	Diversified	Diversified
Fixed Income	- Yield (minus credit losses) - Valuation increases as bonds approach maturity - Change in yield	-	-	Diversified	Diversified
Credit	- Yield (minus credit losses) - Valuation increases as bonds approach maturity - Change in yield - Illiquidity premium	+	-	Diversified	Diversified
Real Estate	- Rental yield (minus expenses) - Rental growth - Capital growth	+	+/ - **	Predominantly UK	Predominantly GBP
Legacy Shared Ownership	- Rental yield (minus expenses) - Rental growth - Capital growth	+	+/-	UK	GBP

Infrastructure	- Dividend income - Dividend growth - Capital growth	+	+	Predominantly UK	Predominantly GBP
Diversifying Strategies	- Diversified	Low correlation	Low correlation	Diversified	Diversified
Cash	- Yield	+	-	Predominantly UK	Predominantly GBP

**Sensitivities shown are to positive shocks, i.e. if growth and inflation surprise on the upside.*
*** Property, public and private equities expected to provide partial inflation protection.*

The Committee, advised by the Panel, have determined benchmark weights to each asset class which it believes to be best suited to meeting the long term objectives of the Fund. It has also identified tolerance ranges within which shorter term variations would be tolerated and/or actively pursued due to a combination of relative returns and investment opportunity.

The benchmark weight and tolerances are shown in the table below. The weights are to be maintained within the ranges, as long as the Fund can find attractive opportunities that meet its return, risk, and cash flow requirements. In the absence of opportunities investments will not be "forced" and under/over allocations may be made to any asset class whilst also remaining within the tolerance ranges. Should any allocation fall outside of the range the Committee shall seek to bring the allocation back within the range as soon as suitable opportunities are identified.

The Panel review the Strategic Asset Allocations (see below) and recommend any changes to the Committee. This table sets out the Strategic Asset Allocations approved by Committee in September 2020. In addition, the Committee and/or the Panel review any exposures which arise outside these tolerances and advise appropriate action.

Asset Class	Benchmark weight (%)	Range (%)
Global Equities	44.5	40-50
Private Equity	5.0	0-10
Fixed Income	1.5	0-5
Credit	17.0	12.5-22.5
Real Estate	12.5	7.5-17.5
Legacy Shared Ownership	3.0	0-5
Infrastructure	15.0	10-20
Diversifying strategies	0.0	0-5
Cash	1.5	0-5
Total	**100.0**	

Each asset class has its own specific investment objective (benchmark and investment performance target) and within each asset class there are further diversification controls.

Global Equities - The objective is to outperform the MSCI All Country World, net dividends reinvested, GBP Index over the full market cycle which is considered to be at least seven years (the "Benchmark"). Equity investments are made via LPP I, by investing in underlying funds which may be managed by LPP I ("Internal Mandates"), or by external third parties ("External Mandates").

Private Equity - The objective is to outperform the MSCI World SMID, net dividends reinvested, in GBP Index and provide investors with access to attractive private equity opportunities. All new investments will include, but not be limited to the following sectors: Buyout, Venture Capital, Growth Equity, Special Situations/Distressed and Upstream Energy.

Real Estate - The objective is to gain cost effective, diversified exposure to UK and international property assets that meet its investment objectives: to generate a return in excess of UK CPI inflation; earn predictable cash flows; and provide a partial hedge against inflation. The largest exposure of the portfolio will be to traditional sectors of the UK commercial real estate market. A smaller allocation will be made to value-added and opportunistic investments. The benchmark is the MSCI UK Quarterly Property Index.

Legacy Shared Ownership - The objective is to gain cost effective exposure to a specific area of the UK property market. These assets should generate predictable cash flows and provide a partial hedge against inflation.

Infrastructure - The objective is to gain cost effective, diversified exposure to global infrastructure assets located predominantly in the UK or otherwise in OECD nations. These investments seek to generate a satisfactory risk adjusted return; improve diversification; provide predictable cash flows; and indirectly hedge against inflation. The benchmark is the UK CPI + 4% pa net over a 10 year period

Fixed Income - The objective is to outperform the Bloomberg Barclays Global Aggregate (GBP Hedged) Index. The LPPI Pool will pursue this aim by investing in underlying funds which include Internal Mandates and External Mandates.

Credit - The objective is to gain cost effective exposure to diverse sources of return linked to global credit markets and credit instruments. The LPP I pool will pursue this aim primarily by allocating capital to investment vehicles or pooled funds which include External Mandates. The benchmark is an equally-weighted blended composite consisting of the S&P LSTA Leveraged Loans Index (GBP-Hedged) and the Bloomberg Barclays Multiverse Credit Index in GBP.

Diversifying Strategies - The objective is to gain cost effective exposure to diversifying sources of return distinct from global equity beta and bond duration. The LPP I pool will pursue this aim primarily by allocating capital to investment strategies which include External Mandates. The benchmark is the HFRI Fund of Funds Conservative (GBP-Hedged) Index.

Cash - Cash is managed at the Fund level by LCC until needed or drawn by LPP I for investment purposes. The benchmark is 1 month GBP LIBOR.

5. Risk Management

The overriding objective of the Fund in respect of its investments is to maximise return within an acceptable and understood level of risk.

Key risks to the Fund as outlined in the Funding Strategy Statement are:

- Investment markets fail to perform in line with expectations
- Market yields move at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term especially as there is a large concentration of investments with LPP with the resultant risk of personnel change
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation is significantly higher than anticipated
- Demographic risks
- Regulatory changes
- Changes to national pension requirements and/or Inland Revenue rules

These risks are monitored and managed with diversification being a very important risk management tool. As described in the section on Asset Allocation, the Fund will seek to maintain a diversified exposure to several different asset classes, geographies, and currencies.

The asset class pools described above are also subject to a number of constraints to allow for intra-asset class diversification, including sector, country, manager, and maximum exposure to a single asset.

Operational risk is minimised by having custody of the Fund's financial assets provided by Northern Trust, a regulated, external, third party, professional custodian. Equivalent arrangements are in place where investments are made into pooled vehicles, such as those managed by LPP I.

Performance measurement

Fund performance is measured at a number of different levels. The objective of the Fund is to outperform the actuarial discount rate.

The performance of the pooling arrangements is monitored via regular reporting and through quarterly Panel meetings. Performance for LPP I is measured against the policy portfolio benchmark. LPP I seeks to outperform the policy portfolio on a risk adjusted basis, via active sub-asset class selection, selecting the best stocks/managers for each of the pools and by implementing investments in a low cost manner. Performance for the investment pools is measured against widely used and transparent benchmarks and appropriate targets.

Where performance falls short of expectations the Committee and the Panel will identify the cause of this underperformance and will respond appropriately. In practice, the

Fund would expect to work collaboratively with LPP I to identify and remedy the cause of any underperformance.

6. Environmental Social and Corporate Governance (ESG) Policy, and approach to social investments

The Fund is committed to being a long term responsible investor. It is an integral part of the way the Fund is managed. The Responsible Investment Policy of the Fund is available at this link. Lancashire Fund Information - Lancashire County Council.

Pension Fund Committee
Meeting to be held on Friday, 12 March 2021

Electoral Division affected:
None;

Budget monitoring for period ending 31st December 2020
Appendix 'A' refers

Contact for further information:
Michelle King, Interim Head of Fund, Lancashire County Pension Fund,
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Executive Summary

This report sets out the income and expenditure of the Fund for the 9 month period to 31 December 2020 and provides an updated forecast for the year ending 31 March 2021.

The revised forecast indicates a full year net income of £204.7m, before realised and unrealised profits and losses on investments, against a budget of £219.1m.

Recommendation

The Committee is asked to review the financial results for the 9 months to 31st December 2020 and note the budget and forecast variances, as set out in the report.

Background and Advice

The Lancashire County Pension Fund budget for the year ending 31 March 2021 was approved by Committee on 6 March 2020.

The forecast for the year ending 31 March 2021 indicates that money available for investment will be £14.4m (7%) below that set out in the budget for the same period.

The latest forecast is shown in Appendix 'A' with significant variances by budget line set out below.

Income

Contributions receivable
Year to date £366.4m, full year budget £373.1m, forecast £417.0m

Up-front payments for future service and deficit funding contributions were made by a number of employers within the Fund to cover amounts due for the 3 years to 31 March 2023. These prepayments amounted to £262.2m and were received by the

Fund in April and May 2020. Accounting practice requires that these contributions be recognised on receipt rather than be allocated across the 3 financial years to which they relate. For this reason, contribution income budgeted for the current financial year is significantly higher than will be budgeted for the year ending 31 March 2022. The full prepayment is recognised in the year to date actuals and the forecast for the final quarter of this year is based upon the level of contributions received from those employers who did not elect, or were not offered the option, to prepay.

Appendix 'A' reports a £35.4m (11%) favourable budget variance against employer future service and deficit contributions. The main reason for this variance is the increased uptake of the prepayment option following the budget being set. Other factors include the above budget pay award granted to public sector employees for the current financial year.

Contributions from employees are forecast to be £6.6m (12%) above budget for the full year. The favourable variance is due to pay awards, but also, as reported to the Committee in November 2020, the budget was set too low and the updated contributions are reflected in the forecast.

Income from pension strain and augmented contributions is forecast to generate a budget surplus of £1.8m (35%), the final quarter being forecast to budget.

Transfers in
Year to date £6.9m, full year budget £12.5m, forecast £10.0m

Income from transfers is dependent on the number and timing of new members joining the Fund. No significant transfers have been notified and as a result the forecast assumes the remaining quarter will be in line with budget.

Investment income
Year to date £120.7m, full year budget £214.5m, forecast £174.3m

As for transfers in, the phasing of investment income varies throughout the financial year and is dependent on market conditions, which this year have been significantly more uncertain than usual, due to the covid19 pandemic.

Investment income for the year to date is below budget primarily due to the economic impact of the pandemic, which is likely to continue into the next financial year, informing the budget for that period.

With the exception of foreign exchange differences, all categories of investment income are behind budget for the year to date, although it is noted that income from the pooled global equity fund is within 2% of budget for the year to date.

Due to the recovery of global equity income and the expected distributions from pooled funds, the forecast for quarter 4 is assumed in line with the budget for that period. The result is a forecast under recovery of investment income of £40.2m (19%).

Expenditure

Benefits payable
Year to date £219.2m, full year budget £289.5m, forecast £291.8m

The forecast for the year is broadly in line with budget, with an overall adverse variance of 1% due to lump sum benefits being £1.5m in excess of budget.

Transfers out
Year to date £12.3m, full year budget £15.5m, forecast £16.2m

The cost of transfers out of the Fund is dependent on the number and timing of members transferring their benefits to other funds. No significant transfers have been notified and as a result the forecast assumes the remaining quarter will be in line with budget.

Fund administration expenses
Year to date £3.0m, full year budget £4.1m, forecast £4.1m

The 12 month forecast for administration expenses payable to Local Pensions Partnership Administration is on track with budget and comprises core administration services, charged on a cost per member basis in addition to employer risk services. Other administration expenses comprise the write-off of bad debts.

Investment management expenses
Year to date £65.3m, full year budget £70.0m, forecast £82.8m

Investment management costs directly invoiced to the Fund by LPPI and other investment managers for the management of non-pooled assets are running at approximately 47% of budgeted costs. These costs are calculated on the basis of the market value of non-pooled assets, which is significantly lower than budgeted due to the transition of non-pooled capital into pooled funds during the first half of the year. Reduction in market value of the non-pooled assets such as direct property holdings also reduces the non-pooled asset fees.

Investment management expenses relating to pooled investments are not invoiced but are charged directly to the pools. An accounting adjustment is made to reflect these costs for transparency and in line with CIPFA guidance on the reporting of management expenses. These costs are calculated on the basis of fair value of the pooled investments, with a performance element also payable on some investment manager mandates. The fee information is collected from underlying fund managers in arrears – with some managers reporting only half yearly or annually. As a result, the 'actual' costs for the year to date include significant estimates based on previously reported information. These estimates have been reviewed by Local Pensions Partnership Investments for reasonableness, as has the forecast for the full year which reports a significant overspend of £15.5m (25%) against the budget.

It is the Fund's policy to not estimate performance fees since they are difficult to predict and can either be an expense or, less often, a reduced cost where negative performance is reflected in a mandate. The budget for the current year was based on previous year costs which included significant credit adjustments (cost reductions) for performance. It is possible that market movements in the current year will have a similar impact on the final expenditure for 2020/21 but the amounts will not be quantifiable until the first half of 2021/22 and for prudence these potential cost reductions are not included in the forecast.

Expenditure on the Fund's directly held local and national property portfolio is forecast to underspend against budget by approximately £0.6m in the year to 31 March 2021. The fees, which includes rent collection fees, are underspent against budget, in line with expectations given the current conditions in the property market.

Oversight and governance expenses

Year to date £0.9m, full year budget £1.0m, forecast £1.0m.

A £68k overspend on County Council recharges due to agency fees is partially mitigated by a net £17k underspend across other oversight and governance expenses, the most significant being £46k underspend on legal and professional fees.

Money available for investment, before movement in market value of investments

Year to date £192.8m, full year budget £219.1m, forecast £204.7m

The net budget variance for the year is forecast at £14.4m or 7%. As outlined above, the most significant contributions to this variance are the reduction in investment income (£40.2m), increase in investment management fees (£12.8m) and net adverse impact of transfers and lump sums (£5.5m), partially offset by additional contribution income (£43.9m).

Consultations

The Local Pensions Partnership have been consulted regarding pension administration and investment management expenditure.

Implications:

This item has the following implications, as indicated:

Financial risk management

Monitoring the Fund's results against budget is a key element of financial governance and will inform the budgeting process for future years whilst highlighting potential areas of financial risk.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Lancashire County Pension Fund
Fund Account - Year ending 31 March 2021

	PRIOR YEAR ACTUAL	BUDGET	ACTUAL	FORECAST	FORECAST VARIANCE	FORECAST VARIANCE	FAVOURABLE / ADVERSE
	Year ended 31 March 2020	Year ending 31 March 2021	9 months ended 31 December 2020	Year ending 31 March 2021	Year ending 31 March 2021	Year ending 31 March 2021	
	£'000	£'000	£'000	£'000	£'000	% of budget	
INCOME							
Contributions Receivable							
From Employers							
Future service rate contributions	(102,722)	(294,554)	(301,894)	(328,290)	(33,736)	(11%)	FAV
Deficit recovery contributions	(11,822)	(16,082)	(16,228)	(17,777)	(1,695)	(11%)	FAV
Pension strain / augmented pensions	(4,797)	(5,037)	(5,565)	(6,824)	(1,787)	(35%)	FAV
From Employees	(56,339)	(57,466)	(42,737)	(64,105)	(6,639)	(12%)	FAV
Total contributions receivable	**(175,681)**	**(373,139)**	**(366,424)**	**(416,997)**	**(43,857)**	(12%)	FAV
Transfers in	(12,464)	(12,464)	(6,864)	(9,979)	2,484	20%	ADV
Total Investment Income	(204,280)	(214,494)	(120,700)	(174,324)	40,170	19%	ADV
TOTAL INCOME	**(392,424)**	**(600,097)**	**(493,988)**	**(601,300)**	**(1,203)**	(0%)	FAV
EXPENDITURE							
Benefits Payable							
Pensions	238,728	245,702	184,905	246,539	838	0%	ADV
Lump Sum Benefits	43,767	43,767	34,291	45,233	1,465	3%	ADV
Total benefits payable	282,495	289,469	219,195	291,772	2,303	1%	ADV
Transfers out	15,472	15,472	12,283	16,151	679	4%	ADV
Refund of Contributions	716	716	547	730	13	2%	ADV
Contributions Equivalent Premium	239	239	(10)	50	(189)	(79%)	FAV
Fund administrative expenses							
Administrative and processing expenses:							
LPP administrative expenses	3,386	4,128	2,962	4,100	(28)	(1%)	FAV
Write off of bad debts	10	10	5	10	0	0%	FAV
Total administrative expenses	**3,396**	**4,138**	**2,967**	**4,110**	**(28)**	**(1%)**	FAV
Investment management expenses							
Investment management fees:							
LPP directly invoiced investment management fees	2,268	2,100	577	810	(1,290)	(61%)	FAV
DIRECTLY INVOICED non LPP investment management fees - direct holdings	1,211	1,385	663	758	(627)	(45%)	FAV
Investment management fees on pooled investments	59,647	62,747	61,719	78,243	15,496	25%	ADV
Transition costs	120	120	0	0	(120)	(100%)	FAV
Custody fees	64	60	45	60	0	0%	FAV
Commission, agents charges and withholding tax	1,504	1,500	1,069	1,425	(75)	(5%)	FAV
LCC recharge for treasury management costs	58	58	44	58	0	0%	FAV

Appendix A

Lancashire County Pension Fund
Fund Account - Year ending 31 March 2021

	PRIOR YEAR ACTUAL	BUDGET	ACTUAL	FORECAST	FORECAST VARIANCE	FORECAST VARIANCE	FAVOURABLE / ADVERSE
	Year ended 31 March 2020	Year ending 31 March 2021	9 months ended 31 December 2020	Year ending 31 March 2021	Year ending 31 March 2021	Year ending 31 March 2021	
	£'000	£'000	£'000	£'000	£'000	% of budget	
Property expenses	5,516	2,000	1,132	1,432	(568)	(28%)	FAV
Total investment management expenses	**70,389**	**69,970**	**65,250**	**82,787**	**12,817**	**18%**	ADV
Oversight and Governance expenses							
Performance measurement fees (including Panel)	88	82	49	82	0	0%	FAV
Lancashire Local Pensions Board		15	8	10	(5)	(35%)	FAV
IAS19 advisory fees	0	(20)	64	0	20	(100%)	ADV
Other advisory fees	96	100	41	110	10	10%	ADV
Actuarial fees	121	100	76	101	1	1%	ADV
Audit fees	26	26	25	31	5	19%	ADV
Legal & professional fees	60	60	11	14	(46)	(76%)	FAV
LCC staff recharges	616	616	633	684	68	11%	ADV
Bank charges	4	5	1	2	(3)	(67%)	FAV
Total oversight and governance expenses	**1,012**	**984**	**908**	**1,034**	**50**	**5%**	ADV
TOTAL EXPENDITURE	**373,719**	**380,989**	**301,140**	**396,634**	**15,645**	**4%**	ADV
MONEY AVAILABLE FOR INVESTMENT BEFORE REALISED AND UNREALISED PROFITS AND LOSSES ON INVESTMENTS	**(18,705)**	**(219,108)**	**(192,847)**	**(204,666)**	**14,442**	**(7%)**	ADV

Agenda Item 6

Pension Fund Committee
Meeting to be held on Friday, 12 March 2021

Electoral Division affected: None;

Lancashire County Pension Fund 2021/22 Budget
(Appendix 'A' refers).

Contact for further information:
Michelle King, Interim Head of Fund, 01772 530808
Michelle.king2@lancashire.gov.uk

Executive Summary

A one-year budget has been set for the Lancashire County Pension Fund for the year ending 31 March 2022.

Recommendation

The Committee is asked to approve the budget for the year ending 31st March 2022, as set out in Appendix 'A' to this report.

Background and Advice

It is not a constitutional requirement for a pension fund to set an annual financial budget, but it is considered a useful monitoring tool for assessment of the overall financial position and performance.

This budget sets out a reduction in money available for investment (before accounting for changes in the market value of investments during the year) of £37.1m, an 18% variance from forecast results for the year ending 31st March 2021. The reasons for the variance and other key budget assumptions are outlined in more detail below.

The proposed budget for Lancashire County Pension Fund for the year ending 31st March 2022, is set out in Appendix 'A' to this report.

The following have been taken into account in setting the one-year budget:

- The latest forecast for the year ending 31st March 2021 which is also included in the agenda for this meeting.

- Information received from the Local Pensions Partnership and Knight Frank Investment Management in terms of investment income, administration and investment management expenditure.

- The 2019 actuarial valuation in respect of contribution income receivable,
- The current investment strategy.
- Contractual agreements in respect of oversight, governance and investment management fees.

Previous budget assumptions have also been reviewed and adjusted where appropriate.

Key assumptions supporting the budget are set out below

INCOME

Income from members and employers

Contribution income for the year ending 31st March 2022 excludes receipts from employers who chose to pay future service rate and/or deficit contributions in advance following the 2019 actuarial valuation.

Certain large employers within the Fund were offered the option to 'prepay' contributions for the 3 years ending 31st March 2023. The employers opting to take this opportunity benefited from a contribution rate discount and under accounting principles for revenue recognition, the income to the Fund was reported in the year of receipt. This accounting treatment was agreed with the Fund's external auditor, the rationale being that the Fund has the beneficial 'ownership' of the cash on receipt, with no contractual obligation to return it.

This accounting treatment results in reduced contribution income being reported for 2021/22 and 2022/23. The up-front payments were received in April and May 2020 and these cash receipts are included in the overall value of the Fund either through recognition of investments purchased with the cash or as part of the Fund's cash balance.

The element of the prepayment which is attributable to the year ending 31st March 2022 is approximately £87m. The budgeted Fund Account attached as Appendix 'A' has been extended to reflect the net position had the contributions not been recorded on receipt. The result reports a net surplus of cash available for investment of £50m rather than the budget deficit of £37m and illustrates the impact that this accounting treatment has on the reported results of the Fund.

The public sector pay freeze has been applied to employee contributions and a 0% pay award has been assumed for other, non-public sector employers. As a result, employee contributions are budgeted to be equal to the forecast full year for 2020/21.

The income in respect of pension strain has also been held at the current year forecast amount as uncertainty around the exit cap continues and it is assumed that this will impact on the number of members seeking early retirement or receiving pension enhancements.

Investment income

Due to the continuing impact of the covid-19 pandemic and for prudence, no increase in investment income has been budgeted, with the exception of £8m additional income from pooled property investments.

The forecast for 2020/21 includes distributions from pooled property equivalent to net rental income for 9, rather than 12, months. The pooled investment properties were previously held as direct assets of the Fund and the policy was to recognise the rental income on an accruals basis, as it fell due. The income recognition policy for pooled investments is to record the income on receipt. For this reason, the distribution in early 2020/21 had been reported as rental income in 2019/20 and income following transition was not recognised until the second quarter of 2020/21. The budget for the year ending March 2022 reflects a full year of income from pooled properties.

EXPENDITURE

Benefits payable

Benefits payable have been budgeted to increase by RPI of 1.1%.

Transfers out and payments to leavers

No increase to payments in respect of leavers has been included in the budget.

Pensions administration expenses

The budget for administration fees payable to Local Pensions Partnership Administration Limited (LPPA) reflects the agreed increased cost per member for core administration services and incorporates the following:

1. The provision of the new website and it's new functionality i.e. webchat
2. The new telephony solution implemented during deployment of homeworking
3. The implementation of an e-signatory tool to enable more processes to be completed online
4. Regular tracing and a monthly mortality screening using Target Professional Services
5. A full year of the newly established LPPA Risk & Compliance Function
6. Targeted campaigns and training for Employers via the LPPA Engagement Team

The core fee excludes work not considered 'business as usual'. This includes anticipated 'data cleansing' work and charges arising due to the implications of McCloud. The Fund budget includes £108k as an estimate for these pieces of work which will be the subject of specific engagement fees.

The administration expense budget also includes an estimate for potential write-offs in respect of unpaid Fund invoices.

The transfer of employer risk services from Local Pensions Partnership Administration to Lancashire County Council is incorporated in the budget, the saving funding the additional costs set out above and the increased Lancashire County Council staff recharge included within oversight & governance costs.

Investment management expenses

The budget for investment management expenses includes both invoiced fees and fees which are embedded in the net asset value of investments.

The majority of invoiced fees are payable to Local Pensions Partnership Investments Limited for the management of non-pooled investments. These invoices are calculated on the basis of the market value of those investments and the budget of £1m reflects the transition of the majority of the Fund's investments into pooled arrangements. The budget is consistent with the level of invoicing through the third quarter of 2020/21 with an asset growth assumption of 5% applied.

Other directly invoiced fees are payable to the Fund's property managers and other directly held investment managers. The forecast for the year ending 31st March 2021 includes a non-recurring performance fee relating to the Fund's 'Logistics North' investment.

Local Pensions Partnership Investments Limited do not invoice the Fund directly for the management of pooled investments but instead these fees are recovered through a deduction from the distributions paid to the Fund. The budget for these fees is £11.2m compared to the previous year budget of £9.4m. There are a number of reasons for the increase.

The cost of managing pooled rather than non-pooled funds is greater and due to the investment of cash (treated as a non-pooled investment) into pooled infrastructure and credit investments, together with further transition of legacy credit funds into pooled investment vehicles, the proportion of investments within pools has increased. Although the Local Pensions Partnership management cost for pooled investments is higher than for those remaining on the Fund balance sheet, the fees are lower than would be charged by external managers due to the economies of scale achieved through asset pooling.

The assumed 5% asset growth also results in an increase in the fee payable on pooled assets under management.

The fees embedded in the value of underlying investments within the pools have been budgeted at an amount equal to the forecast for the year ending 31st March 2021. As has been reported to Committee through quarterly budget monitoring reports, these fees are inherently difficult to forecast and are reported by managers in arrears. Performance of individual investments can result in significant fee increases or reductions which are not budgeted.

Oversight and governance expenses

Performance management and the Local Pensions Board budgets reflect the annual inflationary increase in allowances paid to the Fund's independent investment advisors and the Chair of the Local Pensions Board.

The budget for advisory fees has been increased by £50k to provide for any additional internal audit work which may be commissioned during the year.

The actuarial fees budget has been increased to include £65k to cover the additional support which will be provided by the Fund's actuary in respect of employer risk services.

The fee for external audit is currently the subject of a nationwide consultation. An increased cost is expected due to the heightened scrutiny being placed on the audit of pension funds in general and in particular around the valuation of level 3 investments (those which are not traded or for which observable market data or comparable investments are not available). An additional £10k has been included in the budget but to date no indication of the likely fee increase has been provided.

The increase in the budgeted staff recharge from Lancashire County Council incorporates additional resource for employer risk and also reflects an updated structure within the team. The expected additional charge has not yet been agreed with Lancashire County Council and has been included in the Fund budget for prudence.

NET POSITION

This budget sets out a reduction in money available for investment (before accounting for changes in the market value of investments during the year) of £37.1m.

This budgeted deficit is primarily due to the recognition of employer contributions paid in advance as income in 2020/21, in line with generally accepted accounting practice and as agreed with the Fund's external auditors Grant Thornton.

The short fall is compounded by an expectation of reduced investment income, relative to prior years, due to the ongoing impact on market conditions of the covid-19 pandemic which is not budgeted to be mitigated by reduced investment management expenditure.

Consultations

The Local Pensions Partnership for pension administration and investment management expenses. Knight Frank Investment Management for investment management and property management expenses.

Implications:

This item has the following implications, as indicated:

Risk management

Regular monitoring against the budget will provide a useful tool for reviewing the financial position and performance of the Lancashire County Pension Fund, providing an analysis of significant variances from expectations.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Lancashire County Pension Fund
Fund Account Budget For Year Ending 31 March 2022

	ACTUAL year ended 31 March 2020 £'000	BUDGET year ending 31 March 2021 £'000	FORECAST year ending 31 March 2021 £'000	BUDGET year ending 31 March 2022 £'000
INCOME				
Contributions Receivable				
From Employers				
Future service rate contributions	(101,487)	(294,554)	(328,290)	(99,190)
Deficit recovery contributions	(11,207)	(16,082)	(17,777)	(4,646)
Pension strain / augmented pensions	(2,752)	(5,037)	(6,824)	(6,800)
From Employees	(61,534)	(57,466)	(64,105)	(64,105)
Total contributions receivable	**(176,981)**	**(373,139)**	**(416,997)**	**(174,741)**
Transfers in	(17,017)	(12,464)	(9,979)	(9,900)
Total Investment Income	(212,631)	(214,494)	(174,324)	(179,488)
TOTAL INCOME	**(406,629)**	**(600,097)**	**(601,300)**	**(364,129)**
EXPENDITURE				
Benefits Payable				
Pensions	239,299	245,702	246,539	249,251
Lump Sum Benefits	47,803	43,767	45,233	45,300
Total benefits payable	287,102	289,469	291,772	294,551
Transfers out	20,466	15,472	16,151	16,200
Refund of Contributions	1,073	716	730	730
Contributions Equivalent Premium	238	239	50	50
Fund administrative expenses				
Administrative and processing expenses:				
Administrative expenses	3,421	4,128	4,100	4,206
Write off of bad debts	1	10	10	10
Total administrative expenses	**3,422**	**4,138**	**4,110**	**4,216**
Investment management expenses				
Investment management fees:				
LPP directly invoiced investment management fees	1,922	2,100	810	1,178
DIRECTLY INVOICED non LPP investment management fees - direct holdings	2,277	1,385	758	163
Investment management fees on pooled investments	54,690	62,747	78,243	80,043
Transition costs	0	120	0	0

Lancashire County Pension Fund
Fund Account Budget For Year Ending 31 March 2022

	ACTUAL year ended 31 March 2020	BUDGET year ending 31 March 2021	FORECAST year ending 31 March 2021	BUDGET year ending 31 March 2022
Custody fees	100	60	60	60
Withholding tax - included within investment income for statutory accounts	1,323	1,500	1,425	1,425
LCC recharge for treasury management costs	58	58	58	58
Property expenses - included within investment income for statutory accounting.	6,574	2,000	1,432	1,276
Total investment management expenses	**66,945**	**69,970**	**82,787**	**84,204**
Oversight and Governance expenses				
Performance measurement fees (including Panel)	62	82	82	85
Lancashire Local Pensions Board	12	15	10	12
IAS19 advisory fees	(23)	(20)	0	0
Other advisory fees (including abortive fees)	121	100	110	160
Actuarial fees (non IAS19)	221	100	101	166
Audit fees	37	26	31	41
Legal & professional fees	88	60	14	14
LCC Staff Recharges	616	616	684	763
Bank charges	7	5	2	2
Total oversight and governance expenses	**1,142**	**984**	**1,034**	**1,244**
TOTAL EXPENDITURE	**380,388**	**380,989**	**396,634**	**401,195**
(MONEY AVAILABLE) / REDUCTION IN MONEY AVAILABLE FOR INVESTMENT BEFORE REALISED AND UNREALISED PROFITS AND LOSSES ON INVESTMENTS	**(26,240)**	**(219,108)**	**(204,666)**	**37,067**

Memo: Impact of prepaid contributions	
2021/22 Future service rate contributions received in 2020/21	**(82,672)**
2021/22 Deficit contributions received in 2020/21	**(4,377)**
Money available after adjusting for prepaid contributions	**(49,983)**

Pension Fund Committee
Meeting to be held on Friday, 12 March 2021

Electoral Division affected: None;

Lancashire County Pension Fund Strategic Plan 2021-24
(Appendices 'A' and 'B' refer)

Contact for further information: Michelle King, 01772 530808, Interim Head of Fund,
Michelle.king2@lancashire.gov.uk

Executive Summary

The Strategic Plan defines the key objectives of the Fund. Given the dependence of the Fund on the three yearly actuarial valuation cycle as a driver for much of its activity, the strategic plan looks at specific objectives over this time period. The management of the Fund is broken down into four areas, namely:

- Governance
- Asset and Liability Management
- Administration
- Communication

The 3 year plan is attached at Appendix 'A' and the annual update is attached at Appendix 'B' to this report.

Recommendation

The Committee is asked to approve the draft Lancashire County Pension Fund Strategic Plan 2020/21 – 2023/24, and the 12 month update as attached at Appendices 'A' and 'B' to this report.

Background and Advice

It is considered good governance for pension funds to develop a clear planning and risk management framework. The Lancashire County Pension Fund has produced its Strategic Plan to cover the three year period 2020/21 to 2023/24.

The Independent Advisers to the Fund and the Actuary reviewed the previous strategic plan and considered that the areas of activity around which the existing Plan is constructed are still valid and therefore the proposed Plan for 2020/21 to 2023/24 is framed around four thematic areas of focus:

- 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.

A draft three year Strategy, together with an annual update are attached at Appendices 'A' and 'B' to this report for approval.

Consultations

The draft plan was consulted with LPP and the Funds advisers.

Implications:

This item has the following implications, as indicated:

Risk management

The Strategic Plan has been developed in line with the risk register. Having a strategic plan will assist in the management of those risks faced by the Fund.

Financial

There are no direct financial consequences of adopting the Plan.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate
N/A

Appendix A

Lancashire County Pension Fund

Strategic Plan 2021-2024

Lancashire County Council as administering authority of
Lancashire County Pension Fund

Lancashire County Council

www.lancashire.gov.uk

Contents

Foreword

The Lancashire County Pension Fund is the means of pension saving and the provider of retirement security for 178,160 active members as of December 2020 and 400 employers across the County. With assets approaching £9.4bn 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

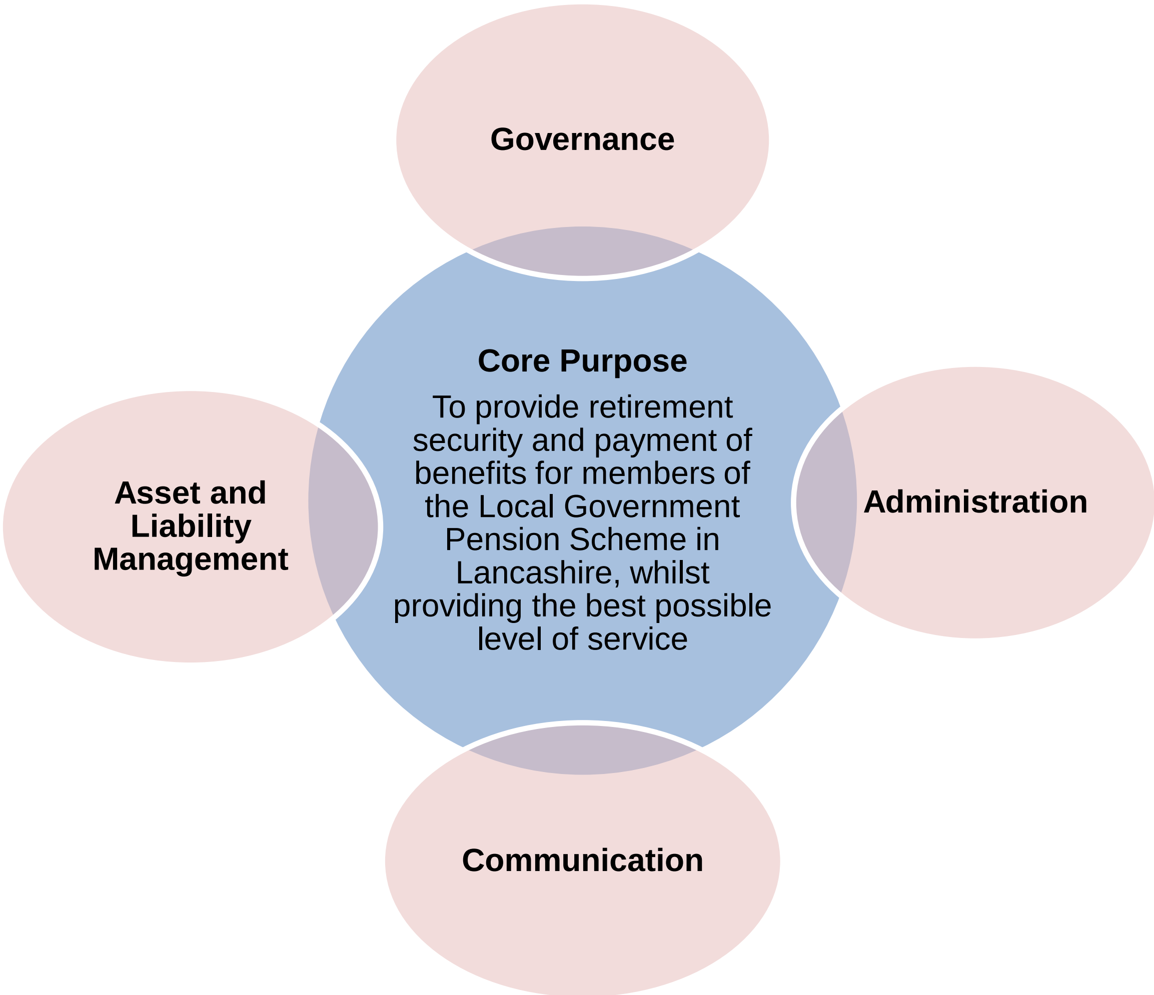
Michelle King
Interim Head of Fund

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 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.

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

Outcomes	Actions	Timeframe
LCPF resourcing arrangements	• Ensure the resilience of the LCPF team to support robust succession planning and address capacity risks • Develop resilience in the Employer risk function.	Ongoing
Service Based Review	• Service Based Review of LPP A and LPP I.	Effective from 8 April 2021 to 7 April 2022.
Compliance with all statutory regulations.	• 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 (COP14) and develop performance monitoring against that. • 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.	Quarterly progress reporting over the period of this strategic plan
LPP A quality and performance scores are high and the service is operating effectively. High member feedback and the experience. High employer satisfaction with LPPA service quality	• 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 adjustments to bring	Throughout period of Strategic Plan

	performance in line with SLAs or employer expectations. • Ensuring documented and transparent process for the determination of accountability for errors and allocating the costs associated with these appropriately.	
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.	• 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.	Throughout period of Strategic Plan as proposals are submitted
Ensure appropriate and effective implementation of Responsible Investment.	• Oversee the LPP I in the implementation of RI strategies and the RI dashboard.	Quarterly progress reporting over the period of this strategic plan.
Improve the risk management framework, processes and delegations to LPP A and LPP I. 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.	• 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. • 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 circumstances of the employer	Quarterly progress reporting over the period of this strategic plan.

	alters materially or the risk of the employer significantly changes. • and 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.	
Ensure compliance with the Pension Regulator's (TPR) code of practice No. 14 and subsequent revisions.	Review the COP14 guidance and revisions to ensure compliance.	Quarterly progress reporting over the period of this strategic plan.

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 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.

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

Outcomes	**Actions**	**Timeframe**
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. Review employer funding levels for identification of changes and interim valuation if required. Complete the 2022 Valuation.	• 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. • Early anticipate the 2022 valuation decisions and position for Fund employers.	Investment Panel monitoring and quarterly reporting.
Ensure effective cash-flow management to meet pension fund payments in the future	• Investment Panel to monitor cash-flow throughout the plan and ensure cash strategies are appropriate and in keeping with the Strategic Asset Allocation.	Quarterly progress reporting over the period of this strategic plan.

	• Investment Panel to ensure it hold assets to ensure sufficient liquidity in the Fund.	
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.	Investment Panel monitoring and quarterly reporting.
Ensure that the Investment Strategy is up to date and appropriate.	• To periodically review the Investment Strategy and implement any changes • To document the Fund's Investment Beliefs and objectives.	Ongoing throughout the period

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
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.	To implement any regulations from the SAB or government. This will include : • 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	Implementation in accordance with statute
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.	Implemented in accordance statutory timetables

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:

Outcomes	Actions	Timeframe
The LCPF develop different communication channels and leverage the use of digital media to meet the needs of all of its stakeholders	• 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	Quarterly progress reporting over the period of this strategic plan.
Cyber Security and Scams	• LPP A and LCPF put in place processes to safeguard members and employers in online activities and comply with the Pension Regulator's Scorpion initative.	

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 (LPP I) and administration activities (LPP A).

LPP I – Local Pensions Partnership Investment.

LPP A – Local Pension Partnership Administration

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.

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

Contacts for further information

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

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Helpdesk phone: 0300 323 0260

Web contact form: www.lppapensions.co.uk/contact/contact-lppa

Website: www.lppapensions.co.uk

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- 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	Progress December 2019	Progress December 2020
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. • The fund's Governance Policy document has been updated as necessary.	2020/21	No further changes have been required.	The Governance Policy was presented to Pension Board in January 2021.
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	2020/21	MIFID 2 is business as usual activity. GDPR action plan in place to tackle high risk areas Senior Managers & Certification Regime (SMCR). Wide	MiFiD 2 implemented on time. It is an on-going process which will continue to be reviewed. The Fund & LPP have implemented GDPR regulations.

Appendix B

	• Work with LPP representatives to implement changes		ranging project in place to deliver this new FCA regime. Implementation date of 9th December 2019 and LPPI is on track to deliver this	
Ensure that LPP are operating effectively and to the agreement	• Regular meetings with LPP • Monitoring of performance and KPI's	2020/21	PWC undertook an independent review in 2018 of LPP of all aspects of LPP delivery. The review was satisfactory. Regular meetings with LPP continue to be held and performance measurement reported to committee. A three year benchmarking review is progress	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	2020/21	Berkshire Pension Fund now has it assets managed by LPP. The Pension Fund Committee and Investment Panel continue to monitor performance and ensured that there has been no detriment to LCPF.	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	2020/21	A new Responsible Investment Policy was presented and agreed at the Pension Fund	The Working Group is reporting back to the November Pension Fund Committee with a revised

Page 55

			Committee meeting held in November 2018. The new dashboard style reporting are still to be implemented by LPP. Closer working with LPFA regarding RI is still planned, however has yet to be initiated due to LPFA's directing resources to their own policy.	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. A special workshop looking at the pros and cons of 'divestment' organised and facilitated in November for Committee and Board members. Additionally, a training session regarding the LPP dashboard took place in November.
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;	2020/21	A Risk Management Framework has been developed and implemented – after approval by the Pension Fund Committee in June 2019. Links with the LPP risk register is maintained through quarterly meetings with LPP.	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. A new Risk Management Framework for the Fund has been developed and agreed through the PFC.
Implement any changes to the Local Pensions Board arising from the Advisory	• Assessment of Advisory Board findings and identify any weakness in the working of the Lancashire Local Pension Board	2020/21	The Scheme Advisory Board published their Good Governance Report on 31 July	No recommendations have been issued from the SAB. There will be

Page 56

Board review of their effectiveness			2019. The report can be found at the following link:www.lgpsboard.org/images/PDF/GGreport.pdf Hymans Robertson, who were originally commissioned to produce the report, will now assist the Scheme Advisory Board in taking forward the next stage of the project.	no further updates on this matter as a result.
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	2020/21	All Committee and Board members have had training on Code of Practice 14. LPP produce quarterly SLA performance reports which provide data quality review information. The Pensions Regulator has announced changes to existing codes of practice. The content of the 15 current codes of practice will be combined to form a single shorter code. Codes most affected by these regulations will be addressed first,	The Fund produces: 1)an annual Compliance Statement against the Pension Regulator's Code of Practice 14. 2) a breaches report covering data, contributions, operational systems and processes.

			and this includes Code of Practice 14 which applies to public sector schemes such as the Local Government Pension Scheme. LCPF will need to demonstrate that they have an effective governance system within 12 months of the date the updated codes are published. A formal consultation is due to be launched at the end of 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 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.

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

Outcomes	Actions	Timeframe	Progress December 2019	Progress December 2020
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.	2020/21	Liquid assets have been managed by LCC in line with the allocations in the Investment strategy.	Investment Strategy Statement allocations have been implemented. Liquid assets have been managed by LCC in line with the allocations using appropriate types of investment.

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	2020/21	A real estate pool was launched in October 2019 which is the final investment pooling vehicle	Asset are managed in accordance with Investment Strategy Statement and revised Asset Class Mandates.
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	2020/21	CIPFA published an updated guide to preparing pension fund annual reports in early 2019. This guidance identified disclosures as either 'must disclose', 'should disclose' and 'may disclose'. Working with LPP the Fund has complied with all 'must disclose' requirements and many of the 'should disclose' items. The 2018/19 annual report includes the mandatory asset pool disclosures, including set up and transition costs, savings information and ongoing investment management expenses. The Fund's disclosures are consistent with those reported in LPP's own statement of accounts and other external reporting. LPP are a signatory to the transparency code and are actively working with investment managers to improve the integrity and timeliness of quarterly and annual cost reporting. This will support the Fund in	LPP I report against MIFID II on quarterly basis and also report on the cost transparency scheme.

			meeting the evolving objective of increased cost transparency	
Ensure that the Investment Strategy is up to date and appropriate.	• To periodically review the Investment Strategy and implement any changes	2020/21	The Investment Panel continue to review the strategy. The Funding Strategy Statement will be reviewed in light of latest information on the Fund's position following the valuation. The Investment Strategy will be reviewed and amended as necessary following approval of the Funding Strategy Statement.	The Investment Strategy Statement was revised in March 2022 for approval by the Pension Committee.
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	2020/21	All data files and cash flow files were sent to the scheme actuary by 31 July 2019. Release of employer results and schedules were released mid-November, following completion of presentations and engagement with employers A draft Funding Strategy Statement has been sent out for consultation to scheme employers. Any responses are to be submitted by the end January. The draft Funding Strategy is being submitted to the committee in February. Provision of formal report and actuarial certificate will be completed at the end of March.	The certified 2019 valuation report was published in March 2020 confirming employer contribution rates for the period 1 April 2020 through to 31 March 2023 including any "pre-paid" options adopted by employers. These revised certified rates have been notified to scheme employers and remittances continue to be deducted at these revised rates. Additionally, the Funding Strategy Statement was approved at the march Pension Fund Committee, following a consultation with scheme employers. This was published in March 2020 and shared with Scheme employers.

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	Progress December 2019	Progress December 2020
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	2020/21	A dedicated complaints officer has been established at LPP. Additionally LPP are conducting a review of systems and processes to reduce both the level of error and process time on cases.	LPPA have implemented changes to the administration service. The impact of these has been monitored and reports presented to the Pension Fund Committee Additionally since May 2020 LPPA provide a monthly risk and compliance report to the Fund identifying complaints, breaches, incidents and other risks and issues relevant to the

				client during the reporting month. LPPA have, in the latter part of 2020 built up and established a more focused and dedicated Risk and Compliance function to strengthen controls within pension administration. Part of this team includes a Quality Assurance and Compliance Monitoring Team with a plan to deliver a series of audit engagements based on an appropriate risk assessment and priorities that are consistent with the objectives of the Fund's expectations.
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.	2020/21	LCPF have introduced an escalation policy for dealing with employer issues surrounding, specifically, the remittance of pension contributions. The policy took effect from Feb 2019. Additionally progress has been made to reconcile the data reports received in the EPIC system with the contribution	The revised Pension Administration Strategy Statement is advised for approval at Pension Fund Committee in March 2020.

			remittances received by the Pensions Finance team. Consideration will now be given to enhancing the EPIC system to provide more automation to this process.	
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 admission 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.	2020/21	The admission and termination policy will be reviewed following the completion of the Funding Strategy Statement review. Pension strain factors will be reviewed following the completion of the results of the current LCPF valuation and any feedback falling out of the current exit cap consultation. The review of employer covenants will now form part of future valuation processes and will utilise both LPP's employer risk function and Mercers risk modeller.	A new admission and termination policy was completed and approved in August 2020. The policy was amended to incorporate further changes to legislation covering exit credits, allowances for the on-going effects of the McCloud judgement and generally to bring the policy in line with the Funding Strategy Statement which had been amended in March 2020. Further updates to the policy are scheduled to be consulted upon from April 2021 to cover deferred debt arrangements and other options to manage changes in employer covenant.

				The employer risk function is returning to the in house team from 01 April 2021 and a series of employer covenant checks will be undertaken as soon as possible after that to identify where additional security is required to mitigate employer risk liabilities.
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	2020/21	Update on consultations: 1/ Local valuation cycle and the management of employer risk The MHCLG have confirmed that it is likely to retain a 3 year valuation for now and would review the situation further in 2021.The issue of exit credits which was also part of the same consultation, may now be addressed in a separate statutory instrument. 2/ Exit Payment reform The consultation on limiting exit payments for public sector workers closed on 3 July 2019. HM Treasury received	The current position on expected regulations and regulations received is set out below: **McCloud** - The Government has previously accepted that all public sector schemes need to be amended. For the LGPS amendment regulations are not expected until 2021 at the earliest. **Fair deal**t - It is understood that actual regulations are still progressing but with no expected release date being given. **Cost Cap** - Any proposed changes are currently on hold pending the

			approximately 600 responses, and it is likely they will publish their response later this year, however it is unlikely that the Treasury will introduce the cap before 1 April 2020 3/ Fair Deal – Strengthening pension protection MHCLG have confirmed that they have not finished the policy work and will provide a further update on 10 December 2019 in regard to implementation timescales.	outcome of the McCloud process. **The Local Government Pension Scheme (Amendment) (No. 2) Regulations 2020** These regulations came into force on 23 September 2020. This legislation introduced "deferred debt" provisions, allowing employers to continue to participate in the Fund as ongoing employers after their last active member leaves in order to manage an exit payment that may be due. The Fund has developed a policy which it now intends to consult on. Additionally the amendments also provide the ability to review employer contributions between valuations, in circumstances where there has been a significant change to an employer's liability or covenant. The Fund has developed a policy in this area too which will form part of the same

				consultation referred to above.

Page 66

Communication

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- 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.
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- 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:

Outcomes	Actions	Timeframe	Progress December 2019	Progress December 2020
To ensure that all members and stakeholder appropriately identify and recognise LCPF	• Develop LCPF Branding • Develop a new website.	2020-21	A new brand and logo has been developed and agreed by the Pension Fund Committee in June 2019.	The Fund have developed a new website and this will be going live in March 2021.

			Development of the Fund website is currently on-going.	
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	2020-21	These were fully implemented into the Fund' portfolio early in 2019. LCC's salary sacrifice scheme is now fully up and running, a programme is in place to continually promote and expand the scheme.	No further reporting on this outcome will be undertaken on this subject since this is an employer function.

Glossary

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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 activities (LPP I) and administration activities (LPP A).

LPP A – London Pension Partnership Administration.

LPP I – London Pension Partnership Investment.

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.

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

Pension Fund Committee
Meeting to be held on Friday, 12 March 2021

Electoral Division affected:
(All Divisions);

Pension Administration Strategy Statement Review
(Appendix 'A' refers)

Contact for further information:
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Executive Summary

Although the Pension Administration Strategy Statement is reviewed as a matter of course where there are significant changes to the Scheme regulations or Pension Fund policies, it also prudent and best practice to ensure that a general review is undertaken of the Fund's policies and statements at regular intervals to ensure they remain appropriate and compliant with the Fund's policy intentions. The review of the Pension Administration Strategy Statement was completed recently by the Local Pensions Board.

Recommendation

The Pension Fund Committee is asked to approve the Pension Administration Strategy Statement set out at Appendix 'A' , as reviewed by the Local Pensions Board on 19th January 2021.

Background and Advice

The County Council is responsible for administering the Lancashire County Pension Fund and delegates its functions in respect of the Scheme to the Pension Fund Committee who further delegate the administration of the Scheme to the Local Pensions Partnership Administration under the terms of a Service Level Agreement.

The Pension Fund Committee, in conjunction with the Local Pension Board, have responsibility for the monitoring and review of this Administration Strategy.

The primary purpose of the statement is to facilitate the improvement of administrative processes in compliance with regulatory provisions and the Code of Practice No 14 as issued by the Pension Regulator.

The key objective in relation to administration is to deliver an efficient, quality and value for money service to the Fund's scheme employers and scheme members.

As such the key objectives will be to ensure that:

- the Pension Fund and scheme employers understand their responsibilities under the Scheme and the processes in place to meet those responsibilities.
- the Pension Fund and scheme employers are compliant with the scheme rules and the Pension Regulator's code of practice.
- accurate records are maintained, and data/documents are submitted in a timely and secure manner.
- lines of communication between the Pension Fund and scheme employers are maintained and enhanced to maximise employer engagement.
- in house and external training continues to be developed and rolled out.
- service standards are maintained, improved and regularly monitored.

The Pension Administration Strategy Statement was last revised in September 2018 following a consultation with scheme employers. The changes made at that time included the extension of the number of employer and fund performance standards to be measured, the introduction of charges to be levied on a scheme employer whose performance falls short of the employer performance standards and minor amendments to reflect procedural changes in relation to data collection processes.

The statement was reviewed by the Local Pension Board when they met on the 19th January 2021 where it was reported that no significant changes had arisen from the review and that the Local Pensions Partnership Administration (LPPA) was currently meeting all key performance indicators. It was noted that the Statement was primarily a document on the relationship between employers, the administering authority and Local pensions Partnership Administration. However, the Board acknowledged that there was merit in also making the document available to the Fund membership so that individuals could find out more about their employer and the administrator if they wished to do so.

The financial penalties for employers who failed to provide information in accordance with the Statement was also discussed and it was noted that such penalties were considered a last resort and rarely used in relation to the Fund.

The Board Resolved**:**

1. That the content of the Pension Administration Strategy Statement, as set out at Appendix 'A' to the report presented, is noted and that the new Fund branding be applied to the document before it is published.

2. That the Communication Strategy for the Fund be updated to include reference to the Administration Strategy Statement and direct the Fund membership to a copy should they wish to access it.

Consultations

The Lancashire Local Pension Board on the 19th January 2021

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel

N/A
Reason for inclusion in Part II, if appropriate

N/A

APPENDIX A

PENSION ADMINISTRATION STRATEGY STATEMENT

Lancashire County Pension Fund

Revised March 2021

CONTENTS

INTRODUCTION

This is the Pension Administration Strategy Statement (Administration Strategy) of the Lancashire County Pension Fund (the Pension Fund) in relation to the Local Government Pension Scheme (the Scheme), which is administered by Lancashire County Council (the County Council).

Aims

The Pension Fund is committed to providing a high quality pension service to both members and scheme employers and to ensure that the Pension Fund is effectively governed. The aim of this Administration Strategy is to set out the roles and responsibilities of the Pension Fund and its scheme employers in administering the Scheme. It seeks to promote good working relationships and improve efficiency between the Pension Fund and its scheme employers.

The efficient and effective delivery of the benefits of the Scheme is dependent on sound administrative procedures being in place between a number of interested parties, including the Pension Fund and scheme employers. The Administration Strategy sets out the quality and performance standards expected of the Pension Fund and its scheme employers, and provides details about the monitoring of performance levels and the action(s) that might be taken where persistent failure occurs.

Specifically the Administration Strategy will seek to facilitate best practices and efficient customer service in respect of the following:-

- Procedures for liaison and communication with scheme employers;
- The establishment of performance levels which the administering authority and scheme employers are expected to achieve;
- Procedures to ensure compliance with statutory requirements in connection with the administration of the scheme;
- Procedures for improving the methods of passing information between the administering authority and scheme employers.

Implementation

The Administration Strategy is kept under review and revised to keep abreast of changes in Scheme regulations and Pension Fund policies and procedures.

Changes to the Administration Strategy will be made following consultation with employers who, along with the Secretary of State, will receive a copy of the revised statement.

Regulatory basis

The Scheme is a statutory scheme, established by an Act of Parliament. The following principal regulations governing the Scheme are shown below:

- The Local Government Pension Scheme Regulations 2013 [SI 2013/2356] (as amended)

- The Local Government Pension Scheme (Transitional provisions, savings and amendment) Regulations 2014 [SI 2014/525] (as amended)

This legislation may be accessed at http://www.lgpsregs.org/index.php/regs-legislation

Specifically regulation 59 of the Local Government Pension Scheme Regulations 2013 enables a Local Government Pension Scheme Fund to prepare a document ("the pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, regulation 70 of the Local Government Pension Scheme Regulations 2013 allows a fund to recover additional costs from a scheme employer where, in its opinion, those costs are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

SCHEME ADMINISTRATION

Responsibility
The County Council is responsible for administering the Lancashire County Pension Fund.

The County Council delegates its functions in respect of the Scheme to its Pension Fund Committee who further delegates the administration of the Scheme to the Local Pensions Partnership under the terms of a Service Level Agreement.

The Pension Fund Committee, in conjunction with the Local Pension Board, are responsible for the monitoring and review of this Administration Strategy.

Objectives
The Pension Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members.

As such the key objectives will be to ensure that:

- the Pension Fund and scheme employers understand their responsibilities under the Scheme and the processes in place to meet those responsibilities;
- the Pension Fund and scheme employers are compliant with the scheme rules and the Pension Regulator's code of practice;
- accurate records are maintained and data and documents are submitted in a timely and secure manner;
- lines of communication between the Pension Fund and scheme employers are maintained and enhanced to maximize employer engagement;

- in house and external training continues to be developed and rolled out;
- service standards are maintained, improved and regularly monitored.

PERFORMANCE STANDARDS

The Local Government Pension Scheme prescribes that certain decisions be taken by either the Pension Fund or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Pension Fund has agreed levels of performance between itself and scheme employers which are set out in this Administration Strategy.

Internal quality standards
The Pension Fund and scheme employers will ensure that all functions and tasks are carried out to agreed quality standards. In this respect the standards to be met are:

- compliance with all requirements set out in the Employers' Guide, as amended from time to time
- information required by the Pension Fund to be provided in the standard specified format/form
- communications to be in a plain language/plain English
- information provided must be authorised by an appropriate officer
- actions carried out, or information provided, must be within the timescales set out in this Administration Strategy.

Timeliness
Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the Scheme.

The Scheme itself sets out a number of requirements for the Pension Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependents, other pension arrangements or other regulatory bodies. The following sections on responsibilities set out the locally agreed timescales for these requirements.

PENSION FUND RESPONSIBILTIES

This section outlines the key responsibilities of the Pension Fund and the performance standards scheme employers and scheme members should expect. It is focused on the key activities which scheme employers and scheme members are involved in and should not be viewed as a complete list of all activities.

Pension Fund Administration
This details the functions which relate to the whole Pension Fund, rather than individual scheme members' benefits.

Function/Task	Performance Target
Publish and keep under review the Pension Fund's Administration Strategy.	Within one month of any changes that have been consulted on with scheme employers.
Publish and keep up to date scheme guidance	30 working days from any revision.
Publish and keep up to date all forms required for completion by scheme members, prospective scheme members or scheme employers.	30 working days from any revision.
Host a meeting for all scheme employers.	Annually for administrators and separately for Finance Directors/Chief executives.
Organise training sessions for scheme employers.	As matter of course for all new employers in the form of induction training. Upon request from scheme employers, or as required, up to a maximum of 10 days for each employer per annum. Attendance in excess of 10 days will be provided at a daily rate to be determined on request.
Notify scheme employers and scheme members of changes to the scheme rules.	Within one month of the change(s) coming into effect.
Notify a scheme employer of issues relating to the scheme employer's poor performance.	Within a maximum of 30 working days of a performance issue becoming apparent.
Notify a scheme employer of decisions to recover additional costs associated with the scheme employer's poor performance (including any interest that may be due).	Within a maximum of 30 working days of a scheme employer's failure to improve performance, as agreed.

Issue annual benefit statements to active and deferred members as at 31 March each year.	By the following 31 August
Issue formal valuation results (including individual employer details).	No later than 31 March following the valuation date
Carry out interim valuation exercises on cessation of admission agreements or a scheme employer ceasing participation in the Pension Fund.	Upon each cessation or occasion where a scheme employer ceases participation of the Pension Fund.
Undertake a risk assessment for all new admitted bodies in the Pension Fund	To be completed before the admitted body can be admitted to the Pension Fund.
Publish, and keep under review, the Pension Fund's Governance Policy and Compliance Statement.	A review will be undertaken by 30 September following the year end as part of the Pension Fund's Annual Report and Accounts, any subsequent revisions to be published within 30 days of the policy being agreed by the Pensions Committee.
Publish and keep under review the Pension Fund's Funding Strategy Statement.	To be reviewed at each triennial valuation, following consultation with scheme employers and the Pension Fund's actuary. Revised statement to be published at the same time as the final valuation report is issued.
Publish the Pension Fund's Annual Report and Accounts and any report from the auditor.	By 30 November following the year end or following the issue of the auditor's opinion.
Publish, and keep under review, the Pension Fund's Communication Strategy Statement.	The statement will be published within 30 days of any material change to the policy.
Publish, and keep under review, all discretionary areas where a policy decision is required by the administering authority.	All discretionary areas will be reviewed where policy or regulatory issues need to be addressed, any subsequent revisions to be published within 30 days of the policy being agreed by the Pensions Committee.

Publish, and keep under review, the Pension Fund's Investment Strategy Statement.	The statement will be reviewed tri-annually unless policy or regulatory issues need to be addressed sooner, any subsequent revisions to be published within 30 days of the policy being agreed by the Pensions Committee.
Appoint stage 2 "appointed person" for the purposes of the pension dispute process and notify all scheme employers of the appointment.	Within 30 working days following the resignation of the current "appointed person".
Process all stage 2 pension dispute applications.	Within 2 months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required, subject to the statutory requirements of the dispute procedure.

Scheme Administration

This details the functions which relate to scheme member benefits from the Scheme.

Function/Task	Performance Target
Calculate transfer values in within 10 working days of receipt of necessary documentation	95%
Provide information on request in respect of Pension Sharing on Divorce within legislative timescales. (A charge to the member will be levied in line with pension sharing on divorce legislation)	100%
Implement Pension Sharing Orders within legislative timescales	100%
Provide a statement of deferred benefit entitlement on leaving service within 10 working days of date of leaving or receipt of notification, whichever is later.	95%

Provide annual statement of benefit entitlement to active and deferred members within legislative timescales	100%
Respond to requests for estimates of benefits within 10 working days following receipt of request	95%
Calculate and pay refunds within 10 days of receipt of notification.	95%
Calculation and payment of retirement benefits, deferred benefits and death in service lump sums in accordance with LGPS rules, members' options and statutory limits. The service includes the recalculation and payment of benefits as a result of amended data received by the Pension Service. Within 10 working days of receipt of required documentation or date of entitlement to benefit; whichever is later.	95%
Calculate and pay transfer value out within 10 working days of receipt of necessary documentation	95%
Calls to the Pensions Helpdesk answered	95%
Respond to general queries/correspondence within 10 working days of receipt of query/correspondence	95%
Make payment of pensions on due date	100%
Produce on line P60s for pensioners within statutory deadlines	100%
Implement annual pension increases by payment due date	100%

Implement change in pensioner circumstance by payment due date including the calculation and quoting of benefits on the death of pensioners and administering the recovery of overpayments	95%
Undertake annual reviews to establish continuing entitlements to pension for all eligible children	100%
Amend personal records within 10 working days of receipt of required documentation	95%
Calculation of additional membership for transfer values within 10 working days of receipt of required documentation	95%
Action agreed transfer values out within 10 working days of receipt of required documentation	95%

SCHEME EMPLOYER RESPONSIBILTIES

This section outlines the responsibilities of all scheme employers in the Pension Fund and the performance standards scheme employers are expected to meet to enable the Pension Fund to deliver an efficient, quality and value for money service.

All information must be provided in the format and frequency prescribed by the Pension Fund within the prescribed timescales. Information and guidance is provided in the Employers' Guide and the Guide and forms are accessible from the Pension Fund's website.

Pension Fund Administration

This details the functions which relate to the whole Pension Fund, rather than individual scheme members' benefits.

Function/Task	Performance Target
Confirm a nominated representative to receive information from the Pension Fund and to take responsibility for disseminating it within the organisation.	Prior to an employer joining fund or within 10 days of a change to nominated representative.
Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the Scheme (including providing a copy of the policy decision(s) to the Pension Fund).	Within 30 working days of policy being agreed by the employer.
Respond to queries from the Fund's administrator.	Within 10 working days from receipt of enquiry.
Attend induction training provided on admission to the Pension Fund, and other training relating to the administration of the Fund as and when this is offered	Within 30 days of admission, or as agreed for an established scheme employer.
Pay over employer and employee contributions to the Pension Fund	Cleared funds to be received by 19th calendar day of month after deduction. Contribution payments must be made by direct debit. Where exceptional circumstances are identified then payment can be made by BACS with an associated £50 plus vat charge per monthly submission.

Provide schedule of payments in the format stipulated by the Fund.	By the 19th calendar day of month after deduction.
Implement changes to employer contribution rates as instructed by the Fund.	At date specified on the actuarial advice received by the Fund.
Provide monthly data as specified by the Fund in the format and frequency stipulated.	Submitted by the 6th of the month following the month it relates
Notify the Pension Fund if contracting out services which will involve a TUPE transfer of staff to another organisation.	Within 10 days of a decision to tender so that information can be provided to assist in the decision, prior to the release of the tender.
Work with the Pension Fund to arrange for an admission agreement and surety arrangements to be put in place when contracting out a service and assist in ensuring it is complied with.	Agreement to be in place by the time the service is contracted out.
Notify the Pension Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Pension Fund.	As soon as the decision is made, so that the Fund can instruct the actuary to carry out calculations if applicable.
Provide new/prospective scheme members with relevant Scheme information (or refer them to the Fund website).	Within 10 working days of commencement of employment or change in contractual conditions.
Make additional fund payments/pensions strain amounts in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employers consent.	Within 30 days of receipt of invoice from the Pension Fund.
Make payment of additional costs to the Pension Fund associated with the poor performance of the scheme employer.	Within 30 working days of receipt of invoice from the Pension Fund.

Scheme Administration
This section details the functions which relate to scheme member benefits from the Scheme.

Function/Task	Performance Target
Use online forms and monthly data collection portal for all relevant scheme administration tasks	Within 15 days of employer being set up, trained and with access to use the relevant systems
Confirm a nominated representative to act as administrator on the Pension Fund website for the online submission of forms and monthly data	Within a maximum of 15 days of implementation of the relevant systems.
Notify the Pension Fund of each new employee admitted to the pension scheme and ensure that the employee completes their element of the process.	Via next monthly data collection portal following admission of new employee.
Arrange for the correct deduction of employee contributions from a scheme member's pensionable pay on becoming a scheme member.	Immediately on joining the scheme, opting in or change in circumstances.
Ensure correct employee contribution rate is applied	Immediately upon commencing scheme membership and in line with the employer's policy and as a minimum in each April payroll thereafter.
Arrange for reassessment of employee contribution rate in line with employer's policy and notify the employee of the change in rate.	Review as per policy and notification within 10 working days of change in rate.
Ensure correct deduction of pension contributions during any period of child related leave, trade dispute or other forms of leave or absence from duty.	Immediately, following receipt of election from scheme member to make the necessary pension contributions.
Commence deduction of additional pension contributions or amend such deductions, as appropriate.	Month following election to pay contributions or notification received from the Pension Fund.

Cease deduction of additional pension contributions.	Immediately following receipt of election from scheme member.
Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s).	Commence deduction of AVCs in month following the month of election. Pay over contributions to the AVC provider(s) by the 19th of the month following the month of election.
Refund any employee contributions deducted in error.	Month following the month that the deduction error is detected.
Cease deduction of employee contributions where a scheme member opts to leave the Scheme.	Month following month of election, or such later date specified by the scheme member.
Refund employee contributions via payroll where the member has opted out within 3 months	Month following month of election to opt out.
Provide the Pension Fund with details of all contractual changes to scheme members working hours.	Via the monthly data collection portal
Notify the Pension Fund of changes in employees' circumstances	Via monthly data collection portal
Provide the Pension Fund with details of any breaks in membership (e.g trade disputes, maternity, paternity) and any APC contracts taken out to cover the break in service.	Via monthly data collection portal. Any forms not facilitated under the portal should be submitted within 10 working days of effective date of action (e.g "return from absence" notification).
Notify the Pension Fund when a scheme member leaves employment including an accurate assessment of actual pensionable pay and final pay (for scheme members in the scheme prior to 1 April 2014).	Via monthly data collection portal. In addition forms relating to the assessment of actual and final pensionable pay should be submitted through the employer portal immediately following the availability of accurate pay details.

Notify the Pension Fund when a scheme member is due to retire including an accurate assessment of actual pensionable pay and final pay (for scheme members in the scheme prior to 1 April 2014) and authorisation of reason for retirement.	Submitted online within 5 working days before retirement date.
Notify the Pension Fund of the death of a scheme member.	Submitted online and as soon as practicable, but within 5 working days of the employer becoming aware of the death.
Appoint an independent registered medical practitioner (IRMP) qualified in occupational health medicine, in order to consider all ill health retirement applications and agree appointment with the Pension Fund	Within one month of commencing participation in the scheme or date of resignation of existing medical adviser
Carry out an 18 month review of scheme members who retired on grounds of ill health (Tier 3)	18 months after date of retirement
Notify the Pension Fund of outcome of Tier 3 ill health review.	Immediately following decision by IRMP
Appoint person for stage 1 of the pension dispute process and provide full details to the Pension Fund	Within a maximum of 30 working days of joining the Pension Fund or following the resignation of the current "appointed person"
Enrol and notify the Pension Fund of a scheme member's election to move into the 50:50 scheme	From the next pay period following receipt of the members election form
Enrol a "50:50 scheme member" back into the full scheme and notify the Pension Fund.	In line with an employer's re-enrolment date for Auto enrolment purposes
Comply with auto-enrolment from the prescribed staging date, as required under Pensions Regulations and advise the Pension Fund of the date.	From the employers staging date.

MONITORING PERFORMANCE AND COMPLIANCE

Ensuring compliance with the Scheme regulations and this Administration Strategy is the responsibility of the Pension Fund and scheme employers. This section describes the ways in which performance and compliance will be monitored.

Audit

The Fund is subject to an annual external audit of its financial accounts. In addition the Fund is subject to internal audits of its processes and internal controls. Both the Administering Authority and scheme employers are expected to comply with requests for information from internal and external audit in a timely manner.

Performance monitoring

The Pension Fund monitors performance against agreed Service Levels. Administration performance and the performance of scheme employers against the standards set out in this document are incorporated into appropriate reporting schedules.

Annual report on the strategy

The Scheme regulations require the Pension Fund to undertake a formal review of performance against the Administration Strategy on an annual basis. Such report to be incorporated within the Fund Annual Report and Accounts.

POLICY ON CHARGING EMPLOYERS FOR POOR PERFORMANCE

The Scheme regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the Scheme incurred as a result of the poor level of performance of that scheme employer. Where a fund wishes to recover any such additional costs they must give written notice stating:

- The reasons in their opinion that the scheme employer’s poor performance contributed to the additional cost
- The amount of the additional cost incurred
- The basis on how the additional cost was calculated
- The provisions of the Administration Strategy relevant to the decision to

give notice.

Circumstances where costs might be recovered

It is the policy of the Pension Fund to recover additional costs incurred in the administration of the Scheme as a direct result of the poor performance of any scheme employer.

In the case of scheme employers that have been admitted to the Scheme as the result of an "outsourced" contract (formerly known as Transferee Admission Bodies (TAB)), the originating employer will retain overall responsibility for ensuring that the scheme employer complies with the requirements of the Pension Fund. This includes the payment of charges levied against the TAB.

Scheme employers that have outsourced their payroll will be responsible for the third party providers' performance in relation to the tasks set out in this Administration Strategy. This requires that scheme employers will be responsible for payment of any charges levied for underperformance by that third party provider.

The circumstances where such additional costs will be recovered from the scheme employer are:

- failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this Administration Strategy (either as a result of timeliness of delivery or quality of information)
- failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this Administration Strategy
- failure to deduct and pay over correct employee and employer contributions to the Pension Fund within the stated timescales
- instances where the performance of the scheme employer results in fines being levied against the Fund by the Pension Regulator, Pensions Ombudsman or other regulatory body.

Approach to be taken by the Pension Fund

The Fund will seek, at the earliest opportunity, to work closely with scheme employers in identifying any areas of poor performance, provide the necessary training and put in place appropriate processes to improve the level of service delivery in the future.

The deadline for the payment of contributions and submissions of data are outlined in this Administration Strategy. For every instance of late payment of contributions or late or non-submission of a monthly data, scheme employers will receive written notice of the area(s) of poor performance and notice that charges will be levied in accordance with the charging scale set out in this document. An invoice will then be issued to the scheme employer.

For other instances of poor performance, the process for engagement with scheme employers will be:

1. Write to the scheme employer, setting out area(s) of poor performance and offer training.

2. If no improvement is seen within one month, or following training no improvement is seen, or no response is received to the initial letter, the scheme employer will be contacted by representatives of the Pension Fund to discuss the area(s) of poor performance and to agree an action plan to resolve them. In cases where the scheme employer has been admitted to the fund via an Admission Agreement, then where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.

3. If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out the area(s) of poor performance that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.

4. An invoice will then be issued to the scheme employer clearly setting out the calculations of any loss resulting to the Pension Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scale set out in this document.

Charging scales for administration

The table below sets out the charges which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. This reflects the additional administration involved in securing payment of sums due to the Pension Fund and submission of required data and information.

Item	Charge
Failure to remit monthly payment of employee and employer contributions by the 19th of the month following deduction.	Interest in line with the scheme regulations*
Late or non-provision of monthly schedule of contributions paid, or the poor quality of information submitted which cannot be reconciled. The deadline for receipt of an accurate schedule would be 12th of the month following deduction of contributions (or previous working day if the 12th were to fall on a weekend).	£50 per occasion
Underpayment of employee or employer contributions which were due by the 19th of the month following deduction.	Interest in line with the scheme regulations*

Late or non-provision of monthly data collection files, or the poor quality of information submitted which cannot be reconciled. The deadline for receipt of an accurate schedule would be 6th of the month following deduction of contributions. Where this cannot be reconciled within the month and/or relates to an employer who is persistently late then the charges identified will be levied.	£250 plus £100 for every month the information is late
Late or non-provision of starter information Via next monthly data collection portal following admission of new employee.	£50 for every month the information is late or not received via the next monthly data collection portal following admission of new employee.
Late or non-provision of leaver information	In respect of leavers £50 for every case where the information is more than 1 month late from date of leaving or not received via the next monthly data collection portal. In respect of retirements information received later than within 5 working days before retirement date would be deemed late.
Fines or additional costs incurred by the Pension Fund in relation to a specific scheme employers' poor performance	Full cost of fines or additional charges

* Interest will be charged in accordance with regulation 44 of the LGPS Administration regulations, which states interest should be charged at Bank of England Base Rate plus one percent.

CONTINUOUS IMPROVEMENT

The Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members. This can only be achieved through continuously reviewing and improving the service.

CONSULTATION AND REVIEW PROCESS

In preparing this Administration Strategy the Fund must consult with all scheme employers with active contributors in the Pension Fund. The strategy will be reviewed where there are significant changes to the Scheme regulations or Pension Fund policies. Scheme employers will be consulted before any changes are made to this document

Pension Fund Committee
Meeting to be held on Friday, 12 March 2021

Electoral Division affected:
(All Divisions);

Lancashire County Pension Fund - Admission and Termination Policy/ Inter-valuation contributions review policy
(Appendices 'A' and 'B' refer)

Contact for further information:
Colin Smith, 01772 534826, Technical Pensions Lead,
colin.smith@lancashire.gov.uk

Executive Summary

The latest review of the admission and termination policy incorporates further changes to reflect the employer flexibilities now available to the Fund. As such an updated draft of the admission and termination policy, and a new draft inter-valuation contribution review policy has been completed after consultation with the Fund Actuary.

Recommendations

The Pension Fund Committee is asked to:

1. Approve the changes to the admission and termination policy set out in Appendix 'A' to this report to enable a short consultation with the employers in the Fund.

2. Approve the new inter-valuation contribution review policy set out in Appendix 'B' to this report to enable a short consultation with the employers in the Fund.

3. Agree that a further report on the outcome of the consultations and final drafts of these policies be presented to the Committee on the 18th June 2021.

Background and Advice

The current admission and termination policy has been in place since August 2020 when the policy was amended to incorporate further changes to legislation covering exit credits, allowances for the on-going effects of the McCloud judgement and generally to bring the policy in line with the Funding Strategy Statement which had been amended in March 2020.

The latest review incorporates changes to legislation covering provisions introduced by the Local Government Pension Scheme (Amendment) (No.2) Regulations 2020 which were laid on 27th August 2020 with an implementation date of 23rd September

Lancashire County Council

2020. Reference had previously been made to this legislation in the draft admission and termination policy that was presented to the Committee on the 18th September 2020, with a note to state that the Fund would develop a policy in this area once the full impact of these provisions had been reviewed.

That review has now been undertaken in consultation with the Fund Actuary, and the changes made are tracked and highlighted within the full draft admission and termination policy statement set out in Appendix 'A'. The new inter-valuation contribution review policy is set out in Appendix 'B'.

Both these draft policies reflect the employer flexibilities that now exist around employer risk and are intended to allow the Fund to have the flexibility to react appropriately to the wide range of circumstances that may occur, particularly on termination.

In summary the main changes to the admission and termination policy are the inclusion of options to spread termination payments and allowances for deferred debt agreements. The policy on each is broadly similar in that the Fund will consider applications, basing decisions principally on the best interests of the Fund and the covenant and circumstances of the outgoing employer.

In terms of the new Inter-valuation contributions review policy, the new regulations provide the Fund with the ability to review employer contributions between valuations. The Fund and employers now have the following flexibilities:

- The Fund may review the contributions of an employer where there has been a significant change to the liabilities of an employer.

- The Fund may review the contributions of an employer where there has been a significant change in the employer's covenant.

- An employer may request a review of contributions from the Fund if they feel that either point 1 or point 2 applies to them.

The draft policy details the Fund's approach on reviewing employer contributions between valuations, including the circumstances under which a review may take place, and the methodology of that review.

The Fund, in maintaining employer contributions at appropriate levels, aims to mitigate risk as far as possible, within its risk management framework. The inter-valuation contributions review policy reflects this framework.

Finally, it should be noted that the responsibility for the employer risk function will transfer back to the Fund's in-house team from the Local Pensions Partnership Administration team with effect from 1st April 2021. The intention is that the in-house team will then begin to work with these policies, and more widely around employer covenant assessment and associated investment strategies, in consultation with the Fund Actuary moving forward.

Employer consultation period

It is intended to have a short consultation period with employers on the draft policies up to 30th April 2021. It is then proposed that any new policy would have an effective date of 1st July 2021, subject to approval by the Committee on the 18th June 2021.

Consultations

Mercers – Fund Actuary

Implications:

This item has the following implications, as indicated:

Risk management

It is good practice to review the policy to ensure it is up to date and that the Fund and participating employers are protected from the downside risk of an employer exiting.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate
N/A

ADMISSION AND TERMINATION POLICY

LANCASHIRE COUNTY PENSION FUND

MARCH 2021

Lancashire County Council

A - INTRODUCTION

This document details the Lancashire County Pension Fund's (LCPF) policy on admissions into the Fund, the methodology for assessment of a termination payment on the cessation of an employer's participation in the LCPF, and considerations for current admission bodies. It supplements the general policy of the Fund as set out in the Funding Strategy Statement (FSS), and is to be considered part of that document.

POLICY OBJECTIVES

RISK MITIGATION

The Fund, in managing the admissions and exit process, aims to mitigate risk as far as possible, within its risk management framework. The admissions and exit process reflects this framework.

EFFICIENT PROCESSES

The Fund, in managing the admissions and exit process, aims to operate procedures which minimise both cost and time taken to complete the necessary formal processes.

COSTS OF MANAGING ADMISSIONS AND TERMINATIONS

The Fund will pass on relevant actuarial costs to both new and terminating employers but at the same time operate a model that seeks to minimise these costs. The Fund will also recover its own costs from employers and apply a charging framework that encourages early engagement between involved parties and reflects the additional costs involved when admission requests are not made in good time.

It is essential that the Fund be given adequate notice of employers' plans around contracting-out exercises and other structural or organisational changes which will result in a new application for admitted body status; to this end the Fund's charging framework reflects the extra costs associated with 'late' admissions.

LCPF 'DEFAULT' POSITION

This policy has been subject to consultation with employers in 2020 and 2021.Where the term 'default position' is used within this policy it is assumed that any existing or aspirant employer has made itself aware of, and accepts, existing policy and practice, unless specifically stating otherwise. In practical terms this means where there is a requirement (on the Fund) to consult with employers around aspects of the admissions/entry process, the Fund will assume employers accept its default position unless the employer expressly states otherwise. Should an employer wish to deviate from the Fund's default position then the Fund's charging framework will reflect the additional cost of doing so.

The Fund has discretion over many employers it chooses to admit, and whilst it wishes to see members who transfer to another employer, as a result of an arrangement to carry out work on behalf of a scheme employer by means of a contract or other arrangement, retain the benefits of ongoing LGPS membership, it may not accept applications from employers which have not previously adhered to the Fund's Pensions Administration Strategy Statement.

Please see the glossary for an explanation of the terms used throughout this document.

B - ENTRY TO THE FUND

BACKGROUND

Admission bodies are a specific type of employer under the Regulations that govern the Local Government Pension Scheme (LGPS) (the "Regulations"). Unlike other employers, such as county councils, district councils, academies and further and higher education corporations, who are named within the Regulations as bodies having an automatic right to participation in the LGPS, admission bodies do not automatically qualify for admission and must instead satisfy certain criteria as set out in the Regulations. They also need a written admission agreement to be admitted and participate in the LGPS.

The Council as Administering Authority may make an admission agreement with any admission body that satisfies the criteria under the Regulations. An admission agreement will enable all (or any specified class) of the admission body's employees to be members of the LGPS and participate in the LGPS.

Any application for admitted body status MUST be submitted to the Council, as Administering Authority, in good time to enable actuarial information to be obtained and the legalities associated with admission to be dealt with. Applications should be submitted at least three months before the proposed transfer or admission date.

Regulation reference: Regulation 3 (5), 4 (2) (b) and Schedule 2 part 3 paragraph1 and 12 (a) of the Local Government Pension Scheme Regulations 2013/2356

The regulations above detail the criteria under which an admission body may enter into an admission agreement with the Lancashire County Pension Fund. Those criteria are set out below specifically under the terms of Schedule 2 Part 3 paragraph 1 and Regulation 4 (2) (b):

Schedule 2 Part 3 paragraph 1

- *a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);*
- *b) a body, to the funds of which a Scheme employer contributes;*
- *c) a body representative of*
    - *i. any Scheme employers, or*
    - *ii. (ii) local authorities or officers of local authorities;*
- *d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of—*
    - *i. the transfer of the service or assets by means of a contract or other arrangement,*
    - *ii. a direction made under section 15 of the Local Government Act 1999 (Secretary of State's powers),*
    - *iii. directions made under section 497A of the Education Act 1996;*
- *e) a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme*

Regulation 4 (2) (b)

Where a person's entitlement to be a member of an NHS Scheme is by reason of employment by—

- *i. a Care Trust designated under section 77 of the National Health Service Act 2006,* *ii. an NHS Scheme employing authority as a result of a prescribed arrangement under section 75 of that Act, or section 33 of the National Health Service (Wales) Act 2006, or*

iii. the Care Quality Commission as a result of a transfer of employment from the Commission for Social Care Inspection, in connection with its dissolution under Part 1 of the Health and Social Care Act 2008;

Then that person can be designated as eligible for membership of the Scheme in an admission agreement made between an Administering Authority and one of the bodies specified in (i) to (iii) above if the person was an active member immediately before becoming employed by one of those bodies; and the person is not an active member of an NHS Scheme in relation to that employment.

POLICY STATEMENT

a) Criteria for admission to the Lancashire County Pension Fund of prospective admission bodies falling under Schedule 2 Part 3 1 (d) (i) (formerly known as Transferee Admission Bodies)

Admissions under this criterion relate to organisations that have taken on work on behalf of a scheme employer by means of a contract or other arrangement. The Fund's policy is to accept these admissions but may not do so if there are unaddressed concerns around the prior compliance, with the Fund's Pensions Administration Strategy Statement (PASS), of an existing admitted employer. The Fund dedicates significant resource to supporting employers with PASS compliance, and will engage on an ongoing basis with employers proactively to ensure they understand and meet PASS commitments.

Unless exceptional circumstances are identified the Fund's default position will be for the admitted body to commence from a 100% funded position and be closed to all but those eligible employees identified at the point of transfer.

In addition where it is deemed appropriate, following a risk analysis agreed by the transferring Scheme employer and Administering Authority, a bond, indemnity or other form of security may be required to be put in place to cover potential liabilities as determined by either the Fund actuary or the Fund. The Fund reserves the right to insist on security even if the transferring employer does not agree.

b) Criteria for admission to the Lancashire County Pension Fund of prospective admission bodies falling under Regulation 4 (2) (b)

An application for an admission agreement from a Care Trust will be accepted on the basis that a guarantee will exist (or if in doubt, be explicitly provided) by either the NHS or the Local Authority as part of partnership working arrangements, or ultimately the Treasury in the event that a trust failed.

c) Criteria for admission to the Lancashire County Pension Fund of prospective admission bodies falling under Schedule 2 Part 3 1 (a) (formerly known as Community Admission Bodies) and the remaining criteria under schedule 2 Part 3 excluding a) above

The Fund will expect an existing scheme employer to act as guarantor in respect of an admission (normally the Fund will require this to be a scheduled body of suitable standing). Otherwise, the Fund's policy is not to accept admissions unless exceptional circumstances apply, as determined by the Head of the Lancashire County Pension Fund.

Where an admission is agreed, following a risk analysis agreed by the Administering Authority, a bond, indemnity or other form of security may be required to be put in place to cover potential liabilities as determined by either the Fund actuary or the Fund.

In all cases an admission body must accept and agree to meet the conditions of participation detailed at Appendix 1 and the clauses set out within Lancashire County Pension Fund's standard draft admission agreement.

The value of any bond may be reviewed by the Fund periodically, and where appropriate the Fund may require an increase in (or reduction of) any bond as required. Similarly, the Fund may review the value of any security, and require additional protection where this is deemed necessary.

The Fund's default position is that it will not amend its standard Admission Agreement template; should a prospective admitted body wish to enter into discussions around changing clauses within the template, then the staff time involved on the Fund side will be charged at £35 per hour

FUTURE SERVICE CONTRIBUTION RATES AND DEFICITS

In line with the philosophy of minimising costs for all involved, the Fund will use models (where possible) provided by the Fund actuary which will set interim future service contribution rates (FSR) and deficits according to the principles set out below.

Models are used in respect of new academies, Parish or Town Councils and the admission of an employer in respect of an arrangement to carry out work on behalf of a scheme employer by means of a contract or other arrangement (in certain circumstances).

Where the parameters fall outside those specified within the models below, admissions will normally involve a full actuarial assessment of relevant parameters. Any risk issues will be addressed by the Fund with a view to minimising risk exposure to itself.

The deficit recovery periods for all admission bodies will normally be determined against the policy set out in the Funding Strategy Statement. However, the Administering Authority reserves the right to determine that an employer specific deficit recovery period will apply.

1 - ACADEMIES

The new Academy will generally be an ex-Local Education Authority (LEA) school from one of the Fund's three employers with LEA status. Where this is the case:

- The FSR will be set at the previous employer's existing FSR rate, which will apply until the next valuation

- The opening deficit will be calculated using an actuarial model which allocates a share of the LEA's deficit at the most recent valuation of the Fund, such that the academy's deficit contributions are the same before and after conversion

- The deficit recovery period will be consistent with that of the LEA

At the next valuation a 'stand-alone' FSR and deficit will be calculated by the Fund's actuary. The Fund's general deficit recovery policy will be used to determine deficit payments, unless its risk management framework determines that a different period be applied, either at the academy creation stage or at subsequent triennial valuations

Where a new academy joins the Fund as an independent free school or via its status as part of a multi-academy Trust which is already a Fund employer, and where the pre-Academy status school was not the responsibility of either Lancashire County Council, Blackburn with Darwen Borough

Council or Blackpool Borough Council, no opening deficit will typically be assigned. The FSR applied will initially match the LEA area in which the multi academy trust or stand-alone free school is based. At the next triennial valuation a 'stand-alone' FSR and deficit will be assigned to the new academy based on their individual circumstances.

Academies which were previously schools under an LEA outside of the three existing LCPF LEA employers will only be able to join LCPF if they join a Multi Academy Trust (MAT) which is already a Fund employer. If an academy leaves one MAT and joins another which is not a LCPF employer, any deficit will be allocated to the previous MAT.

Given that there are a growing number of academy chains (or multi academy trusts), which operate as single employers with common policies in regard to issues such as ill health and early retirement and common sets of employer discretions, the Fund will offer the option of pooling to academy chains as part of subsequent valuation exercises.

The proforma provided by the Fund's actuary to establish the temporary rates will be updated following each valuation of the fund.

2 – PARISH OR TOWN COUNCILS

Temporary contribution rates are used based on the most recent valuation funding assumptions and the average age of member/s involved. The factors cover future service only, and so assume that the employer is fully funded on admission. If this is not the case then cases are referred to the Fund actuary for assessment.

Similarly, cases will also be referred to the Fund actuary if any member has an earlier period of LGPS service that they wish to link to service with the Parish or Town Council or, additionally, where exceptional circumstances are identified.

The temporary FSR will apply until the next valuation, at which stage a 'stand-alone' FSR for the Parish or Town Council will be calculated by the Fund actuary.

The proforma provided by the Fund actuary to establish the temporary rates will be updated following each valuation of the Fund.

3 –PROSPECTIVE ADMISSION BODIES FALLING UNDER SCHEDULE 2 PART 3 1 (D) (I) (FORMERLY KNOWN AS TRANSFEREE ADMISSION BODIES)

SMALL CONTRACTORS

Admission agreements often relate to bodies that have taken on work on behalf of a scheme employer by means of a contract. Such bodies will have an opening FSR matching the transferring employer's FSR where the criteria set out below are met (unless the body and the outsourcing scheme employer agree otherwise at the outset of the contract):

- The admission body is fully funded at the outset
- The number of transferring pensionable employees is less than 2% of the transferring employer's payroll
- The number of transferring pensionable employees is less than 20
- The contract length is limited to a maximum of 5 years

Under these circumstances the FSR used throughout the lifetime of the contract will that of the original transferring employer (including any changes following triennial valuations).

Under this approach the original transferring employer assumes the assets and liabilities at the end of the contract without a termination calculation being carried out. This principle also applies where a contract is re-let to either an incumbent or new contractor.

In particular, where an admission takes place under this approach, then both the admission body and original transferring employer accept that the admission body is not entitled to any exit credit, or responsible for any termination payment, when the admission agreement ends.

OTHER ADMISSION BODIES

Where the above criteria are not met, then, at the point of admission, the FSR will be set by the Fund actuary, and reassessed at each following valuation. At the end of the admission any identified deficit or surplus will be dealt with in line with the approach set out in section C of this policy document. This principle also applies where a contract is re-let to either an incumbent or new contractor.

In line with the approach adopted for the 2019 valuation, the FSR and deficit (where applicable) at the point of admission will not include any employer-specific allowance for the "McCloud" judgment, but will be calculated using the 2019 valuation assumptions which included a margin of prudence in respect of the judgment. The employer will be informed of the potential McCloud cost for their specific membership for budgeting purposes.

ALTERNATIVE APPROACHES

Transferring employers will be able to propose the use of other models, security arrangements or termination deficit calculations. However the Fund will not instigate discussion around such and will assume the transferring employer accepts the above approach unless stated otherwise. Where the transferring employer deviates from the standard approach Fund permission will be required and any additional costs incurred will be passed on to the admission body and/or transferring employer (as appropriate).

C - EXITING THE FUND

BACKGROUND

Lancashire County Pension Fund must obtain an actuarial assessment showing the exit position when a body ceases to be a scheme employer or no longer has any active members. This exiting employer may, depending on the details of their admission to the Fund, be liable for the exit position, be this a "termination payment" due to the Fund or an "exit credit" due to the exiting employer. This applies equally to all scheme employers participating in the fund, regardless of whether an admission agreement is in place. The purpose of settling of the exit position is to ensure all future liabilities arising from the exiting employer's members are met by the employer at the time of exit, and that any excess assets above this are allocated appropriately.

Once the exiting employer has left the Fund their assets and liabilities within the Fund, including any termination payment that cannot be recovered from the exiting employer, will become the responsibility of the guarantor or successor body within the Fund where one exists, or the responsibility of the Fund as a whole (i.e. all scheme employers) otherwise.

This document sets out the Fund's standard polices when employers exit the Fund. However, the Fund reserves the right to apply a different approach should individual circumstances warrant it.

Regulation reference: Regulation 64 of the Local Government Pension Scheme Regulations 2013/2356;

POLICY STATEMENT

A termination assessment will normally be carried out for bodies who cease to be a scheme employer within Lancashire County Pension Fund, the actuarial cost of which will be charged to the exiting employer, together with any other related costs of the termination. The exception to this will be those admission bodies where it is agreed that liabilities will be subsumed by the relevant transferring scheme employer as detailed in part B (section 3 – small contractors) of this policy statement.

EXIT CREDITS AND TERMINATION PAYMENTS

The Fund's policy on termination payments and exit credits is:

a) **Where there is no Fund guarantor** any deficit will be recovered from the exiting employer in the first instance, and then any bond or security where applicable. Any surplus assessed on the termination assumptions will be returned to the exiting employer as an exit credit. The remaining assets and liabilities are then "orphaned", and so become the responsibility of the Fund as a whole (i.e. all scheme employers).

b) **Where a guarantor exists** who would subsume the assets and liabilities of the outgoing employer, **and there is no "risk-sharing" arrangement** (meaning the exiting employer is responsible for their final position in the Fund), any deficit will be recovered from the exiting employer in the first instance, and then any bond or security where applicable. Any surplus will be returned to the exiting employer as an exit credit. The remaining assets and liabilities are then the responsibility of the guarantor. (Depending on circumstances, the Fund may demand immediate payment of any unrecovered termination amount from the guarantor).

c) **Where a guarantor exists and there is a risk sharing agreement**, the assets, liabilities and any deficit or surplus will be subsumed by the guarantor (this will be adjusted as appropriate in any cases where there is a partial risk sharing arrangement).

Where a guarantor attempts not to underwrite the residual liabilities, the Fund will challenge this (and seek to recover any related costs from the guarantor). However should the guarantor be successful, the basis of assessment on termination will assume the liabilities are orphaned and thus the "corporate bond" approach will apply (as detailed in the "funding assumptions for termination calculations" section below).

EXIT CREDITS AND TERMINATION PAYMENTS – EMPLOYERS WITH A GUARANTOR

Where an exiting employer has a guarantor within the Fund, other than for "small contractors" as defined above, it will be necessary to determine which of b) and c) above applies. In such cases the Fund's policy will be as follows:

- The Fund will contact both the exiting employer and the guarantor to confirm whether there is a "risk-sharing" arrangement in place, and to ask for any evidence of this
- Where both sides agree as to the nature of the arrangement, the termination assessment will be progressed in line with the agreed approach
- Otherwise, the Fund's normal policy will be to proceed assuming the exiting employer is responsible for any termination payment, and so is entitled to any exit credit

Once the termination is complete, the two parties will be notified of the outcome. At that point either party will have 1 month to dispute the outcome. If this happens then payment of any exit credit will be put on hold, and the dispute will be resolved as follows:

- In the first instance, the two parties will be expected to resolve the dispute "externally", without input from the Fund. The Fund will not become involved in any dispute between the two parties until all other avenues have been explored
- Where this does not lead to a resolution, then the case will be handled in line with the Fund's Internal Dispute Resolution policies
- Where this does not resolve the issue, the case will be referred to the Pensions Ombudsman

The Fund may seek to recover any costs associated with the dispute resolution process as part of the final termination settlement.

Where an exit credit may be payable the Fund will have regard to the provisions of The Local Government Pension Scheme (Amendment) Regulations 2020 in determining the amount and subsequent treatment, and this is reflected in the processes laid out in this document.

FUNDING ASSUMPTIONS FOR TERMINATION CALCULATIONS

The LCPF policy is that a termination assessment will be made based on a corporate bond funding basis, unless the exiting employer has a guarantor within the Fund or a successor body exists to take over the exiting employer's liabilities (including those for former employees). This is to protect the other employers in the Fund as, at termination, the exiting employer's liabilities will become "orphan liabilities" within the Fund, and there will be no recourse to the exiting employer if a shortfall emerges in the future (after the admission has terminated).

If, instead, the exiting employer has a guarantor within the Fund or a successor body exists to take over the exiting employer's liabilities, the LCPF policy is that the employer's valuation funding basis (suitably updated as advised by the Fund actuary) will be used for the termination assessment. The guarantor or successor body will then, following any termination payment or exit credit made, subsume the remaining assets and liabilities of the exiting employer within the Fund. This may, if agreed by the successor body and the Fund, include the novation to the successor of any funding deficit on closure, in place of a termination payment being required of the admission body itself.

Where the exiting employer is a stand-alone academy, the corporate bond basis will be used, as although the DfE provide a guarantee in these circumstances, they are not an employer in the Fund, and the nature of that guarantee does not include long-term responsibility for the liabilities. This policy will also apply to other exiting employers with a similar guarantee.

Where the exiting employer is an academy that is part of a MAT which is remaining within the Fund, the ongoing funding basis will normally be used, as the MAT would be responsible for the ongoing assets and liabilities. In practice in some circumstances the Fund and the MAT may agree that no termination calculation is necessary, in which case the MAT will take over the deficit contributions of the former academy.

The funding and corporate bond financial assumptions that applied at the actuarial valuation date (31 March 2019) are set out below in relation to any liability remaining in the Fund. These will be updated on a case-by-case basis, to reflect changes in ~~with reference to prevailing~~ market conditions (and other factors where the Fund deems it appropriate following advice from the Fund actuary), at the relevant employing body's cessation date.

31 March 2019	Valuation funding assumptions	Corporate bond assumptions
Discount Rate	3.8% p.a.	2.4% p.a.
CPI price inflation	2.4% p.a.	2.4% p.a.
Pension increases/indexation of CARE benefits	2.4% p.a.	2.4% p.a.

The above valuation funding discount rate of 3.8% includes a margin of prudence in relation to the McCloud judgment in line with the 2019 valuation approach. For termination assessments this margin will be removed, and instead allowance for McCloud will be based on the employer's actual membership profile, as detailed below.

All demographic assumptions will be the same as those adopted for the 2019 actuarial valuation, except in relation to the life expectancy assumption for the corporate bond approach. Given these financial assumptions do not protect against future adverse demographic experience a higher level of prudence will be adopted in the life expectancy assumption.

Therefore, the corporate bond approach for an outgoing employer will include an adjustment to the assumption for longevity improvements over time by increasing the rate of improvement in mortality rates to 2% p.a. from 1.75% p.a. used in the 2019 valuation for ongoing funding and contribution purposes.

Notwithstanding the above, at the discretion of the Fund a "minimum risk" approach may be used for the calculation of the termination assessment. Under such an approach the discount rate would be linked to long-term gilt yields rather than corporate bond yields, along with a higher allowance for future mortality improvements than used at the actuarial valuation. If this were to be applied then the employer would be notified when termination was being discussed.

MCCLOUD

In July 2020 the government issued a consultation detailing their proposed remedy in the McCloud case. While the consultation is currently ongoing, the Fund expects that the recommendations will largely be adopted. Therefore an allowance will be made within the termination assessment to reflect this.

The Fund's standard approach will be to assess the McCloud cost for members who were active immediately prior to termination, in line with the approach adopted for the assessments at the 2019 valuation – namely to extend the age related protections to all members who joined the Fund prior to 1 April 2012.

Non-active members will not be assessed, as the data required to calculate any costs for members who have already left service or retired is not typically readily available. Given the nature of the underpin, it is not expected that the costs for this group of members will be material in most cases.

This approach is designed to be proportional and pragmatic. However, should individual circumstances warrant it the Fund reserves the right to perform a more detailed assessment.

NOTIFICATION OF TERMINATION

In many cases, termination of an employer's participation is an event that can be foreseen, for example, because the organisation's operations may be planned to be discontinued and/or the admission agreement is due to cease. Under the Regulations, in the event of the Administering Authority becoming aware of such circumstances, it can amend an employer's minimum contributions such that the value of the assets of the employing body is neither materially more nor materially less than its anticipated liabilities at the date it appears to the Administering Authority that it will cease to be a participating employer.

In this case, employers are encouraged to open a dialogue with the Fund to commence planning for the termination as early as possible. Where termination is disclosed in advance the Fund will operate procedures to reduce the sizeable volatility risks to the debt amount in the run up to actual termination of participation. The Fund will modify the employing body's approach in any case, where it might materially affect the finances of the Scheme, or depending on any case specific circumstances.

TERMINATION AND EXIT CREDIT PAYMENTS

The Fund's standard policy is to recover termination deficits (including interest and expenses) as a one off payment, within 30 days of formal notification. ~~However, at the discretion of the Administering Authority, the deficit can be recovered over an agreed period as certified by the Actuary. This period will depend on the Administering Authority's view on the covenant of the outgoing employer.~~

In line with the governing regulations, any exit credits will be paid to the exiting employer within 6 months of cessation (subject to availability of data, co-operation of the relevant parties and the need to resolve any disputes), or such longer period as may be agreed in the individual case.

The actuarial cost of carrying out the termination assessment will be charged to the outgoing employer, together with any other related costs of the termination.

ALTERNATIVES TO TERMINATION AND IMMEDIATE PAYMENT

The Fund's default policy is for any termination payment due to the Fund to be paid (adjusted for interest where appropriate) following the termination assessment in line with the approach stated above.

However, at the sole discretion of the Administering Authority, suspension of the termination payment, instalment plans over an agreed period, or a "Deferred Debt Agreement" may be agreed to.

If an employer wants to use one of these options, they must make a request in writing covering the reasons for such a request. Any deviation from the default policy will be based on the Administering Authority's assessment of whether the employer is likely to take on new members in the near future (for a suspension notice only), whether the full exit debt is affordable, and whether it is in the interests of taxpayers to adopt any of the approaches. In making this assessment the Administering Authority will consider the covenant of the employer and whether any security is required and available to back the arrangements, and will apply a proportionate approach depending on the relative materiality of the amounts involved.

Any costs (including necessary actuarial, legal and covenant advice) associated with assessing this will be borne by the employer and will be charged as an upfront payment to the Fund.

The following policy and processes will be followed in line with the principles set out in the statutory guidance dated [TO BE CONFIRMED].

1 – SUSPENSION NOTICE

The regulations allow the fund to suspend (by issuing a "suspension notice") an exiting employer's liability for an exit payment for any period up to 3 years. This is only possible where, in the reasonable opinion of the Administering Authority, the body is likely to have one or more active members in relation to the Fund within the period specified in the suspension notice. On this point, the Fund will always seek to recover the exit payment due at the point no more active members exist, unless it can be demonstrated that exceptional circumstances apply to allow a suspension period to apply.

2 – SPREADING OF EXIT PAYMENT

The following process will determine whether an employer is eligible to spread their exit payment over a defined period.

1. The Administering Authority will firstly consider whether it would be in the best interests of the Fund to enter into such an arrangement with the employer. This decision will be based on a covenant review of the employer to determine whether the exit debt that would be required if the arrangement was not entered into is affordable at that time (based on advice from the Actuary, covenant and legal advisor where necessary).

2. For this purpose, where necessary the Administering Authority may request updated financial information from the employer including management accounts showing expected financial progression of the organisation and any other relevant information to use as part of their covenant review. If this information is not provided then the default policy of immediate payment will be adopted.

3. Depending on the length of the spread period and the size of the outstanding debt, the Fund may request security to support the payment plan before entering into an agreement to spread the exit payment.

4. This could include non-uniform payments e.g. a lump sum up front followed by a series of payments over the agreed period. The payments required will include allowance for interest on late payment.

5. The initial process to determine whether an exit debt should be spread may take up to [3] months from receipt of data so it is important that employers who request to spread exit debt payments notify the Fund in good time

6. If the Administering Authority's assessment confirms that the potential exit debt is not immediately affordable, the Administering Authority will engage in discussions with the employer about the potential spreading of exit payments. As part of this, the following will be considered and agreed:

   a. The spreading period that will be adopted (this will be subject to a maximum of [5] years).
   b. The initial and annual payments due and how these will change over the period.
   c. The interest rates applicable and the costs associated with the payment plan devised.
   d. The level of security required to support the payment plan (if any) and the form of that security e.g. bond, escrow account etc.
   e. The responsibilities of the employer during the exit-spreading period including the supply of updated information and events that would trigger a review of the situation.
   f. The views of the Actuary, covenant, legal and any other specialists necessary.
   g. The covenant information that will be required on a regular basis to allow the payment plan to continue.
   h. Under what circumstances the payment plan may be reviewed or immediate payment requested (e.g. where there has been a significant change in covenant or circumstances).

7. The Administering Authority will then make a final decision on whether it is in the best interests of the Fund to allow spreading of the termination payment. Once the Administering Authority has reached its decision, the arrangement will be documented and any supporting agreements will be included.

3 – DEFERRED DEBT AGREEMENT

As opposed to paying the exit debt, an employer may request to participate in the Fund with no contributing members and utilise a "Deferred Debt Agreement" (DDA).

The following process will determine whether the Fund and employer will enter into such an arrangement:

1. The Administering Authority will firstly consider whether it would be in the best interests of the Fund to enter into such an arrangement with the employer. This decision will be based on a covenant review of the employer to determine whether the exit debt that would be required if the arrangement was not entered into is affordable at that time (based on advice from the Actuary, covenant and legal advisor where necessary).

2. For this purpose, where necessary the Administering Authority may request updated financial information from the employer including management accounts showing expected financial progression of the organisation and any other relevant information to use as part of their covenant review. If this information is not provided then the default policy of immediate payment will be adopted.

3. The Fund may request security to protect the Fund before entering into such an arrangement.

4. This could include a lump sum up front to reduce the size of any potential termination debt.

5. The initial process to determine whether a Deferred Debt Agreement should apply may take up to [3] months from receipt of the required information so an employer who wishes to request that the Administering Authority enters into such an arrangement needs to make the request in advance of the potential exit date.

6. If the Administering Authority's assessment confirms that the potential exit debt is not affordable, the Administering Authority will engage in discussions with the employer about the potential format of a Deferred Debt Agreement using the template Fund agreement that will be based on the principles set out in the Scheme Advisory Board's separate guide. As part of this, the following will be considered and agreed:

    a. What security the employer can offer (generally the Administering Authority won't enter into such an arrangement unless they are confident the employer can support the arrangement on an ongoing basis, but in certain cases security may still be required). Provision of security may also result in a review of the recovery period and other funding arrangements.
    b. The funding assumptions and investment strategy that would be applied to the employer.
    c. Whether an upfront cash payment should be made to the Fund initially to reduce the potential debt.
    d. What the updated secondary rate of contributions would be required up to the next valuation.
    e. The financial information that will be required on a regular basis to allow the employer to remain in the Fund and any other monitoring that will be required.
    f. The advice of the Actuary, covenant, legal and any other specialists necessary.
    g. The responsibilities that would apply to the employer while they remain in the Fund.
    h. What conditions would trigger the implementation of a revised deficit recovery plan and subsequent revision to the secondary contributions (e.g. provision of security).
    i. The circumstances that would trigger changes to the deferred debt agreement, including a cessation of the arrangement and an exit payment (or credit) becoming payable. Potential triggers may be the removal of any security or a significant change in covenant assessed as part of the regular monitoring.
    j. Under what circumstances the employer may be able to vary the arrangement e.g. a further cash payment or change in security underpinning the agreement.

7. The Administering Authority will then make a final decision on whether it is in the best interests of the Fund to enter into a Deferred Debt Agreement with the employer and confirm the terms that are required.

8. For employers that are successful in entering into a Deferred Debt Arrangement, contribution requirements will continue to be reviewed as part of each actuarial valuation or in line with the Deferred Debt Agreement in the interim if any of the agreed triggers are met.

~~The Local Government Pension Scheme (Amendment) (No. 2) regulations 2020 introduced "deferred debt" provisions. This allows employers to continue to participate in the Fund as ongoing employers after their last active member leaves. The Fund will develop a policy in this area once the full impact of these provisions have been reviewed. As such current policy will be that the Fund, may at their absolute discretion, allow an employer to become a "deferred-debt" employer when their last active member leaves on terms that the Fund deems appropriate.~~

D - CHARGING STRUCTURE

'TARIFF' CHARGES – RECOVERY OF LCPF ADMINISTRATION COSTS

- Admission agreement - £1,000
- New Academy – £350

'NON-TARIFF' CHARGES – RECOVERY OF LCPF COSTS

The above represents the charging structure for new admission agreements and academies using the Fund's default position. Where employers choose to deviate from the Fund's default position the Fund's costs will be recovered at a rate of £35 per hour in addition to the 'tariff' rates above.

Where 'late' admissions occur, the 'tariff' rates above will be doubled. 'Late' within this context means where the admission agreement is signed by the prospective admitted body after the transfer date and the appropriate pension contributions have not been paid across to the fund on or before the due date. To be clear the due date is 19 days after the end of the month in which the transfer date occurs.

The Fund commits to processing model-based admissions within a month of first becoming aware of an impending admission, provided that all information needed to complete the admission has been provided to it at the outset of the process.

RECOVERY OF OTHER COSTS

Actuarial, Legal and any other costs incurred by LCPF in direct relation to an admission will be recovered from the new employer.

E - RISK MANAGEMENT

When an employer is admitted to the Fund, the regulations require that a risk assessment be carried out. The purpose of this risk assessment is to ensure that any liabilities which arise from the admission are paid for by the admitted employer.

Whilst circumstances can vary, in general terms, under a contracting out arrangement the transferring employer 'guarantees' the new employer's liabilities, in the event (due for example to insolvency) that any liabilities are not paid when due. Transferring employers can, in conjunction with LCPF, decide that security measures be put in place to mitigate against this risk.

Such matters require context and judgement in applying the regulations – for example if the potential liabilities are small in comparison to the transferring employer's financial strength, then the risk assessment and mitigation process may in itself be disproportionate, time consuming and costly relative to the risks involved.

The default position is that the Fund will carry out an assessment of risk, and will notify the transferring employer of this, but will only engage in active discussion with the transferring employer if it considers that security measures are required. If the transferring employer insists on security despite the Fund's viewpoint, then the work involved by the Fund in setting up and agreeing security measures will be charged at £35 per hour.

Where an aspirant admitted body joins the Fund under the exceptional circumstances route (as specified in section 2 above) the Fund will carry out a risk assessment and will only accept the admission if is satisfied with the mitigation mechanism proposed.

GLOSSARY

Actuarial Valuation:
An investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the Administering Authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

Administering Authority:
The council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission bodies:
A specific type of employer under the Local Government Pension Scheme (the "LGPS") who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

CPI:
Acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Corporate bond basis:
An approach where the discount rate used to assess the liabilities is determined based on the yields of AA-rated corporate bond investments based on the appropriate duration of the liabilities being assessed. This may be adopted for employer accounting purposes, and also is usually adopted when an employer is exiting the Fund.

Covenant:
The assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

Deficit:
The extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit recovery period:
The target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Discount Rate:
The rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer's Future Service Contribution Rate:
The contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Funding or solvency Level:
The ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement:
This is a key governance document that outlines how the Administering Authority will manage employer's contributions and risks to the Fund.

Guarantee/guarantor:
A formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Letting/transferring employer:
An employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

Liabilities:
The actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS:
The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

Members:
The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Minimum risk basis:
An approach where the discount rate used to assess the liabilities is determined based on the market yields of Government bond investments based on the appropriate duration of the liabilities being assessed. This may sometimes be adopted when an employer is exiting the Fund.

Orphan liabilities:
Liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Recovery Plan:
A strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

Scheduled bodies:
Employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers. Scheduled bodies include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Scheme employers:
Any organisation that participates in the LGPS, including admission bodies.

Valuation funding basis:
The financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

Appendix 1

Conditions of Participation

1. **PAYMENTS**

1.1 The Admission Body shall pay to the Administering Authority for credit to the Fund such contributions and payments as are due under the Regulations in respect of those employees who are eligible to participate in the Fund.

1.2 The Admission Body shall pay to the Administering Authority for credit to the Fund the employee and employer pension contributions on a monthly basis in arrears. The payment must be paid to the Administering Authority within 19 calendar days of the end of each month in which the pension contributions have been deducted.

1.3 The Admission Body shall pay to the Administering Authority for credit to the Fund any additional or revised contributions due as result of additional pension being awarded or as a result of outstanding liabilities due should the admission agreement terminate. Payment will be due within 30 calendar days of receipt of a written request from the Administering Authority.

1.4 Any employees' Additional Voluntary Contributions ("AVC's") or Shared Cost Additional Voluntary Contributions ("SCAVC's") are to be paid direct to such AVC body and/or AVC insurance company selected by the Administering Authority and notified to the Admission Body. Contributions shall be paid within 19 calendar days of the end of each month in which the contributions have been deducted.

1.5 Where the Admission Body certifies that:

1.5.1 an eligible employee aged 55 or more, is retiring by reason of redundancy or in the interests of efficiency; or

1.5.2 an eligible employee is voluntarily retiring on or after age fifty-five (55) and the Admission Body exercises a discretion to waive actuarial reductions; or

1.5.3 an eligible employee who is a deferred member of the Scheme requests that their benefits are brought into payment early on or after age fifty-five (55) and the Admission Body exercises a discretion to waive actuarial reductions;

and immediate benefits are payable under the Regulations the Admission Body shall pay to the Administering Authority for credit to the Fund the sum notified to them in writing by the Administering Authority as representing the actuarial strain on the Fund resulting from the immediate payment of benefits as certified by an actuary appointed by the Administering Authority. Such sum to be paid (unless other terms are agreed between the Administering Authority and the Admission Body) within thirty (30) calendar days of receipt by the Admission Body of the written notification.

1.6 The Admission Body shall indemnify the Administering Authority against any financial penalty and associated costs and expenses incurred by the Administering Authority or by the Fund arising from any failure by the Admission Body to comply with the terms of the Admission Agreement entered into by it, the Regulations or any overriding legislation. Such payment is to be paid within 30 calendar days of receipt of a written request from the Administering Authority.

1.7 If any sum payable under this Agreement or the Regulations by the Admission Body to the Administering Authority or to the Fund has not been paid (in whole or in part) within the payment period specified (or otherwise in accordance with the Regulations) the Administering Authority may require the Admission Body to pay interest calculated in accordance with Regulations on the amount remaining unpaid.

2. **ADMISSION BODY'S UNDERTAKINGS**

The Admission Body undertakes:

2.1.1 to provide or procure to be provided such information as is reasonably required by the Administering Authority relating to the Admission Body's participation in the Fund including (but not limited to) details of the pay and final pay of each eligible employee;

2.1.2 to comply with the reasonable requests of the Administering Authority to enable it to comply with the requirements of the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (SI 2013/2734);

2.1.3 to adopt the practices and procedures relating to the operation of the Scheme as set out in the Regulations and in any employer's guide published by the

Administering Authority and provided by the Administering Authority to the Admission Body;

2.1.4 to formulate and publish within 3 calendar months of commencement a statement concerning the Admission Body's policy on the exercise of its functions or discretions in accordance with the requirements of the Regulations and to keep such policy under review;

2.1.5 to notify the Administering Authority of each occasion on which it exercises a discretion under the Regulations and the manner in which it exercises that discretion;

2.1.6 to notify promptly the Administering Authority in writing of any material change in the terms and conditions of employment of any of the eligible employees which affects entitlement to benefits under the LGPS and of any termination of employment ;

2.1.7 to immediately notify the Administering Authority (and the Scheme employer where appropriate) in writing of any matter which may affect or is likely to affect its participation in the LGPS and of any actual or proposed change in its status which may give rise to a termination of the admission agreement or in the case of a transferee admission body which may give rise to a termination of the Contract between the admission body and the Scheme employer including but not limited to take-over reconstruction amalgamation liquidation receivership or a change in the nature of its business or constitution.

2.1.8 Where the admission agreement exists under the criteria set out in Schedule 2 Part 3 para 1 (d) (i) relating to organisations that have taken on work on behalf of a scheme employer by means of a contract then employees are only eligible for continued participation of the LGPS where they are "employed in connection with" the contract. "Employed in connection with" shall mean that an Eligible Employee is employed by the Admission Body on the basis that in any six (6) month period an Eligible Employee spends not less than fifty per cent (50%) of his time whilst working on matters directly relevant to the Contract. For the avoidance of doubt, when assessing the time spent working on matters directly relevant to the Contract the Admission Body should take into account a range of factors including (but not limited to) the time spent on different parts of the business, the value given to each part of the business, the contract of employment and how the costs of that employee are dealt with.

3. **ACTUARIAL VALUATIONS**

3.1 The Administering Authority may periodically and shall at least on a triennial basis obtain from an actuary a certificate specifying in the case of the Admission Body the percentage or amount by which in the actuary's opinion the employer's contribution rate should be increased or reduced. This is with a view to ensuring that as far as is reasonably possible the value of assets of the Fund in respect of current and former eligible employees is neither materially more nor materially less than the anticipated liabilities of the Fund.

3.2 Upon termination of this Agreement the Administering Authority must obtain:

3.2.1 an actuarial valuation of the liabilities of the Fund in respect of current and former eligible employees as at the date of termination; and

3.2.2 a revision of any rates and adjustments certificate within the meaning of the Regulations showing the revised contributions due from the Admission Body.

the costs of obtaining the actuarial valuation and certificates (or revisions to them) as required by the Administering Authority in respect of current and former eligible employees (other than the triennial valuation) shall be paid by the Admission Body within 30 calendar days of receipt of written notification of such costs from the Administering Authority.

4. **TERMINATION**

4.1 An Admission Agreement shall terminate at the end of the notice period upon the Administering Authority or the Admission Body giving a minimum of three calendar months notice in writing to terminate the Agreement to the other party or parties to the Agreement.

4.2 The Agreement shall terminate automatically on the earlier of:

4.2.1 the date of the expiry or earlier termination of the Contract ; or

4.2.2 the date the Admission Body ceases to be an Admission Body for the purposes of the Regulations.

4.3 The Agreement may be terminated by the Administering Authority by notice in writing to the Admission Body taking immediate effect in the event of:

4.3.1 the insolvency winding up or liquidation of the Admission Body;

4.3.2 any breach by the Admission Body of any of its obligations under this Agreement provided that the Administering Authority shall if the breach is capable of remedy first afford to the Admission Body the opportunity of remedying that breach within such reasonable period as the Administering Authority may specify;

4.3.3 the failure by the Admission Body to pay any sums due to the Administering Authority or to the Fund within the periods specified in this Agreement or in the Regulations or in any other case within 30 calendar days of receipt of a written notice from the Administering Authority requiring the Admission Body to do so;

4.3.4 the failure by the Admission Body to renew or adjust the level of any bond/indemnity which is required to be in place.

INTER-VALUATION CONTRIBUTION REVIEW POLICY

LANCASHIRE COUNTY PENSION FUND

MARCH 2021

Lancashire County Council

A - INTRODUCTION

This document details the Lancashire County Pension Fund's (LCPF) policy on reviewing employer contributions between valuations, including the circumstances under which a review may take place, and the methodology of the review. It supplements the general policy of the Fund as set out in the Funding Strategy Statement (FSS), and is to be considered part of that document.

POLICY OBJECTIVES

RISK MITIGATION

The Fund, in maintaining employer contributions at appropriate levels, aims to mitigate risk as far as possible, within its risk management framework. The inter-valuation contributions review policy reflects this framework.

EFFICIENT PROCESSES

The Fund aims to operate procedures which minimise both cost and time taken to complete the necessary formal processes.

COSTS OF MANAGING CONTRIBUTION REVIEWS

Where an employer instigates the review, the Fund may pass on relevant adviser costs to the employers being reviewed, and will also recover its own costs from employers, but will aim to conduct the reviews in a manner that seeks to minimise these costs. Where circumstances warrant, the Fund may also seek to recover costs in cases where the review is instigated by the Fund.

B – CONTRIBUTION REVIEWS

BACKGROUND

In line with the Regulations that came into force on 23rd September 2020, the Administering Authority has the ability to review employer contributions between valuations. The Administering Authority and employers now have the following flexibilities:

- The Administering Authority may review the contributions of an employer where there has been a significant change to the liabilities of an employer.

- The Administering Authority may review the contributions of an employer where there has been a significant change in the employer's covenant.

- An employer may request a review of contributions from the Administering Authority if they feel that either point 1 or point 2 applies to them.

Regulation reference: Regulation 64A of the Local Government Pension Scheme Regulations 2013/2356

POLICY STATEMENT

The Fund may conduct a review when:

- There has been a significant changes to the employer's membership which will have a material impact on their liabilities.
- There has been a significant change in the employer's covenant

Where the funding position for an employer significantly changes solely due to a change in assets (and/or changes in actuarial assumptions), contribution reviews are not permitted. However changes in assets would be taken into account when considering if an employer can support its obligations to the Fund after a significant covenant change.

The Administering Authority will consult with the employer prior to undertaking a review of their contributions including setting out the reason for triggering the review.

For the avoidance of doubt, any review of contributions may result in no change and a continuation of contributions as per the latest actuarial valuation assessment. In the normal course of events, a rate review would not be undertaken close to the next actuarial valuation date unless in exceptional circumstances. For example:

- A contribution review due to a change in membership profile would not be undertaken in the [6] months leading up to the next actuarial valuation date.
- However, where there has also been a material change in covenant, a review will be considered on a case by case basis which will determine if and when any contribution change would be implemented. This will take into account the proximity of the actuarial valuation and the implementation of the contributions from that valuation.

The employer would be required to pay the costs of any review conducted at their request following completion of the calculations and is only permitted to make a maximum of [two] requests between actuarial valuation dates (except in exceptional circumstances and at the sole discretion of the Administering Authority). Where circumstances warrant, the Fund may also seek to recover costs in cases where the review is instigated by the Fund.

SITUATIONS WHERE CONTRIBUTIONS MAY BE REVIEWED

Contributions may be reviewed if the Administering Authority becomes aware of any of the following scenarios. Employers will be notified if this is the case.

Consideration will also be given to the impact that any employer changes may have on the other employers and on the Fund as a whole, when deciding whether to proceed with a contribution review.

1) Significant changes in the employer's liabilities

This includes but is not limited to the following scenarios:

a) Significant changes to the employer's membership which will have a material impact on their liabilities, such as:
   i. Restructuring of an employer
   ii. A significant outsourcing or transfer of staff to another employer (not necessarily within the Fund)
   iii. A bulk transfer into or out of the employer
   iv. Other significant changes to the membership for example due to redundancies, significant salary awards, ill health retirements (for employers not included in the captive arrangement) or large number of withdrawals

b) Two or more employers merging including insourcing and transferring of services

c) The separation of an employer into two or more individual employers

In terms of assessing the triggers under a) above, the Administering Authority will only consider a review if the change in liabilities is expected to be more than [5%] of the total liabilities. In some cases this may mean there is also a change in the covenant of the employer.

Any review of the rate will only take into account the impact of the change in liabilities (including any underfunding in relation to pension strain costs), and the resulting impact on the Primary and Secondary rate of contributions.

2) Significant changes in the employer's covenant

This includes but is not limited to the following scenarios:

a) Provision of, or removal of, or impairment of, security, bond, guarantee or some other form of indemnity by an employer against their obligations in the Fund. For the avoidance of doubt, this includes provision of security to any other pension arrangement which may impair the security provided to the Fund.

b) Material change in an employer's immediate financial strength or longer-term financial outlook (evidence should be available to justify this) including where an employer ceases to operate or becomes insolvent.

c) Where an employer exhibits behavior that suggests a change in their ability and/or willingness to pay contributions to the Fund.

In some instances, a change in the liabilities will also result in a change in an employer's covenant.

Whilst in many cases the regular covenant monitoring requested by the Administering Authority will identify these changes, in some circumstances (for example where a Deferred Debt Agreement is in place) employers will be required to agree to notify the Administering Authority of any material changes that may affect their covenant. Where this applies, employers will be notified separately and the Administering Authority will set out the requirements.

Additional information may be sought from the employer in order to determine whether a contribution review is necessary. This may include annual accounts, budgets, forecasts and any specific details of restructure plans. As part of this, the Administering Authority will take advice from the Fund Actuary, covenant, legal and any other specialist adviser.

Where there has been a significant change to employer covenant, any review of the contribution rate would include consideration of the updated funding position (both on an ongoing and termination basis) and would usually allow for changes in asset values when considering if the employer can meet its obligations on both an ongoing and termination basis (if applicable). This could then lead to the following actions:

- The contributions changing or staying the same depending on the conclusion, and/or;
- Security to improve the covenant to the Fund, and/or;
- If appropriate, a change in the investment strategy.

PROCESS AND POTENTIAL OUTCOMES OF A CONTRIBUTION REVIEW

Where one of the listed events occurs, the Administering Authority will enter into discussion with the employer to clarify details of the event and any intent of the Administering Authority to review contributions. Ultimately, the decision to review contributions as a result of the above events rests with the Administering Authority after, if necessary, taking advice from their Actuary, legal or a covenant specialist advisors.

This also applies where an employer notifies the Administering Authority of the event and requests a review of the contributions. The employer will be required to agree to meet any professional and administration costs associated with the review. The employer will be required to outline the rationale and case for the review through a suitable exchange of information prior to consideration by the Administering Authority.

The Administering Authority will consider whether it is appropriate to use updated membership data within the review (e.g. where the change in data is expected to have a material effect on the outcome) and whether any supporting information is required from the employer.

As well as revisiting the employer's contribution plan, as part of the review it is possible that other parts of the funding strategy will also be reviewed where the covenant of the employer has changed, for example the Fund will consider:

- Whether the employer's investment strategy remains appropriate.
- Whether the Primary contribution rate should be adjusted to allow for any profile change and/or investment strategy change
- Whether the secondary contributions should be adjusted including whether the length of the recovery period adopted at the previous valuation remains appropriate. The remaining recovery period from the valuation would be the maximum period adopted (except in exceptional and justifiable circumstances and at the sole discretion of the Administering Authority on the advice of the Actuary).

The review of contributions may take up to 3 months from the date of confirmation to the employer that the review is taking place, in order to collate the necessary data.

Any change to an employer's contributions will be implemented at a date agreed between the employer and the Fund. The Schedule to the Rates and Adjustment Certificate at the last valuation will be updated for any contribution changes.

Pension Fund Committee
Meeting to be held on Friday, 12 March 2021

Electoral Division affected: (All Divisions);

New Lancashire County Pension Fund Website

Contact for further information: Mukhtar Master, 01772 532018, Governance & Risk Officer, Mukhtar.Master@lancashire.gov.uk

Executive Summary

This report provides the Committee with an update on the development and launch of the new Lancashire County Pension Fund website.

Recommendation

The Committee are asked to note the content of this report.

Background and Advice

A report went to the Pension Fund Committee in June 2019 for approval of the branding and logo developed for the Fund. It was the intention that the newly adopted branding for the Fund, would be subsequently used as the basis from which a new website would be created.

The Fund did not have a dedicated website, similar to other LGPS Funds in England and Wales. This was primarily a consequence of the fact that relevant Fund pages were contained within the 'Your Pensions Website'. This website was developed by the Fund, for the Fund, but was subsequently transferred to LPP Ltd. The initial plan was that LPP Ltd would continue to host the Fund pages and would look to have a dedicated area with the Fund branding. However, early in 2019, once it was determined that an area within the LPP website was not possible, the Fund decided to embark on the development of a dedicated website.

The design of the website was carried out by a third party company called Wash Design Ltd, at a cost of £2,340. Wash Design Ltd had already developed the Fund branding.

The website development was carried out by BT Lancashire Services (BTLS), which is a requirement for all internal web development.

LCC Communications provided consultancy and support throughout the project.

The website has now been developed and will go live on 10th March 2021. From that date it will be accessible from the Fund's website: https://www.lancashirecountypensionfund.org.uk

Pension Fund Committee members will be able to access a copy of website prior to the go live date using the following link: https://u-lancashirecountypensionfund-org-uk-uat.ad.lancscc.net/ . Note – access is only possible when connected to the Lancashire County Council network.

A demonstration of the new website will take place at the next training workshop scheduled for Tuesday 23rd March at 2.00pm.

Consultations

Consultations for the development of the website have involved the Head of Fund, the Pension Fund Committee Chair, the Pension Board, the Pension Fund Team, Wash Design Ltd, BT Lancashire Services and the LCC Communications team.

Implications:

This item has the following implications, as indicated:

Risk management

The Fund has a statutory responsibility to make certain documents and information publicly available and accessible. A Fund website would facilitate such public access.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate.
N/A

Pension Fund Committee
Meeting to be held on Friday, 12 March 2021

Electoral Division affected:
None;

Feedback from members of the Committee on pension related training.

Contact for further information: Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer, mike.neville@lancashire.gov.uk

Executive Summary

An update on pension related training involving members of the Committee since the last meeting.

Recommendation

The Committee is asked to note the report and any feedback from individual members given at the meeting in relation to training they have received.

Background and Advice

The Training Policy of the Lancashire County Pension Fund sets out the approach to supporting the learning/development needs of individuals with responsibility for the strategic direction, governance and oversight of the Fund through their membership of the Pension Fund Committee or the Lancashire Local Pension Board.

Since the last meeting members of the Committee have attended the following pension related conference/events.

Date(s)	Event	Participants
2nd/4th December 2020	Local Authority Pension Fund Forum Webinar Series 2020	County Councillor E Pope
12th January 2021	Workshop – An update from Local Pensions Partnership Administration	County Councillors K Ellard, J Mein, E Pope and Co-opted Members P Crewe, Councillor R Whittle and Councillor D Borrow.
26th January 2021	Local Government Pension Scheme Update Webinar	Co-opted members Mr P Crewe and Ms J Eastham.

Lancashire County Council

4th February 2021	Responsible Investment for the LGPS Webinar.	County Councillors G Dowding and J Mein.
18th February 2021	Workshop – Lancashire Local Pensions Partnership Budget	County Councillors J Burrows, E Pope, A Schofield, A Snowden K Ellard, T Martin, J Mein and Co-opted members Councillor D Borrow and Ms J Eastham.
9th/11th March 2021	PLSA Investment Conference 2021	County Councillor E Pope

Individual members of the Committee are invited to provide feedback on their experiences at the meeting.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Without the required knowledge and skills, those charged with governance and decision making may be ill-equipped to make informed decisions regarding the direction and operation of the Pension Fund.

The Training Policy seeks to apply best practice and to ensure compliance with guidance from CIPFA and the Pensions Regulator. Failing to implement an adequate Training Policy and Framework and to regularly review the effectiveness of training arrangements would place the County Council (as Administering Authority) at risk of non-compliance with the Pensions Regulator's Code of Practice No. 14 (Governance and administration of public service pension schemes) and the legislative requirements that this code interprets.

Financial

Decisions made by the Pension Fund Committee have direct financial implications for the Fund. The Fund's Training Policy forms part of its governance and risk management arrangements which seek to ensure that the members of the Pension Fund Committee and the Lancashire Local Pension Board are well-informed, confident, and knowledgeable participants who work effectively and consistently in the best interests of the Fund and its stakeholders.

Costs associated with the training were met by the Lancashire County Pension Fund.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
Approvals by the Head of Fund under the Scheme of Delegation to Heads of Service attendance at external Conferences and Events	26th November 2020 12th January 2021 27th January 2021 18th December 2020	Mike Neville (01772) 533431
Attendance sheets for internal pension related workshops.	12th January 2021 & 18th February 2021	Mike Neville (01772) 533431

Reason for inclusion in Part II, if appropriate
N/A

Pension Fund Committee
Meeting to be held on Friday, 12 March 2021

Electoral Division affected:
(All Divisions);

Lancashire County Pension Fund - Training Plan 2021/22
(Appendix 'A' refers)

Contact for further information: Mukhtar Master, Governance & Risk Officer,
Mukhtar.Master@lancashire.gov.uk

Executive Summary

The Pension Regulator stipulates in regulation that the members of the Pension Fund Committee and the local Pension Board members, must have the required knowledge and skills to govern the Fund.

The LCPF Training Plan 2020/21, at Appendix A, sets out the various training options which are available during the year to meet the required training needs of both Committee and Board Members.

Recommendation

The Committee is asked to agree the Training Plan for 2021/22 as set out at Appendix 'A'.

Background and Advice

Pension Fund Committee and Local Pension Board Members face different requirements for gaining and maintaining knowledge and understanding. This reflects that their remit and responsibilities originate from different pieces of legislation. Knowledge requirements falling on Board members are defined statutorily within the Public Service Pensions Act 2013 and are personal to each individual. Learning requirements for Committees have been less stringently defined in legislation and fall collegiately on Committees as collective bodies rather than on their members as individuals.

Though their learning obligations under legislation are different, Committee and Board members share significant common ground in terms of the sphere of knowledge and understanding they need to be conversant with. Across the range of Technical Knowledge and Skills Frameworks it has published to date, CIPFA has identified a syllabus of 8 core areas of knowledge:

1. pensions legislation;
2. public sector pensions governance;

Lancashire County Council

3. pensions administration;
4. pensions accounting and auditing standards;
5. financial services procurement and relationship management;
6. investment performance and risk management;
7. financial markets and product knowledge;
8. actuarial methods, standards and practices;

The training needs of Committee and Board members are assessed yearly through completion of individual training needs assessments.

The results of the latest assessments have been reviewed and the LCPF Training Plan 2021/22, as set out in Appendix A, has been developed. It consists of:

- Workshops which are held regularly;
- Quarterly briefings prior to Pension Fund Committee meetings;
- External training courses and conferences;
- Online Training:
    - Intuition know-How Online Library;
    - TPR Public Service Toolkit;

The Pension Fund Committee is asked to note the planned training available during 2021/22.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Without the required knowledge and skills, those charged with governance and decision-making may be ill-equipped to make informed decisions regarding the direction and operation of the Pension Fund.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
CIPFA - Code of Practice on Public Sector Pensions Finance Knowledge and Skills	October 2011	Mukhtar Master 01772 532018
CIPFA – Technical Knowledge & Skills Framework for Local Pension Boards	August 2015	Mukhtar Master 01772 532018

Paper	Date	Contact/Tel
CIPFA - Code of Practice on Public Sector Pensions Finance Knowledge and Skills	October 2011	Mukhtar Master 01772 532018
CIPFA – Technical Knowledge & Skills Framework for Local Pension Boards	August 2015	Mukhtar Master 01772 532018
CIPFA - Pensions Finance Knowledge and Skills Framework – Technical Guidance for Elected Representatives and Non-Executive members in the Public Sector (CIPFA)	January 2010	Mukhtar Master 01772 532018
The Pensions Regulator - Code of Practice No 14 (Governance and Administration of public service pension schemes)	2015	Mukhtar Master 01772 532018
Reason for inclusion in Part II, if appropriate N/A		

Appendix A

LCPF Training Plan for 2021/22

Internal Training Schedule

Workshops:

Date	Time	Subject
Tuesday 12th January 2021	2.00PM	Pensions Admin Update (New System and Structure) and Compliance. Rachel/Janet
Thursday 18th February 2021	10:00AM	LPP Budget Adrian Taylor
Tuesday 23rd March 2021	2.00PM	Update LPP Communications Chris Dawson LCPF Website Demonstration Mukhtar Master
Wednesday 9th June 2021	1:00PM	LGPS 'Induction' – Head of Fund /LPP (Greg Smith)
Thursday 1st July 2021	10:00AM	LCPF Accounts & Annual Report Head of Fund / Paul Dobson
Tuesday 7th September 2021	10:00AM	'Investment Strategy Update' – Eric Lambert and Aoifinn Devitt.
Wednesday 3rd November 2021	1:00PM	To Be Confirmed
Wednesday 26th January 2022	1:00PM	Pension Administration Update Rachel Blundell
Tuesday 29th March 2022	10:00AM	'Employer Risk & Engagement' Colin Smith (LCPF) / Mercers

Pre-Committee Briefing*:

Date	Subject
12th March 2021	N/A
18th June 2021	Pension Board Update – William Bourne
17th September 2021	Pension fund annual report and Accounts – Head of Fund
26th November 2021	Investment Strategy update – Eric Lambert & Aoifinn Devitt
17th March 2022	LPP Budget and Strategic Plan – Adrian Taylor

*Note - Pre-Committee Briefings have been on hold since the onset of the Covid-19 pandemic.

Subject areas for the Pre-Committee Briefing and Workshops are chosen based on training need requirements at the time and are subject to change.

External Training Schedule

Online Training/Seminars 2021:

Training	Dates
PLSA Webinar Access 1. Climate Change & Responsible Investing	https://www.plsa.co.uk/Events-Webinars 31st March 2021
CIPFA: 1. LGPS Local Pension Board Members Annual Event 2021 2. LGPS Local Pension Boards Member Autumn Seminar	 23 Jun 2021 30 Sept 2021
Local Government Association LGPS Fundamentals Training for newly Elected Members. This training is delivered at 3 locations in England and Wales, however may be online.	 Day 1 – October Day 2 – November Day 3 – December Precise dates to be determined.

Conferences 2021:

Conference	Dates
PLSA Annual Conference	12-14 October 2021 (Online)
PLSA Local Authority Conference	18-19 May 2021 (Online)
LAPF Strategic Investment Forum	5-6 July 2021 (Hertfordshire)
LGA Annual Conference & Exhibition	6 July - 8 July 2021 (Liverpool)
LAPFF Annual Conference	8-10 December 2021 (Bournemouth)
LGC Investment Summit	9-10 September 2021 (Leeds)
CIPFA Pensions Conference	TBC

Training Courses 2021:

Training	Date
The CIPFA Pensions Network	Various
CIPFA - Introduction to the LGPS	TBC

On-line Training:

Intuition Know-How:

All Committee and Board members have individual access to the Intuition Know-How Online Library. The library of on-line modules provide a vast array of training opportunities for all aspects of financial, accounting, investment and regulatory topics which are relevant to a Pension Fund. The following link can be used to access the Intuition Know-How Online library: https://cipfa.intuition.com

The Pensions Regulator's Public Service Toolkit:

The Pensions Regulator offers online training consisting of seven separate modules which support the Code of Practice No 14 guidance. The toolkit can be accessed using the following link: https://education.thepensionsregulator.gov.uk/login/

Pension Fund Committee
Meeting to be held on Friday, 12 March 2021

Electoral Division affected:
(All Divisions);

Responsible Investment Report
(Appendices 'A' and 'B' refer)

Contact for further information: Mukhtar Master, Governance & Risk Officer,
Lancashire County Pension Fund (01772) 5 32018
mukhtar.master@lancashire.gov.uk

Executive Summary

Responsible Investment encompasses a range of stewardship activities associated with Lancashire County Pension Fund (the Fund) fulfilling its duty to act in the best long-term interests of fund beneficiaries.

Set out at Appendix 'A' is a report from the Local Pensions Partnership which provides the Committee with an update on responsible investment matters during the fourth quarter of 2020 (October to December).

Recommendation

The Committee is asked to note the report.

Background

The report at Appendix 'A'' has been prepared by the Head of Responsible Investment at Local Pensions Partnership Investments Ltd (LPPI) and provides information on how the Fund is being supported to fulfil its commitment to long term responsible asset ownership in line with the approach set out within its Investment Strategy Statement and the Responsible Investment Policy approved by the Committee at its meeting in March 2018.

Attached as Appendix 'B' is the dashboard style report together with the qualitative overview of LPPI stewardship activities for the fourth quarter of 2020.

Other matters of note for the Pension Fund Committee:

Robeco Engagement Themes for 2021

The Robeco engagement themes for 2021 have now been determined. These were selected after consultation which clients, a process for which LPPI actively participated with. The themes for the year include:

- Climate Transition of Financials;
- Labor Rights in a post-Covid World;
- Acceleration to Paris Agreement;
- Enhanced Human Rights Due Diligence;
- Social Impact of Gaming.

LGPS Scheme Advisory Board – Responsible Investment Advisory Group

The LGPS Scheme Advisory Board have established an advisory group in relation to responsible investment. Subject to a nomination process two Pool representatives were appointed as members of the group. LPPI's Head of RI is one of these appointed members.

Task Force on Climate-related Financial Disclosure

The Pensions Scheme Bill 2021 received royal ascent on 11th February 2021 and became the Pensions Scheme Act 2021. The Act does not directly apply to LGPS schemes but is an indication that it may do in due course. There is a consultation on new proposed regulations which runs to the 10th March 2021. These regulations do not extend to the LGPS however a consultation on regulations for the LGPS is set to substantially mirror the requirements set out in this document are expected from MHCLG in 2021.

Local Authority Pension Fund Forum (LAPFF)

LAPFF business meetings continue online. The last meeting covered topics such as:

- Covid-19 and the S in ESG;
- Pay Gaps and diversity;
- Mining and Human Rights;
- Batteries for Energy Storage and Units of Energy.

Papers from the meeting can be made available on request.

PRI's Inevitable Policy Response

Appendix A references LPPI's participation in an investor initiative co-ordinated by the PRI which sent letters to the Prime Minister and the Secretary of State for Transport calling for strong policy ambition on climate change in the lead up to the UK's Presidency of COP 26 coupled with planning for a just transition for impacted workers and sectors.

The letters are an example of LPPI's advocacy for clear government policy on climate change which will deliver on the UK Government's commitments under the Paris Agreement and provide investors with the information required to make informed decisions on the sustainable deployment of capital. The wider context is a mounting expectation of policy intervention on climate change (anticipated by the Taskforce on Climate-related Financial Disclosure and the PRI's Inevitable Policy

Response) without clarity or predictability around how, when, and what measures will be introduced.

Action from last Pension Fund Committee: 7 principles of sustainable development

In follow-up to the Divestment/Investment workshop for Pension Fund Committee members held on 19th November 2020, the Acting Head of Fund reached out to Cary Krosinsky (one of the participants) and asked to be connected with officers at New York State Common Retirement Fund in order to arrange a follow-on call around their thinking (and work underway) on what Cary had described as 7 principles of sustainable investment.

The Fund's Independent Adviser and invited officers from LPPI were put in touch with Eri Yamaguchi (ESG Officer from NYSCRF) who offered a call on the Fund's work on developing a minimum standards approach. A call took place on 3rd December 2020 during which Eri provided a brief introduction to work underway, which is against a roadmap set out in the Fund's Climate Action Plan 2019 (state.ny.us)

The Action Plan was described as a strategy for understanding the current position and transitioning the Fund to a lower carbon and more sustainable position over time. Observations from the interaction are that NYSCRF have identified logical actions to deliver what they are aiming for, but the approach is to frame an evaluation process rather than to create an absolute set of minimum standards NYSCRF will hold the portfolio (or their managers) up to.

A key point to emerge from the conversation is that NYSCRF invests solely in Public Equities and Corporate Fixed Income (public market assets) and within listed equities they are passive investors (their Global Listed Equities investments moved to track a low carbon index 3 years ago). NYSCRF are not a natural comparator for LCPF, which has a diversified investment portfolio principally based on active management. This said, the prioritisation of ways to objectively determine which companies pose risk (by virtue of their main activities – so based on sector) and to review whether companies in identified sectors are planning for and well placed to meet the needs of the future with a viable strategy for value creation and risk mitigation is certainly common ground.

On the subject of divestment, Eri clarified that their process will identify sectors and companies at risk, and may ultimately lead to divestment, but this is not the goal of their minimum standards approach, which is best understood as a monitoring framework the Fund is resourcing and developing itself to assess what is brought into ownership as a result of the mandates they have specified and awarded and the implementation of these by managers. The framework is at an early stage of evaluating sectors (has begun with thermal coal) and is intended to provoke questions, produce insights and may result in strategy change and adjustments to the Fund's investment requirements (actioned through targeting, tilting, and exclusions) over time.

Consultations

Frances Deakin the Head of Responsible Investment at the Local Pensions Partnership was consulted regarding this report, together with Aoifinn Devitt, the Fund's Investment Advisor.

Implications:

This item has the following implications, as indicated:

Risk management

It is an important component of good governance that the Fund is an engaged and responsible investor committed to actions which are in the best long term interests of fund members and beneficiaries.

The monitoring of investee companies and the promotion of good corporate governance practices can help to reduce the risk of unexpected losses arising as a result of poor over-sight and lack of independence.

Responsible investment practices underpin the fulfilment of the Funds fiduciary responsibilities to Fund beneficiaries and are implemented in practice through the advisory and investment management services provided by Local Pensions Partnership Investments.

Quarterly Reports provide information to the Pension Fund Committee on the stewardship of the Fund's assets by Local Pensions Partnership Investments and enable the Committee to monitor the activities undertaken.

Involvement in a non-US type of “class action” may result in the recovery of losses incurred by the Fund but, should the claim be lost, the Fund may incur related costs which may not be known with certainty at the time of filing.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
Robeco Active Ownership Report Q4-2020	1/10/20 to 31/12/20	Mukhtar Master (01772) 532018

Reason for inclusion in Part II, if appropriate
N/A

1. Introduction

This report on Responsible Investment (RI) is a companion to the LPPI RI Dashboard (Appendix 1) and the Quarterly Active Ownership Report (Appendix 2 – available from the online Pensions Library).
It covers stewardship in the period 1 October to 31 December 2020 plus insights on current and emerging issues for client pension funds.

[R] This symbol indicates a term explained in the reference section at the end of this report.

Key takeaways for the period:

- LPPI has signed investor letters to the Prime Minister and Secretary of State for Transport urging ambition in domestic climate policy in the lead up to the UK's Presidency of COP 26 [R] in Nov 2021.
- Investments in brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 2.99% of the portfolio.
- Investments in green sectors (renewable energy generation, clean technology, and decarbonising activities) are 3.84% of the portfolio.
- The carbon intensity of the LPPI Global Equity Fund has continued to decline (per the annual snapshot exercise undertaken in December 2020).
- MHCLG [R] intends to consult during 2021 on a new requirement for TCFD [R] reporting by LGPS pensions schemes.

2. RI Dashboard – portfolio characteristics

This section of the report shares key takeaways from the RI Dashboard at Appendix 1.

Asset class metrics (*Dashboard pages 1 & 2*) offer insights on the composition of the portfolio and its general characteristics. There have been minimal changes compared with the position reported at Q3 2020.

<u>Listed equities (Dashboard p1)</u>

Sector Breakdown
Categorised by GICS[R] the largest sectoral exposures for the GEF are information technology (23%) and consumer staples (14%).

Comparing the GEF with its benchmark (MSCI ACWI) [R] gives insight into how sector exposures for the fund differ from a global market index. The length of each horizontal bar indicates by how much exposures differ in total (+ or –) compared with the benchmark, which is the outcome of active managers making stock selection decisions rather than passively buying an index.

The GEF is underweight energy (GEF 0.5% versus 3.0% for MSCI ACWI) indicating a much lower exposure to companies extracting, transporting, storing, and supplying fossil fuels.

Top 10 Positions
The top 10 companies (10 largest positions) make up 21% of the total LPPI GEF.
There has been no change in ranking since last quarter for the top 7 companies; Apple has moved to 8th Estee Lauder has entered the list at 9th, SPDR Gold Shares have moved to 10th and Alibaba Group has been displaced.

Portfolio ESG Score
The GEF's Portfolio ESG score has fallen from 5.4 (Q3) to 5.1 (Q4). In the same period the equivalent score for the benchmark fell from 5.2 (Q3) to 4.9 (Q4). Both shifts reflect a notified change in methodology introduced by the data provider rather than any worsening in relative standing (or higher ESG risk) compared with the position last quarter.

Transition Pathway Initiative (TPI)
Our monitoring of the portfolio using TPI [R] Management Quality ratings confirms the GEF has relatively low exposure to highly carbon intensive activities. By value, only 12.5% of the GEF is in companies under TPI assessment as global high emitters (unchanged from Q3).

Compared with Q3, the number of companies in TPI scope has decreased by 5 (Q3 41, Q4 36) through positions being sold.

Of the 36 companies in TPI scope:

- 95% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI3) and into their strategic planning (TPI 4).
- all extractive fossil fuel companies are TPI 3 or above (100% compliance with LPPI's target for this sector).

The LPPI GEF is featured in the Real World Outcomes section of the dashboard this quarter. Dashboard pages 6-8 outline how 3 featured companies are making a positive contribution to targets under UN Sustainable Development Goal 6 - Clean Water and Sanitation [R] . These examples share insights into how companies are acting as responsible stewards of their water footprints and having positive social outcomes through a focus on sustainable operations.

<u>Other asset classes (Dashboard p2)</u>

Private Equity
Sector and geographical exposures are unchanged from Q3. The portfolio has a strong US presence (46%) and largest sector exposure is to Information Technology (32%).

Infrastructure
Sector and geographical exposures are largely unchanged from Q3. The portfolio is predominantly focussed within the UK/Europe (43% / 37%) and is 61% utilities (supply of power and water).

Real Estate
Sector and geographical exposures are unchanged from Q3.
The portfolio is 74% UK assets and has a 37% weighting to industrial uses (logistics).

Green & Brown Exposures
Calculation of the Fund's exposure to Green and Brown activities focusses specifically on equity assets (listed equity, private equity, and infrastructure) plus green bonds within fixed income. Figures give an indication, rather than a precise measure, as an assistance to reviewing the overall position. Our methodology continues to develop, particularly as we work to improve look-through to underlying assets held by pooled vehicles and fund of funds.

Green activities are those directly contributing to real world decarbonisation, principally through renewable energy generation, but we include other activities supporting lower emissions including district heating, and waste management. Brown activities are those directly involved with extracting, transporting, storing, and otherwise supplying fossil fuels, or using them to generate energy. There have been minor changes in overall levels of Green and Brown exposure compared with Q3 2020.

Brown activities are 2.99% of the portfolio (Q3 3.07%). Rather than a reduction in the value of brown assets (which remained relatively stable), the change reflects an increase in the value of the wider portfolio the brown segment is being compared to.

Brown exposure is 89% infrastructure and is mainly indirect investments in **midstream and downstream** oil and gas through infrastructure pooled funds. Midstream and downstream activities are **collectively** 66% of total brown exposure.

Green activities are 3.84% of the portfolio (Q3 4.02%). The change is partly a result of the increased value of the total fund the green segment is being compared to, but also reflects a depressed valuation for an infrastructure asset which is exposed to merchant power prices (reduced revenues) and a smaller holding (compared to Q3) in green bonds (fixed income).

Green exposure is 98% infrastructure and reflects renewable energy generation from **wind, solar, hydro, and waste** which are collectively **82%** of total green exposure.

Core Stewardship

This section of the report gives an overview of stewardship activities in the last quarter. Client pension funds delegate day to day implementation of the Partnership's approach to RI to Local Pensions Partnership Investments Ltd (LPPI). Ongoing stewardship activities by LPPI include portfolio and manager monitoring and the exercise of ownership responsibilities via shareholder voting, and engagement.

<u>Shareholder Voting - LPPI Global Equity Fund (GEF) *(Dashboard page 3)*</u>

Shareholder voting is overseen centrally by LPPI rather than by individual asset managers. LPPI receives analysis and recommendations from an external provider of proxy voting and governance research. We follow Sustainability Voting Guidelines focussed on material ESG considerations and liaise with providers and asset managers as needed to reach final voting decisions.

Full details of all shareholder voting by LPPI is publicly available from the LPP website within quarterly shareholder voting reports.

The period October to December 2020 encompassed 72 meetings and 586 proposals voted.

a) Company Proposals

LPPI supported 90% of company proposals in the period.
Opposition voting concentrated on

- the election of directors (addressing individual director issues, overall board independence, and over-boarding)
- non-salary compensation (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards).

Insights – Director related

At Oracle Corporation (USA: Systems Software), LPPI withheld support for all four incumbent members of the Governance Committee. This reflected concerns over the lack of risk oversight in relation to substantial pledging activity by the company founder and Chair Larry Ellison.

Pledging is the use of stock owned by an executive as collateral against indebtedness. Excessive pledging is not in the interests of shareholders since it can result in an executive being forced to sell considerable company stock quickly, which could negatively impact the share price and, in the case of a majority shareholder, affect their controlling interest in the company.

Oracle adopted a Pledging Policy in 2018 prohibiting the pledging of Oracle securities as collateral to secure or guarantee indebtedness, but restrictions put in place explicitly exclude the pledging of Oracle securities by the company's founder. Results: 17.0% - 23.4% against.

At Max Financial Services Limited (India: Life & Health Insurance), LPPI voted against one director due to attendance being below 75% without a satisfactory explanation. Result: 10.0% against.

Insights – Non-salary compensation

LPPI voted against management in 21 instances across 14 companies.

At Varian Medical Systems (USA: Health Care Equipment) 85.8% of shareholders, including LPPI, voted against the Advisory Vote on Golden Parachutes. Objections were based on a combination of accelerated vesting for all currently outstanding equity (regardless of the individual's employment status post-merger) and a modification to improve change in control agreements (which act to compensate executives in the event of the loss of their job due to merger or sale).

At Bid Corp (South Africa: Food Distributors) shareholders rejected resolutions to approve and to implement the remuneration policy, with votes against of 67.4% and 68.1% respectively. LPPI opposed management due to concerns with "in-flight" adjustments to the Long-Term Incentive Plan in response to Covid-19, which would ensure awards vested without reference to performance conditions.

At Cardinal Health (USA: Health Care Distributors), LPPI voted against the say on pay following discussion with the Robeco Active Ownership Team. Concern centred on the CEO being insulated against the company's $5.6bn charge for an alleged role in facilitating opioid addiction in the US. One of the CEO's proposed performance measures was adjusted operating income which excluded the charge. Result: 38.6% against.

b) Shareholder Proposals

11 shareholder proposals arose across the company meetings voted by LPPI in Q4, of which 8 were supported.

At the Proctor & Gamble Company (USA: Household Products), LPPI supported two shareholder proposals. One resolution requested reporting on efforts to eliminate deforestation in the supply chain and received 67.7% support.
The second resolution was a request to annually publish a report assessing diversity and inclusion efforts and received 37.1% support.

LPPI supported three shareholder resolutions requesting an independent Board Chair. Proposals received support of between 32.6% and 42.2%.

At Oracle Corporation (USA: Systems Software), LPPI supported a shareholder resolution seeking improved gender and ethnic pay gap reporting. The proposal received 46.2% support.

Shareholder Engagement

Company and manager engagements are underway on an ongoing basis, directly through board seats and Limited Partner Advisory Committees (LPAC) for private market assets, and more conventionally through shareholder engagement with listed companies.

LPPI's engagement partner Robeco has completed a fourth full quarter of engagement activity. The RI Dashboard (page 4) presents engagement headlines for the quarter which confirm the Robeco Active Ownership Team undertook 72 activities in total, and the predominant focus (by topic) was corporate governance.

Page 5 of the Dashboard summarises the current status of each live engagement theme (as it stood at the end of Q4) within the table "Engagement Results per Theme".

22 themes were live at the end of Q4. Of these, 4 themes (Sound Environmental Management, Sound Social Management, Good Governance, and Global Controversy Engagement) are evergreen, the remaining 18 are thematic and reflect priorities identified through a combination of Robeco research and client input. Each theme is scheduled to last approximately three years, with progress continually tracked against clear objectives.

The Active Ownership Report at Appendix 2 (a copy of which is available for Committee members to view in the online Pensions Library) provides narrative on thematic engagements underway with listed companies (representing shares held by the Global Equities Fund, or corporate bonds held by the LPPI Fixed Income Fund).

Each quarter, we provide further insights into one of the live themes underway by the Robeco Active Ownership Team.

Case study – Cybersecurity

Robeco commenced the cybersecurity engagement theme in 2018, reflecting that a recognition companies face clear and significant risks to their business models from lax cybersecurity practices has not translated into clarity on the steps taken by companies to mitigate these risks. As the number of successful cybersecurity breaches rises, so do the associated costs, necessitating urgent action from companies across sectors and markets

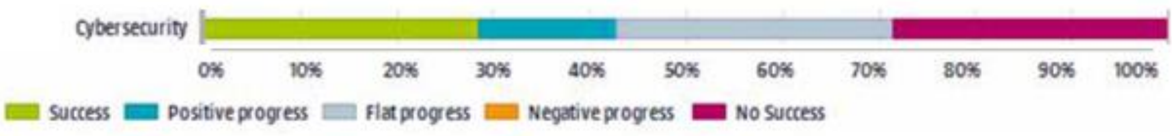
While cybersecurity is a universal concern, the engagement has focussed on consumer goods, payments, and telecommunications companies where cybersecurity risks have a deeper relevance to the business models of market players. Consumer goods companies often rely entirely on the internet to reach consumers, payments companies transmit an abundance of sensitive data, and telecommunications provide critical infrastructure to the economy.

The companies under engagement for LPPI are:
Altice NV – fixed income
Booking Holdings - listed equity & fixed income
Fidelity National Information Services – listed equity
Reckitt Benckiser – listed equity
Visa - listed equity
Vodafone - listed equity & fixed income

Robeco set five objectives for engagement with targeted firms, covering the key components of robust governance, controls, and policies:

- Governance and oversight: board-level responsibility with cyber KPIs linked to pay for the relevant member.
- Policy and procedure: a formal cybersecurity policy with a regularly tested response plan to a range of cyber risks.
- Risk management and controls: analysis of exposure to particular cyber risks, with regular testing of the sensitivity and integrity of data security controls.
- Transparency and disclosure: expectation that companies are transparent around the cost and effect of a cyber event, including the materiality threshold used for reporting. Communication to customers where data has been exposed should also be clear.
- Privacy by design: Companies should implement comprehensive policies that relate specifically to risks relevant for data privacy.

The engagement theme is due to run until September 2021 and progress thus far is mixed.



At Vodafone, Robeco have closed the engagement successfully, gaining confidence from the Board's involvement, significant growth in its cybersecurity team, and collaboration with competitors to share anonymised data to improve cybersecurity practices. At 2 companies, engagement has been closed without success, business sensitivities having limited the level of disclosure critical for determining the adequacy of arrangements. At the remaining 3 companies, dialogue is continuing, and the current status is either flat progress or positive progress for each of the objectives.

Following the annual process of consulting clients on priorities for future engagement themes (in which LPPI actively participated) Robeco has recently confirmed the new engagement themes that will commence in 2021.

Engagement Theme	Description	Start
Climate Transition of Financials	Global banks and insurance companies have an important role in financing the transition to a Paris aligned economy. • Currently they continue to have significant exposure to the fossil fuel industry. • Banks and insurers face climate change in form of physical, transition and liability risk. We believe that the impact will largely depend on financial institutions' exposure to high intensity GHG sectors and their assets' exposure to climate change stressed areas which can directly impact their book of business. With this engagement theme we call upon financial institutions to set climate targets and to adjust their lending and investment portfolios to be in line with the Paris Accord.	Q1
Labor Rights in a post-COVID World	The long-term viability of the companies in which we invest is inextricably tied to the welfare of their stakeholders, including their employees, suppliers and the communities in which they operate. The novel coronavirus (COVID-19) has shone a spotlight on the need to address the 'S' within ESG. Our engagement program aims to address risks related to labor practices in the retail, online food delivery and hospitality industries.	Q2
Acceleration to Paris Agreement	Climate change represents a significant threat to investors, and the global economy. To protect against this threat, investors should begin aligning their investment portfolios with the goals of the Paris Accord. We want to further shift gears in our engagement on the climate transition and want to focus on the worst-of-the-worst companies that are falling behind in the transition.	Q3
Enhanced Human Rights Due Diligence	Respect for human rights is strongly associated with value chain resilience and a stable business operating environment. Our engagement will focus on enhanced human rights due diligence for companies being directly linked to conflict-affected and high-risk environments. We will focus on companies in the technology, apparel and automotive sectors. Thereby we aim to heighten standards on human rights practices to counteract the increased risk that companies may become involved in or exacerbate ongoing grave human rights violations through their activities.	Q4
Social Impact of Gaming	Video games are acknowledged to have much positive potential. Some video games stimulate cognitive learning or training, and teach motivational resumption or optimism after failure. Yet, some concerns exist about the gaming industry, game content or gaming platforms, that has been exacerbated by the recent global lockdowns. In this theme, we will focus on mitigating the risks associated with game (development).	Q1

3. Collaborations and Partnerships

LPPI participates in a range of investor groups and partnerships which provide opportunities for shared learning and a platform for collective action. The following are headlines for 2020 Q4.

Principles for Responsible Investment – Investor letters to UK Government

In Jan 2021 LPPI participated in an initiative co-ordinated by the Principles for Responsible Investment to draft and sign letters to the Prime Minister and the Secretary of State for Transport calling for strong policy ambition on climate change in the lead up to the UK's Presidency of COP 26 [R] (in Nov 2021) coupled with planning for a just transition for impacted workers and sectors.

Signing the letters publicly evidenced LPPI's advocacy for strong climate change policy from the UK Govt which will help to deliver against commitments made to be a climate leader and give investors greater clarity on the specifics of the economic transition required to deliver significant and lasting decarbonisation.

Workforce Disclosure Initiative (WDI) Engagement Outcome

As reported last quarter, as a supporter of WDI, LPPI directly engaged six target companies who have not previously disclosed to WDI, encouraging them to begin sharing prescribed information on their workforce policies and outcomes by responding to the annual WDI survey.

Of six companies engaged (all held by the Internal portfolio) three went on to complete the WDI survey for the first time in 2020 as follows:

Responded to the survey	Did not respond to the survey
Diageo	PepsiCo
Nike	The Estée Lauder Companies
London Stock Exchange Group	3M

LGPS Cross Pool RI Group

LPPI's Head of RI completed her term as the Chair of the LGPS Cross-Pool RI Group in January 2021 when a new Chair (from the Northern LGPS) took up the role which is held in rotation.

LGPS Scheme Advisory Board – Responsible Investment Advisory Group

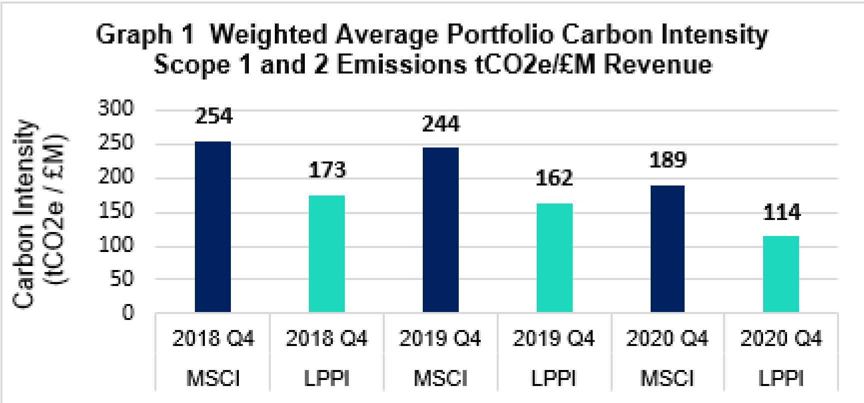
As reported in Q3, during 2020 the LGPS Scheme Advisory Board committed to appointing a Responsible Investment Advisory Group (RIAG) to advise on its work in this important area, with a clear specification for RIAG membership.

LPPI's Head of RI was nominated and has subsequently been appointed as one of two Pool representatives to the RIAG, which will meet for the first time in early March 2021.

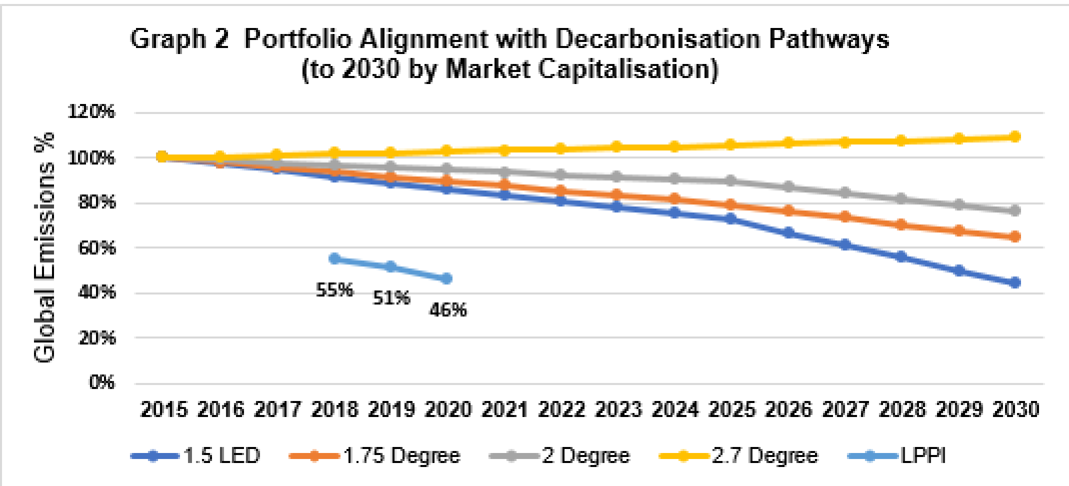
4. Other News and Insights

Carbon Intensity – LPPI Global Equity Fund

LPPI reviews the carbon intensity of the Global Equity Fund at 31 December each year. The annual snapshot exercise has confirmed a further reduction in the carbon intensity of the fund compared with the same point in 2019 and an intensity well below that of the fund's benchmark (MSCI ACWI [R]). Graph 1 below shows the position using a revenue measure (gross carbon emissions divided by total revenues for GEF companies) and includes scope 1 and 2 emissions. [R]



In prior years we have shared an additional metric (from our provider of carbon metrics - Urgentem) which plots the GEF's carbon intensity against decarbonisation pathways for different global temperature outcomes. Graph 2 shows the latest position for this metric using a market capitalisation measure (Portfolio gross carbon emissions divided by portfolio market value). It reflects scope 1, 2 and 3 emissions.[R]



The graph observes that portfolio carbon intensity continued to fall between 2019 and 2020 and indicates a current position beneath the trajectory for achieving the Paris Agreement goal of well below 2°c of temperature increase by 2050 (though the graph is to 2030 only).

As in prior years, we caution that this complicated metric involves numerous assumptions and has material limitations we fully acknowledge. As an early example of alignment measurement, it is a metric our data provider is due to retire this year, reflecting both the challenges and the evolution underway in this space.

In common with other investors, we await the development of robust market-standards for assessing portfolio alignment with the Paris Agreement, which are based on universally accepted, understandable, and decision-useful metrics. A recent paper (December 2020) by the Grantham Research Institute on Climate Change and the Environment and the Centre for Climate Change Economics and Policy notes that "the relatively undeveloped state of the work for assessing [the] Paris alignment of finance flows is becoming a key constraint to accelerating the transition and meeting the objectives of the Paris Agreement".

Clearer Signals regarding Mandatory TCFD Reporting

The Pensions Scheme Bill 2021 received royal ascent on 11th February 2021 and became the Pensions Scheme Act 2021. The Act does not directly apply to LPGS schemes but is of significance in providing a clearer indication of requirements likely to be translated to the LGPS in due course. The Act includes provisions for the effective governance of climate change which prepare the ground for regulations on how pension schemes will be required to adopt enhanced governance requirements and mandated to report in line with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD) [R].

A consultation on the proposed new regulations for UK Pension schemes entitled Taking action on climate risk: improving governance and reporting by occupational pension schemes was launched in January 2021 and runs until 10th March 2021. The scope of the proposed regulations does not extend to LGPS schemes, but a consultation on regulations for the LGPS set to substantially mirror the requirements set out in this document are expected from MHCLG in 2021.[1]

In a pre-recorded speech to the Professional Pensions Investment conference on 27th January 2021, Minister for Pensions Guy Oppermann reflected on the proposals for new climate related regulations for UK pension schemes. The transcript of his speech offers useful insights into government thinking – which reiterates that the regulations are not seeking to direct pension fund trustees to divest from fossil fuels or mandating that schemes commit to specified emissions reductions. The new measures ultimately intend to ensure trustees are legally required to assess and report on the financial risks of climate change within their portfolios.

[1] Referenced at paragraph 2.10 of the roadmap towards mandatory climate-related disclosure here: FINAL_TCFD_REPORT.pdf (publishing.service.gov.uk)

For Reference

COP 26 – the 26th Conference of the Parties who signed the Paris Agreement (in 2015) which set targets for limiting global warming. COP 26 takes place in Glasgow in November 2021 under the presidency of the UK. https://ukcop26.org/uk-presidency/what-is-a-cop/

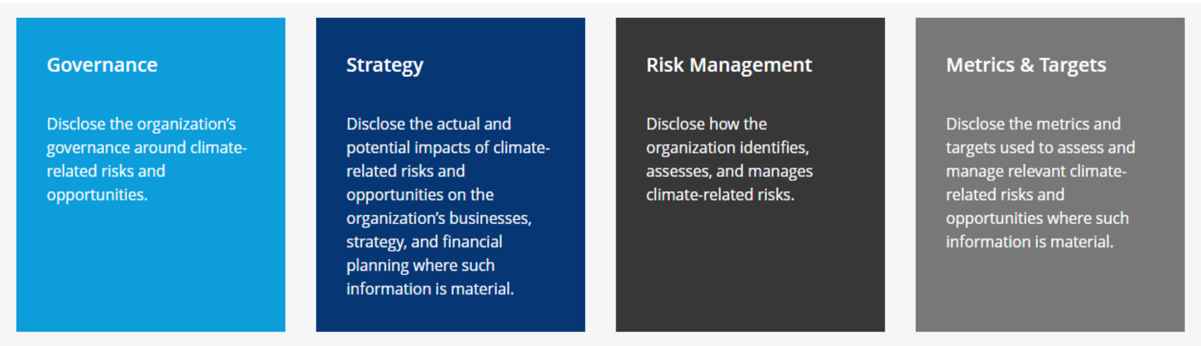
GICS - Global Industry Classification System
The most widely used approach to categorising activities into industry sectors. The main standard in use for public markets with growing use for other asset classes.
For more information on GICS and the activities that fall into each sector see:
https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook_2018_v3_letter_digitalspreads.pdf

MSCI ACWI - MSCI All Country World Index
A stock index designed to track broad global equity-market performance.
The LPPI Global Equity Fund's benchmark.

MSCI - Morgan Stanley Capital International A global index provider.

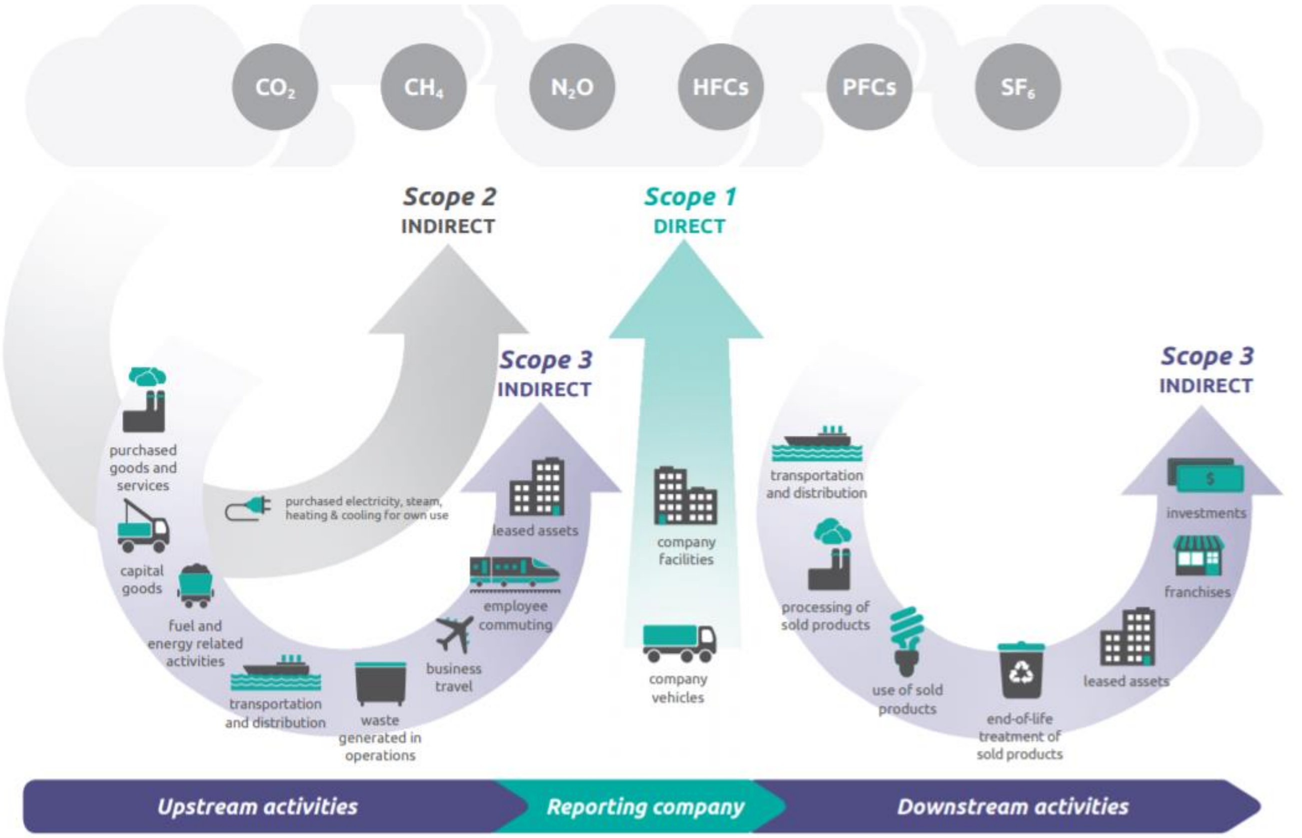
MHCLG - Ministry of Housing, Communities and Local Government

TCFD - Taskforce on Climate Related Financial Disclosure
The Financial Stability Board created the Task Force on Climate-related Financial Disclosure (TCFD) to improve and increase reporting of climate-related financial information by companies and investors.
Recommendations include annual disclosure under 4 pillars:



Reference section continues below.

Scope 1, 2 & 3 Emissions



Source: [GGH Protocol]

Scope 1 covers direct **emissions** from owned or controlled sources.
Scope 2 covers indirect **emissions** from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.
Scope 3 includes all other indirect **emissions** that occur in a company's value chain.

TPI - Transition Pathway Initiative https://www.transitionpathwayinitiative.org/
The TPI assesses highest emitting companies globally on their preparedness for transition to a low carbon economy.
368 companies are rated TPI 0-4* for Management Quality based on 19 separate datapoints. TPI Management Quality scores provide an objective external measure of corporate transition readiness.

Responsible Investment Dashboard Q4 2020

1. Portfolio Insights

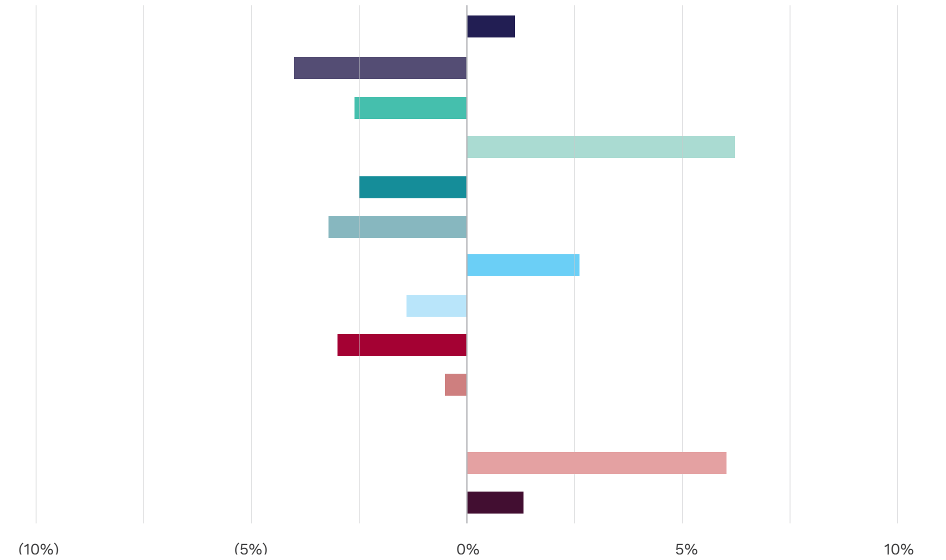
Listed Equities (LPPI Global Equity Fund)

Sector breakdown (%)

Sector	%
Information Technology	23.0
Health Care	7.9
Consumer Discretionary	10.4
Consumer Staples	13.6
Energy	0.5
Materials	1.8
Industrials	12.3
Financials	12.1
Communication Services	6.2
Utilities	2.5
Real Estate	2.2
Cash	6.0
Others	1.5

Page 159

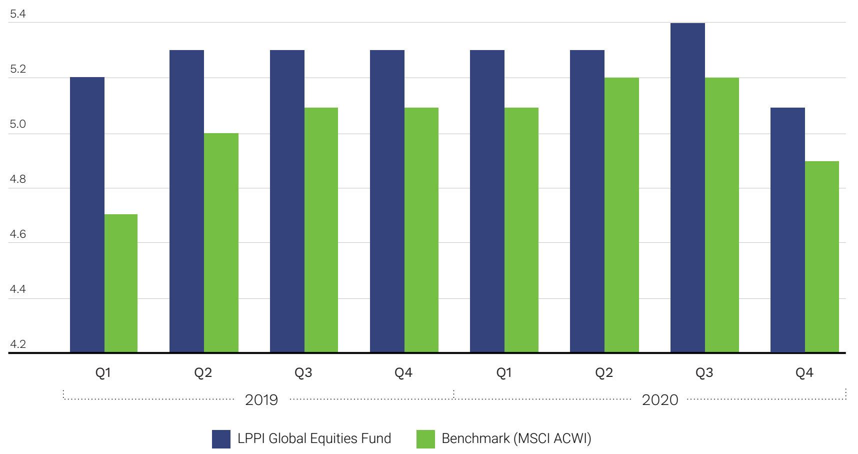
LPPI Global Equities Fund sector weights VS MSCI ACWI ND



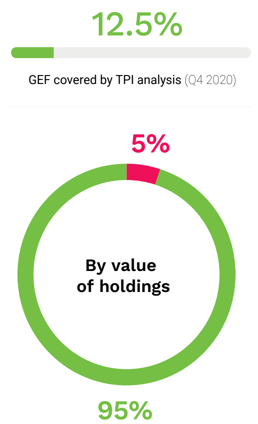
Top 10 positions

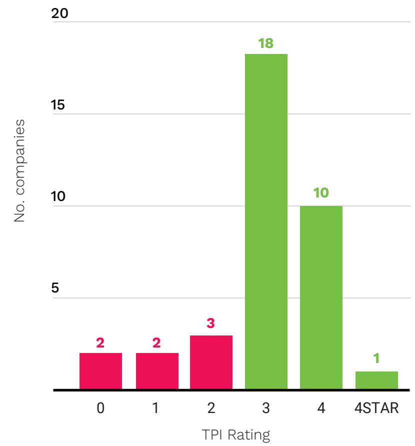
	Portfolio (%)
1. Microsoft	3.3
2. Nestle	3.1
3. Visa	2.6
4. Colgate-Palmolive	2.3
5. Accenture	2.3
6. Starbucks	1.9
7. Pepsico	1.7
8. Apple Inc	1.4
9. Estee Lauder	1.4
10. SPDR Gold Shares	1.4

Portfolio ESG Score (MSCI ESG Metrics)



Transition Pathway Initiative – Management Quality Headlines





TPI Management Quality Rankings

- **0** - Unaware
- **1** - Aware
- **2** - Building capacity
- **3** - Integrated into operational decisions
- **4** - Strategic assessment

Appendix B

Responsible Investment Dashboard Q4 2020

1. Portfolio Insights

Other asset classes

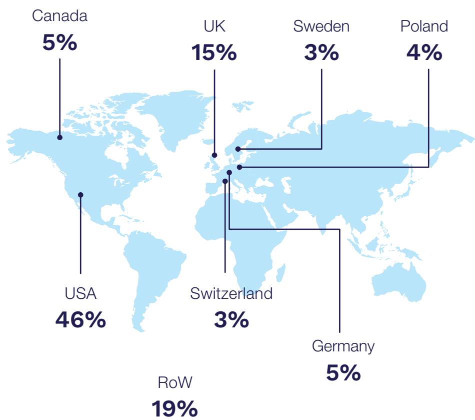
Page 160

Private Equity

Industry Breakdown (%)

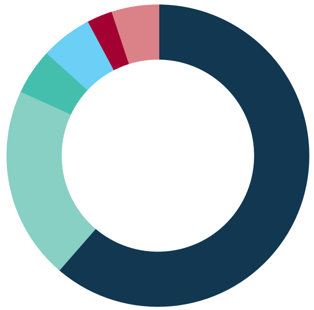
- I.T. 32
- Industrials 16
- Other 16
- Healthcare 12
- Consumer Discretionary 10
- Financials 8
- Consumer Staples 6

Region Breakdown (%)



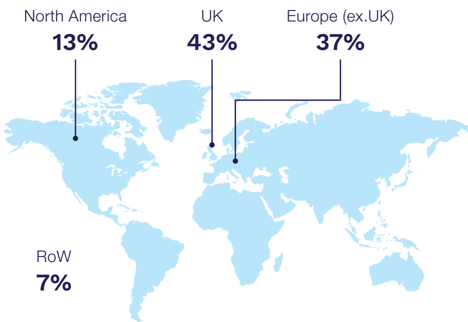
Infrastructure (LPPI Global Infrastructure Fund)

Industry Breakdown (%)



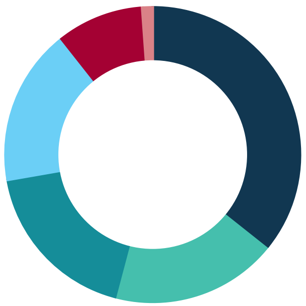
- Utilities 61
- Industrials 20
- Energy 6
- Healthcare 5
- Other 5
- PPP 3

Region Breakdown (%)



Real Estate (LPPI Real Estate Fund)

Sector Breakdown (NAV %)



- Industrial 37
- Office 19
- Other 18
- Retail 16
- Residential 9
- Agriculture 1

Geographical Exposure (NAV %)

Green & Brown Exposure

Green

Investments in businesses directly contributing to the global transition to a lower carbon economy, expressed as a % of the total value of the Pension Fund.

3.84% of portfolio — Public Markets 0.06% | Private Markets 3.78%

3.13% Renewable Energy Generation — Solar 0.12% | Wind 2.05% | Hydro 0.08% | Other 0.87%

0.71% Other "Green" — Activities Reducing Carbon 0.71%

Brown

Investments in traditional energy (based on fossil fuels) expressed as a % of the total value of the Pension Fund.

2.99% of portfolio — Public Markets 0.25% | Private Markets 2.73%

2.47% Energy — Upstream 0.18% | Midstream 1.10% | Downstream 0.96% | Integrated 0.22%

0.52% Generation — Power from fossil fuels 0.52%

Responsible Investment Dashboard Q4 2020

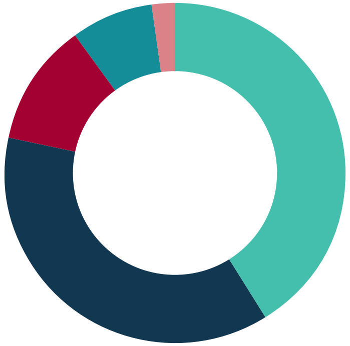
2. Stewardship Headlines

Shareholder Voting

Shareholder Voting Statistics (LPPI Global Equity Fund)

Headlines

Meetings Voted	Proposals Voted	Company Proposals (Supported 90%)	Shareholders Proposals (Supported 73%)	Meetings with a vote against Management
72	586	575	11	38%



Votes Against Management (By Theme)

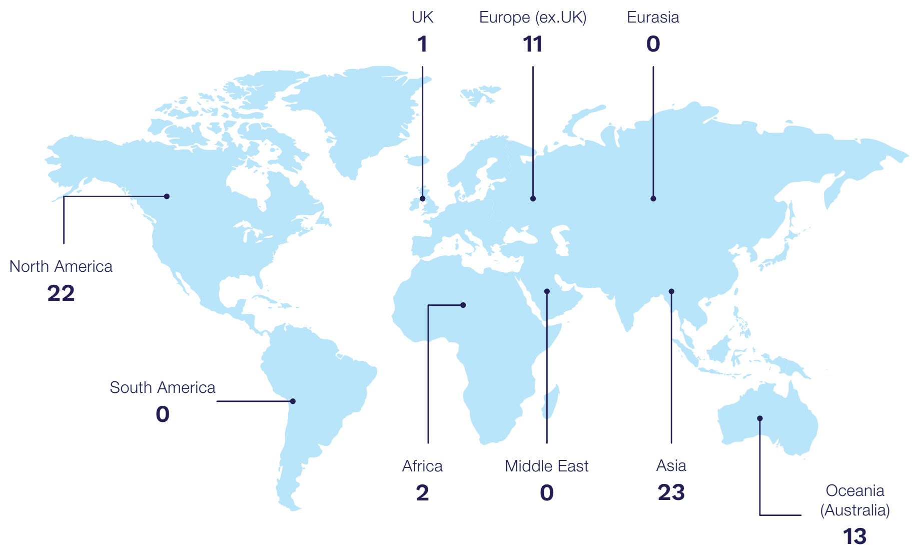
- Non-salary compensation **21**
- Election of Directors (and related proposals) **19**
- Routine business **6**
- Capitalisation **4**
- Mergers, acquisitions and reorganisations **1**
- Anti-takeover (and related proposals) **0**

Page 161

Voting (By Theme)

Theme	Against	For
Election of Directors (and related proposals)	21	281
Non-salary compensation	21	54
Anti-takeover (and related proposals)	0	7
Mergers, acquisitions and reorganisations	1	37
Capitalisation	4	54
Routine business	8	87
Shareholder proposals	3	8

Voting (By Region)



Responsible Investment Dashboard Q4 2020

2. Stewardship Headlines

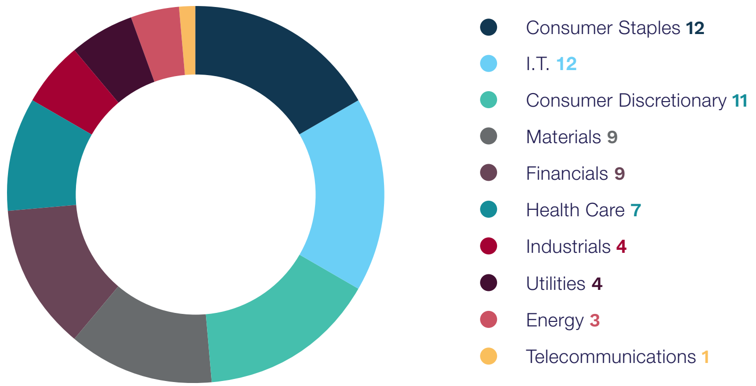
Engagement (Public Markets)

Activity (by Topic)

Corporate Governance	24
Environmental Management	17
Human Rights	14
Environmental Impact	6
Healthy Living	6
Social Management	4
Global Controversy Engagement	1

Page 162

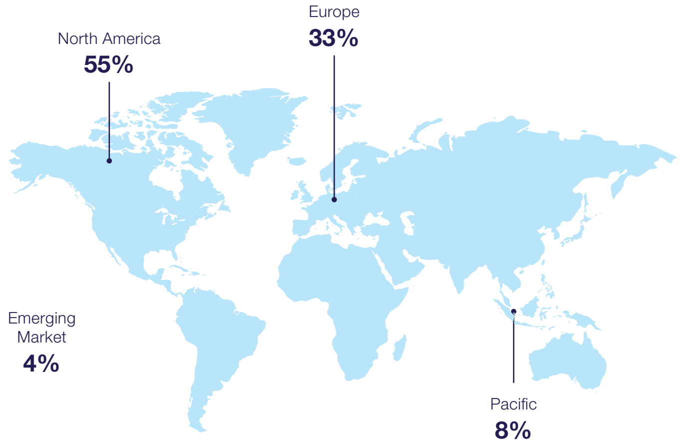
Activity (by Sector)



Activity (by Method)

E-mail	52
Conference call	42
Analysis (no actual contact with company)	20
(Open) Letter	14
Speaking at conferences	2
Meeting at company offices	0
Active voting	0
Shareholder resolution	0
Speaking at a shareholder meeting	0
Meeting at Robeco offices	0
Issue press release	0

Activity (by Region) (%)



Source: Robeco Active Ownership Report Q4 2020

Responsible Investment Dashboard Q4 2020

2. Stewardship Headlines

Engagement (Public Markets)

Engagement Results (by Theme)

Source: Robeco Active Ownership Report Q4 2020

Page 163

UN SUSTAINABLE DEVELOPMENT GOAL 6

Ensure availability and sustainable management of water and sanitation for all.

In a warming world where billions do not have access to the most basic facilities, quality businesses act as responsible stewards of their water footprints.

The following companies held within the LPPI Global Equities Fund are directly contributing to the goals of SDG 6.

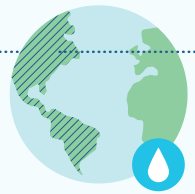
DIAGEO

Diageo is an alcoholic beverages company that produces household names including Guinness and Baileys. As a global drinks manufacturer, the sustainable use of water is business critical both as an ingredient and an agricultural and supply chain resource.

CDP has recognised the strength of Diageo's approach to water management, placing the firm on their water 'A-list' of leaders.

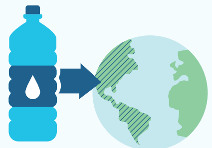
In 2020, Diageo launched a 10-year sustainability plan detailing how they plan to manage their water foot-print. The 2030 targets include:

30% improvement in water use efficiency globally



40% in water stressed areas

TARGET: **SDG 6.4**



Replenish

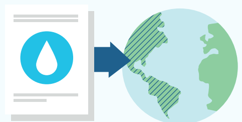
all direct consumptive water used in water stressed areas

TARGET: **SDG 6.4**

Access to safe water

All sites in water stressed areas provide improved access to safe water sanitation and hygiene for nearby communities and in small-holder raw material sourcing areas

TARGETS: **SDG 6.1** & **6.2** & **6.b**



Embed water issues

into public policy planning in water stressed markets

TARGET: **SDG 6.a**

UN SUSTAINABLE DEVELOPMENT GOAL 6

Ensure availability and sustainable management of water and sanitation for all.

Page 165

In a warming world where billions do not have access to the most basic facilities, quality businesses act as responsible stewards of their water footprints.

The following companies held within the LPPI Global Equities Fund are directly contributing to the goals of SDG 6.

Unilever

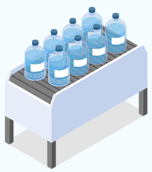
Unilever has a presence in 190 markets and makes around 400 household products, including Dove and Marmite. Through water management in supply chain manufacturing processes, sanitation product lines, and product innovation, Unilever is seeking to contribute to the goals of SDG 6.

Manufacturing efficiency

47% improvement

saving

3.4l for every person



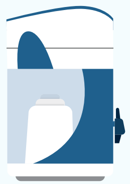
Between 2008-2019, Unilever increased water efficiency in manufacturing by **47%**. The efficiency improvements have led to water savings equivalent to **3.4 litres** for every person on the planet.

TARGET: **SDG 6.1**

Water and sanitation product lines

144bn litres of safe drinking water

80m people



Pureit is Unilever's home water purification system. It is priced competitively and does not require electricity, widening its availability. Since its launch in 2005, **114 billion litres** of safe drinking water have been produced for **80 million people**

Lifebuoy is the world's number one hygiene soap brand. Retailing at approximately **11p per bar**, Unilever combine low pricing and proactive sanitation campaigns to expand access and use. Since 2010, Unilever have reached approximately **486 million people** through on the ground programmes on handwashing behavioural change.

TARGETS: **SDG 6.1** & **6.2**

Product innovation

Unilever recognise the vast majority of their water footprint occurs when customers use their products, particularly laundry and shower products. To address this, they are launching new products including soaps that require half the water needed for rinsing and dry conditioners for water scarce regions.

TARGETS: **6.2** & **6.4** & **6.a**

UN SUSTAINABLE DEVELOPMENT GOAL 6

Ensure availability and sustainable management of water and sanitation for all.

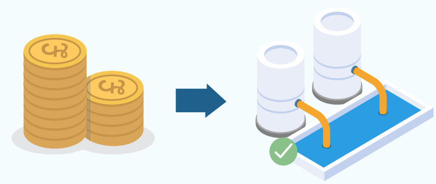
In a warming world where billions do not have access to the most basic facilities, quality businesses act as responsible stewards of their water footprints.

The following companies held within the LPPI Global Equities Fund are directly contributing to the goals of SDG 6.

Microsoft

As a software company, Microsoft's water footprint is driven primarily by the need for cooling, for example, at datacentres. Through ambitious targets on water replenishment and sustainability integrated design, Microsoft are contributing to SDG 6.

Water positive by 2030

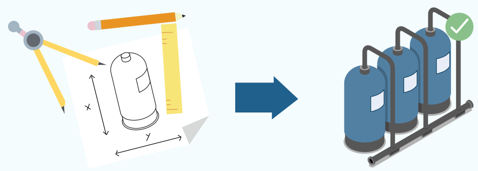


Microsoft has pledged to become water positive by 2030. This means they will replenish all water consumed across direct operations by investing in water projects in highly stressed water basins where Microsoft has operations.

Projects include: wetland restoration and the removal of impervious surfaces.

TARGET: **SDG 6.6**

Water efficiency by design



Microsoft uses a sustainability design standard to enhance water efficiency. **Examples include:**

- A datacentre complex in the highly water stressed region of Arizona has been designed to not need water for cooling for half the year, instead capturing moisture from the air in the colder months.
- A net zero water campus in Silicon Valley.

TARGET: **SDG 6.4**

Page 167

Pension Fund Committee
Meeting to be held on Friday, 12 March 2021

Electoral Division affected:
(All Divisions);

2021/22 Work Plan for the Lancashire local Pension Board
(Appendix 'A' refers)

Contact for further information: Mukhtar Master, Governance & Risk Officer,
Mukhtar.Master@lancashire.gov.uk

Executive Summary

The 2021/22 Work Plan for the Lancashire Local Pension Board is attached to this report for the information of the Committee.

Recommendation

That the 2021/22 Work Plan for the Lancashire Local Pension Board, as set out at Appendix 'A' to this report, is noted.

Background and Advice

Under the Terms of Reference, the Pension Board is required to produce a Work Plan each year and submit it to the Pension Fund Committee for information.

The Work Plan for 2021/22 has been developed in consultation with the Chair of the Board and the Head of Fund.

This version of the 2021/22 Work Plan is attached at Appendix 'A'.

Consultations

Chair of the Board and the Head of Fund have consulted on this Work Plan.

Implications:

This item has the following implications, as indicated:

Risk management

The Pension Board is required under legislation to secure compliance and ensure the effective, efficient governance and administration of the Fund.

Lancashire County Council

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel

N/A

Reason for inclusion in Part II, if appropriate

N/A

Lancashire Local Pension Board – 2021/22 Annual Work Plan

The pension work plan sets out the order of matters the Pension Board will review in the financial year. The work plan has been arranged into two sections an annual work plan reflecting reports presented on a quarterly basis as well as a three year work plan to reflect the frequency of policies which are refreshed every three years. The order of presentation of the agenda is as reflected below.

Agenda	19 Jan 2021	20 Apr 2021	6 Jul 2021	19 Oct 2021	18 Jan 2022
Standing Items					
Welcome and Apologies, Declaration of Interests, Urgent business, Exclusion of press/public, Date of the next meeting of the LLPB.					
Minutes of the previous meeting of the LLPB					
Feedback from Board members on conferences/events and other training received					
Part I/II Reports considered by the recent Pension Fund Committee					
Regulatory changes update report					
Governance					
Quarterly risk register report	**Y**	**Y**	**Y**	**Y**	**Y**
Report update on progress of the current LLPB work plan	**Y**	**Y**	**Y**	**Y**	**Y**
Interim update to the Admissions and Termination Policy	**Y**	**Y**	**Y**	**Y**	**Y**
LLPB Members Training Record		**Y**			
Annual compliance report with the Pension Regulator's Code of Practice 14	**Y**				
Update of Constitution, Membership and Terms of Reference of the LLPB	**Y**				
Annual Review of the effectiveness of the LLPB - conclusions of the Chair and draft LLPB Annual Report for the previous year.		**Y**			
Approval of the annual LLPB work plan for the following year (send to PFC)		**Y**			
Communications plan update report		**Y**	**Y**	**Y**	**Y**
Annual report on the results of the pension regulator's survey				**Y**	

Agenda	19 Jan 2021	20 Apr 2021	6 Jul 2021	19 Oct 2021	18 Jan 2022
Review the PFC report on UK Stewardship Code Compliance			Y		
Annual report on Cyber Security				Y	
Administration Performance					
LPPA Pensions Administration Service Update	Y	Y	Y	Y	Y
Monitoring update on KPIs for admin, complaints, governance, investments.	Y	Y	Y	Y	Y
Summary report of appeals under the internal dispute resolution procedures	Y	Y	Y	Y	Y
Annual report on LPPA administration performance, data quality and data scores			Y		
LPPA Audit Assurance Report		Y			
Pensions Administration Financial Monitoring					
Contributions monitoring and data breaches (quarterly reporting)	Y	Y	Y	Y	Y
LCPF budget and cost per member review (with particular regard to cost savings, productivity gain, risk reduction, service improvement and performance).		Y			
Lancashire Pension Fund Policies					
Actuarial Valuation					
Policy - Funding Strategy Statement					
Policy - Pension Administration Strategy Statement	Y				
Policy - Admissions & Termination Statement			Y		
Policy - Communications Policy Statement					
Policy - Employer & Administering Authority Discretions					
Policy - Governance Policy Statement	Y				
Policy - Death Policy					Y
Policy - Transfers including Bulk Transfers					
Policy - Abatement Policy					

Lancashire Local Pension Board – 2021/22 Annual Work Plan

The pension work plan sets out the order of matters the Pension Board will review in the financial year. The work plan has been arranged into two sections an annual work plan reflecting reports presented on a quarterly basis as well as a three year work plan to reflect the frequency of policies which are refreshed every three years. The order of presentation of the agenda is as reflected below.

Lancashire Pension Fund Policies	2021/22	2022/23	2023/24	2024/25
Actuarial Valuation		Y		
Policy - Funding Strategy Statement		Y		
Policy - Pension Administration Strategy Statement	Y			Y
Policy - Admissions & Termination Statement	Y			Y
Policy - Communications Policy Statement		Y		
Policy - Employer & Administering Authority Discretions			Y	
Policy - Governance Policy Statement	Y			Y
Policy - Death Policy	Y			Y
Policy - Transfers including Bulk Transfers		Y		
Policy - Abatement Policy			Y	

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Document is Restricted

Appendix B

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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Appendix A

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Appendix B

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Appendix A

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Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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(NOT FOR PUBLICATION: By virtue of paragraph(s) 1, 2, 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 1,3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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