Lancashire County Council

Pension Fund Committee

Friday, 7th February, 2020 at 10.30 am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston.

Agenda

Part I (Open to Press and Public)

No.	Item	
1.	**Apologies**	
2.	**Disclosure of Pecuniary and Non-Pecuniary Interests** Members are asked to consider any Pecuniary and Non-Pecuniary Interests they may have to disclose to the meeting in relation to matters under consideration on the Agenda.	
3.	**Minutes of the Last Meeting.** To be confirmed, and signed by the chair.	(Pages 1 - 6)
4.	**Lancashire County Pension Fund Q2 2019.20 Budget Monitoring**	(Pages 7 - 12)
5.	**Revised Lancashire County Pension Fund Communications Policy**	(Pages 13 - 22)
6.	**Draft Funding Strategy Statement**	(Pages 23 - 64)
7.	**Progress on delivering the Lancashire County Pension Fund Strategic Plan**	(Pages 65 - 86)
8.	**Responsible Investment Report**	(Pages 87 - 96)
9.	**Feedback from members of the Committee on pension related training, conferences and events.**	(Pages 97 - 100)
10.	**Transaction of Urgent Business - Setting Strategic Objectives for the Independent Advisers to the Lancashire County Pension Fund**	(Pages 101 - 104)

Lancashire County Council

11. 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.

12. Update from the Local Pension Partnership on progress in implementing actions arising from internal audit work

13. Programme of meetings 2020/21

On the 17th October, 2019, full Council approved the 2020/21 programme of meetings which includes the following dates for the Pension Fund Committee.

19th June 2020
18th September 2020
27th November 2020
12th March 2021

All the above meetings will start at 10.30am (preceded by a 30 minute private briefing session for members) and will be held in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

14. Date of Next Meeting

The next scheduled meeting of the Committee will be held at 10.30am (preceded by a 30 minute private briefing) on Friday 6th March 2020 in Committee Room 'C' - The Duke of Lancaster Room at County Hall, Preston.

15. 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)

L Sales
Director of Corporate Services

County Hall
Preston

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 20th September, 2019 at 10.30am in Committee Room 'C' - The Duke of Lancaster Room, County Hall, Preston.

Present:

County Councillor A Schofield (Chair)

County Councillors

S Clarke	B Dawson (1)
Ms L Collinge	A Riggott
G Dowding	M Salter (2)
K Ellard	J Purcell (3)
T Martin	P Steen (4)

(1) Replaced County Councillor J Mein for this meeting.
(2) Replaced County Councillor J Burrows for this meeting.
(3) Replaced County Councillor A Snowden for this meeting.
(4) Replaced County Councillor E Pope for this meeting.

Co-opted members

Paul Crewe, (Trade Union Representative)
Councillor Mark Smith, (Blackpool Council Representative)
Councillor David Borrow, (Borough and City Councils Representative)
Jennifer Eastham, (Further Education/Higher Education Institutions)

Also in attendance

Mrs A Leech, Head of Fund, Lancashire County Council.
Ms A Devitt, Independent Adviser.
Mr E Lambert, Independent Adviser.
Ms A Pieri, Senior Manager Engagement Manager, Grant Thornton.
Mr C Rule, Interim Chief Executive, Chief Investment Officer and Managing Director (Investments) Local Pensions Partnership.
Mr T Richardson, Chief Risk Officer, Local Pensions Partnership.
Ms J Darbyshire, Director of Administration, Local Pensions Partnership
Mr G Smith, Director of Strategic Programmes and Group Company Secretary. Local Pensions Partnership.
Mr W Bourne, Chair of the Lancashire Local Pension Board (observer).

1. Apologies

The Chair welcomed everyone to the meeting. Apologies for absence were received from Councillor R Whittle.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

No declarations of interest were made under this item.

3. Minutes of the Meeting held on the 21st June 2019

Resolved: That the Minutes of the meeting held on the 21st June 2019 are confirmed as an accurate record and signed by the Chair.

4. Lancashire County Pension Fund - External Audit Findings Report

Angela Pieri, Senior Manager from Grant Thornton presented her report on the findings of the external audit of the Lancashire County Pension Fund Accounts for 2018/19. She reported that the accounts had been considered by the Audit, Risk and Governance Committee on the 29th July 2019 which had noted the presentational adjustments to the financial statements and other issues raised by the auditor, none of which had an impact on the net asset statement or the Fund account.

In considering the report the Committee noted that the outstanding items highlighted in the audit findings report had now been finalised and a final unqualified audit opinion issued.

Resolved: That the findings of the external audit of the Lancashire County Pension Fund Accounts for 2018/19, as set out in the report presented together with the final unqualified audit opinion issued, are noted.

5. Lancashire County Pension Fund Annual Report

The Head of Fund presented a report on the final version of the Lancashire County Pension Fund Annual Report for the year ended 31st March 2019 and highlighted a number of additional amendments which had been made since the draft report was presented at the previous meeting.

In considering the report members of the Committee highlighted some additional minor amendments and it was suggested that key messages from the Annual Report should be relayed to scheme members via a newsletter. It was also reported that the external auditor had concluded that the information in the annual report was consistent with the audited financial statements included within the statement of accounts.

Resolved:

1. That the updates to the Annual Report for the year ended 31st March 2019, as set out in the report presented, are noted.

2. That the following additional changes be made to the Annual Report.

    a) amend the text in the foreword to clarify the relationship between the County Council, Preston City Council and the Fund in relation to the Park Hotel development.
    b) amend the wording on page 6 to clarify those co-opted members of the Committee who are elected representatives.

3. That, subject to any further minor amendments, the Annual Report for the year ended 31st March is approved for publication on or before the 1st December 2019.

The Chair informed that meeting that in response to an earlier request from County Councillor Dowding he would take item 8 as the next item of business as she would need to leave the meeting early due to another commitment.

8. Responsible Investment Report

The Head of Fund presented a report which updated the Committee on activity which supported the Fund in fulfilling its commitment to long term responsible asset ownership in line with the Investment Strategy Statement and the Responsible Investment Strategy.

With regard to the two items raised at the previous meeting the Committee was informed that it was not possible to calculate how much companies spent on lobbying against climate change mitigation as the detailed costs on individual topics/themes were not reported. However, as the Local Authority Pension Fund Forum was already exploring this subject it was suggested that a representative be asked to address the Committee to provide some reassurance that action was being taken on behalf of Local Government Pension Schemes in this area.

Mr C Rule, Interim Chief Executive, Chief Investment Officer and Managing Director (Investments) confirmed that the Local Pensions Partnership managed investments in accordance with its own RI policy and that of the Fund. He referred to existing investments in green energy/social housing and low exposures in relation to fossil fuels and reminded the Committee that current investments complied with the targets set out in those policies.

The joint Responsible Investment Working Group proposed by the London Pensions Fund Authority was also discussed and it was reported that whist the Committee had an agreed Responsible Investment policy in place the Authority had not yet agreed its own policy and so were not in a position to move forward with a joint Working Group.

Resolved:

1. That a representative of the Local Authority Pension Fund Forum be invited to attend a briefing for members of the Committee at 10.00am on the 29th November 2019 ahead of the next scheduled meeting.

2. That Mr R Branagh, the Managing Director of the London Pensions Fund Authority, be invited to attend the next meeting of the Committee to discuss the joint Working Group on Responsible Investment.

3. That the update on responsible investment activity, as set out in the Appendix to the report presented, is noted.

6. Lancashire County Pension Fund Q1 Budget Monitoring 2019/20

The Committee considered a report on the financial performance of the Fund during the 3 months to 30th June 2019 together with a comparison of the results with the approved budget for the same period.

Resolved: That the financial performance of the Fund up to the 30th June 2018, as set out in the report presented, is noted.

7. Local Pensions Partnership 2018/19 Annual Report and Accounts

The Local Pensions Partnership Annual Report and Accounts for the year ended 31st March 2019, as approved by the Partnership Board on the 31st July 2019, was presented to the Committee.

Resolved: That the content of the Local Pensions Partnership Annual Report and Accounts for the year ended 31st March 2019, as set out at Appendix 'A' to the report presented, is noted.

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

The Chair presented a report on the workshop on the risk framework of the Fund which had been held on the 11th September 2019 and attended by County Councillors K Ellard, T Martin, J Mein and A Schofield together with co-opted members Mr P Crewe, Councillor R Whittle and Councillor D Borrow.

It was reported that the workshop had included a lot of detail on the subject which had been crystalised by the pre Committee briefing given by Mr Lambert, one of the Independent Advisers.

Resolved: That the attendance by members of the Committee at the workshop on the 11th September 2019 is noted and that such attendance be recorded in the Training Record for the Committee.

10. Urgent Business

No items of business were raised under this heading

11. Date of Next Meeting

It was noted that the next scheduled meeting would be held at 10.30am (preceded by a 30 minute briefing session) on the 29th November 2019 in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

12. Internal audit assurance over the Local Pensions Partnership

The Head of Fund presented a report which updated the Committee on the findings of the review of all seven of the internal audits of the Local Pensions Partnership for 2018/19 as requested at the previous meeting. It was noted that

substantial assurance had been given by the County Councils internal audit service with regard to the Authority's oversight of the Fund and the Partnership.

Mr T Richardson, Chief Risk Officer from the Partnership informed the Committee that four of the seven audits had resulted in an assessment of 'ineffective' and the Partnership's Senior Management Team was taking action across the group to address the matters arising from the audits and would submit regular reports to the Board.

Resolved:

1. That the assurance from the Local Pensions Partnership's internal auditor, as set out in the report presented, and the action taken to date by the Senior Management Board in response to the issues raised are noted.

2. That the County Councils Head of internal Audit liaise with the Chief Risk Officer from the Local Pensions Partnerships to produce a report for the next meeting to update the Committee on progress made in relation implementation of the Senior Management Board Action Plans.

13. 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.

14. Local Pensions Partnership Update to 30 June 2019

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 the performance of the Local Pensions Partnership up to 30th June 2019 which included reference to the development of a new strategy in response to shareholders key strategic priorities, details of savings achieved through asset pooling and an update on the Balanced Scorecard exercise to review performance.

Ms J Darbyshire, the Director of Administration, gave an update on activity associated with the pension administration service and confirmed that the previous backlog had now been reduced to only include aggregation cases which would be the processed as soon as possible.

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

15. 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 Committee, presented her detailed report on macro-economic factors and how they influenced the investment market in which the Lancashire County Pension Fund operated together with the Minutes from the Investment Panel held in June 2019.

Resolved: That the report from the Investment Panel is noted.

16. Lancashire County Pension Fund Performance Overview - June 2019

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 Committee, presented a report on the performance of the Fund up to 30th June 2019 highlighting the performance of the Fund's investments which continued to outperform both the internal and actuarial benchmarks.

The Committee discussed a proposed capital restructure of the Local Pensions Partnership intended to align it with other pooled Local Government Pension Funds and noted that a detailed report on the proposal, including the views of the Investment Panel, would be presented to the next meeting for consideration.

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

L Sales
Director of Corporate Services

County Hall
Preston

Pension Fund Committee
Meeting to be held on Friday, 7 February 2020

Electoral Division affected: None;

Lancashire County Pension Fund Q2 Budget Monitoring 2019/20
Appendix 'A' refers

Contact for further information:
Abigail Leech, Head of Fund, Lancashire County Pension Fund
Abigail.leech@lancashire.gov.uk, 01772 530808

Executive Summary

This report sets out the financial results of the Fund for the six months ending 30 September 2019 and compares them to the budget for the same period. An updated forecast for the full year to 31 March 2020 is also included.

Recommendation

The Committee is asked to review the financial performance of the fund for the six months to 30 September 2019 and make comments on the variances outlined in the report.

Background and Advice

A one year budget for the Fund was approved by the Pension Fund Committee on 29 March 2019.

The budget forecasts a net income for the year of £13.3m, available for investment, before accounting for changes in the market value of investments during the year. The budget incorporates a reduction in contribution income from employers as a result of the accounting treatment of amounts paid in advance.

Appendix 'A' sets out a favourable budget variance of £29.4m for income for the first 6 months of the financial year and a £2.9m favourable variance on expenditure for the same period.

An updated forecast for the year to 31 March 2020 has been included in the report at Appendix 'A'. The forecast sets out an estimated £33.8m underspend against budget for the year.

Individual variances against budget are explained in more detail below.

Lancashire County Council

Income for 6 months ended 30 September 2019
Budget £185.2m, actual £214.6m – favourable variance of £29.4m

Income from investments generated a £21.1m surplus during the first half of the year, against a budget of £95.6m. The budgeted increase in net property rental income compared to last year has not yet been realised but this under-recovery is more than offset by a significant favourable variance on income from pooled investments.

Transfers in during the first half of the year amounted to £8.8m against a budget of £4.6m, a surplus of £4.2m. This is a further favourable variance, building on the budget surplus reported at the end of June 2019. The flow of funds into and out of the Fund in respect of transfers is difficult to forecast and may not be indicative of the full year.

Contribution income is also showing a budget surplus after the first six months of the year (£4.1m variance).

Income forecast for year to 31 March 2020

The full year income forecast has been updated to £403.5m against a budget of £370.5m, anticipating a favourable variance of £33m.

The main contributor to the forecast variance is investment income for which the half year variance of £21.1m has been assumed to carry forward to the end of the year. No additional budget variance for investment income has been recognised for the second half of the year as this is dependent on a number of variables.

The current level of contribution income has been assumed to continue for the remainder of the year, resulting in a full year forecast income of £177.9m, which is £7.7m higher than the original budget.

No additional budget variance has been assumed for income from transfers, with the second half of the year forecast at budget levels, resulting in a forecast variance of £4.2m in total for transfers in.

Expenditure for 6 months ended 30 September 2019
Budget £183.5m, actual £180.6m – favourable variance of £2.9m

There are 4 elements of the expenditure budget which have a budget variance of more than £1m for the 6 month period.

Pension benefits paid, including lump sum payments are currently showing an underspend against budget of £14.6m. This is under review but it is considered likely that this is a consequence of budget assumptions rather than a payment delay. An update will be provided at the next meeting.

There is a £4.2m adverse variance on transfers out – with the actual transfers out for the first 6 months being in excess of budget. This effectively writes off the budget surplus on transfer income although the two are not directly linked.
Property expenses for the first half of the year are £3.1m in excess of budget. The Fund's property manager has advised that the overspend is due to the timing of expenditure reporting around the transition from Knight Frank Property Management to BNP Paribas. Costs reported in the first 3 months of this year were incurred before 1 April 2019 but not identified and therefore not accrued in the prior year.

Investment management fees on pooled investments are £4.4m above budget. These fees are an estimate of costs embedded in market value of investments for the 6 month period. The budget reflects the charging of performance fees on an annual basis by certain managers, with the impact that the charges are slightly higher in the first and last quarters of the year, rather than being steady through the year. The fees are dependent on the market value of investments and the performance of the underlying assets and managers. The estimates are also impacted by the timeliness of the provision of information by sub-fund managers who generally report quarterly in arrears. The Fund is working closely with the Local Pensions Partnership to more accurately accrue for quarterly fees. This work is being done alongside work required to comply with the transparency and Markets in Financial Instruments Directive agendas.

Expenditure forecast for year to 31 March 2020

The full year expenditure forecast has been updated to £356.4m against a budget of £357.2m, anticipating a favourable variance of £0.8m.

Until the review of pension benefits paid is concluded the 6 month saving of £14.6m has been carried forward to 31 March 2020 but no additional underspend for the second half of the year has been recognised.

As for transfers in, transfers out have been forecast at budget for the second half of the year with a full year forecast overspend of £4.2m.

It is forecast the pooling of the national property portfolio will lead to a decrease in the value of directly invoiced investment management fees of approximately £1.5m, being the direct charges to the Fund of Knight Frank and BNP Paribas management fees. There will be a corresponding increase in the fees on pooled investments which overall are forecast at £8.9m above budget for the year, assuming the level of fees for the second half of the year is consistent with the first.

Minimal expenditure on the property portfolio is forecast for the second half of the year and a full year overspend of £1.6m on this budget has been forecast. The national property portfolio was transitioned to the LPPI Real Estate fund on 1 October 2019. Any future revenue expenditure on these assets will be a pool expense and the Fund will no longer record rental income from these assets but will instead recognise increased income from pooled investments. A small number of legacy assets were retained on the Fund's balance sheet, due to them being on the market for sale or located outside of the English tax regime, together with the county

portfolio. Expenditure on these assets will continue to be reported separately by the Fund.

Net impact of full year forecast – favourable budget variance of £33.8m
Consultations

Local Pensions Partnership for investment and administrative expenses.

Implications:

This item has the following implications, as indicated:

Risk management

Regular budget monitoring is a key control for the Fund. It should assist in the financial management of the Fund and provide an indication 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 - Year ending 31 March 2020

	Actual year ended 31 March 2019 £'000	Budget year ended 31 March 2020 £'000	Budget for 6 months to 30 September 2019 £'000	Actual for 6 months to 30 September 2019 £'000	Variance for 6 months to 30 September 2019 £'000	Notes - see below	Forecast year ended 31 March 2020 £'000	Forecast full year budget variance £'000
INCOME								
Contributions Receivable								
From Employers	(112,248)	(109,676)	(54,838)	(58,729)	(3,891)		(117,458)	(7,782)
From Employees	(58,641)	(60,394)	(30,197)	(30,459)	(262)		(60,394)	0
Total contributions receivable	**(170,890)**	**(170,070)**	**(85,035)**	**(89,188)**	**(4,153)**		**(177,853)**	**(7,782)**
Transfers in	(11,050)	(9,184)	(4,592)	(8,755)	(4,163)		(13,347)	(4,163)
Total Investment Income	(198,210)	(191,220)	(95,610)	(116,690)	(21,079)	1	(212,300)	(21,079)
TOTAL INCOME	**(380,149)**	**(370,475)**	**(185,237)**	**(214,633)**	**(29,396)**		**(403,499)**	**(33,025)**
EXPENDITURE								
Benefits Payable								
Pensions	226,522	233,918	116,959	98,715	(18,244)		215,674	(18,244)
Lump Sum Benefits	48,783	43,767	21,884	25,504	3,621		47,388	3,621
Total benefits payable	275,304	277,686	138,843	124,219	(14,623)		263,062	(14,623)
Transfers out	15,770	13,702	6,851	11,049	4,198		17,900	4,198
Refund of Contributions	611	555	278	499	221		777	221
Contributions Equivalent Premium / Deductions from refunds	(4)	(4)	(2)	240	242	2	240	244
Fund administrative expenses								
Administrative and processing expenses:								
LPP administrative expenses	3,647	3,386	1,693	1,693	(0)		3,386	0
Other administrative expenses				(5)	(5)		0	0
Write off of bad debts	1	10	5	0	(5)		10	0
Total administrative expenses	**3,649**	**3,396**	**1,698**	**1,688**	**(10)**		**3,396**	**0**
Investment management expenses								
Investment management fees:								
LPP directly invoiced investment management fees	1,767	1,895	948	1,091	144	3	2,039	144
DIRECTLY INVOICED non LPP investment management fees - direct holdings	1,433	2,291	1,146	600	(546)	4	785	(1,506)
Investment management fees on pooled investments	57,604	53,226	31,613	36,087	4,474	5	62,174	8,948
Transition costs	2	120	0	0	0		120	0
Custody fees	29	64	32	30	(2)		64	0
LCC recharge for treasury management costs	52	58	29	29	0		58	0
Property expenses	4,674	3,000	1,500	4,547	3,047	6	4,647	1,647
Total investment management expenses	**65,561**	**60,654**	**35,267**	**42,384**	**7,117**		**69,886**	**9,232**
Oversight and Governance expenses								
Performance measurement fees (including Panel)	94	78	39	30	(9)		78	0
IAS19 advisory fees	0	55	28	20	(8)		0	(55)
Other advisory fees (including abortive fees)	179	200	100	50	(50)		200	0
Actuarial fees	96	100	50	88	38		138	38
Audit fees	45	26	13	7	(7)		26	0
Legal & professional fees	68	120	60	103	43		120	0
LCC recharges	446	616	308	219	(89)	7	616	0
Bank charges	7	5	3	2	(1)		5	0
Total oversight and governance expenses	**935**	**1,200**	**600**	**518**	**(83)**		**1,183**	**(17)**
TOTAL EXPENDITURE	361,827	357,190	183,535	180,597	(2,938)		356,445	(745)
MONEY AVAILABLE FOR INVESTMENT BEFORE REALISED AND UNREALISED PROFITS AND LOSSES ON INVESTMENTS	**(18,322)**	**(13,285)**	**(1,702)**	**(34,036)**	**(32,334)**		**(47,054)**	**(33,769)**

NOTES

1 - Investment income favourable variance for first half of year assumed to carry forward to year end but with no additional variance forecast for remainder of year.

2 - The unbudgeted cost of £240k against CEP is for one specific agreed payment of £243k GMP liability to HMRC. No further payments of this type are forecast for 2019/20.

3 - Dependent on market value of investments. Overspend to date due to non-accrual of March 19 invoice in 2018/19.

4 - Directly invoiced fees from managers other than LPP relate to property management fees, property investment fees and property valuation fees. Transfer of national portfolio into LPP Real Estate pool creates forecast to save approximately £1.5m directly invoiced fees - which will instead become part of the pooled investment management cost.

5 - Estimate of fees embedded in market value of investments for the 6 months to 30 September 2019. A number of managers charge performance fees in Q1 for the previous year. Dependent on market value of investments and timeliness of information from investment managers who generally report quarterly in arrears. Includes forecast costs associated with national property portfolio transitioned into LPP Real Estate pool.

6 - Includes reimbursement to BNP Paribas of cash float. Expenditure against this budget is not smooth through the year. Property manager has advised that overspend is due to the timing of expenditure reporting around the transition from Knight Frank to BNP Paribas. Costs recorded in Q1 of the current year were incurred before 1 April 2019 and therefore underaccrued in the previous year. Run rate for the remainder of year will decrease as national portfolio has been pooled.

7 - LCC legal and democratic services will be recharged at year end.

Pension Fund Committee
Meeting to be held on Friday, 7th February 2020

Electoral Division affected:
(All Divisions);

Lancashire County Pension Fund Communications Policy
(Appendix 'A' refers)

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

Executive Summary

This report contains an updated communications policy for the Lancashire County Pension Fund for the Committee to review and approve.

Recommendation

The Committee is asked to review and approve the revised Lancashire County Pension Fund Communication Policy as set out at Appendix 'A'.

Background and Advice

Regulation 61 of the Local Government Pension Scheme Regulations 2013 requires each Local Government Pension Scheme administering authority to produce and publish a policy statement describing how it communicates with its stakeholders.

The Lancashire County Pension Fund's previous policy statement was published in 2014 and has been reviewed to reflect the developments since then in relation to the Fund's approach to communicating with its stakeholders, and the working relationship it now holds with the Local Pensions Partnership.

The Lancashire Local Pension board at its meeting on the 15 October reviewed the final draft policy and made the following recommendations:

- Consideration should be given to the inclusion of additional hyperlinks where possible to direct readers to specific documents/information referred to in the Policy.

- Under the heading 'Communications to Scheme Members' reference to 'monthly pay advice' should be deleted as it is already covered by 'pensioners pay advice'.

Lancashire County Council

- The text under 'Communication Programme' should be subject to a final review to address any potential inconsistencies regarding the most appropriate method of communication to be used.

- Whilst recognising that the preference is for people to access information online consideration should be given to including a statement to inform readers how to request hard copies in those cases where they do not have access to the internet.

- That the Policy should include reference to the timescale for when it will be reviewed.

Officers have amended the version reviewed by the Board for the suggestions made above. The Committee are asked to review and approve the updated Lancashire County Pension Fund communications policy.

Consultations

The Local Pension Partnership and the Lancashire Local Pensions Board.

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

Lancashire County Pension Fund

Communications Policy

November 2019

www.lancashire.gov.uk

Lancashire County Council

CONTENTS

INTRODUCTION

Every Local Government Pension Scheme (LGPS) administering authority must prepare, publish and maintain a new policy statement on communication strategy. The details of this legal requirement are contained in Regulation 61 of the Local Government Pension Scheme Regulations 2013.

The communications policy statement must set out the administering authority's policy concerning communications with members, representatives of members, prospective members and scheme employers.

The policy statement must set out (a) the policies on the provision of information and publicity about the Scheme to members, representatives of members, and scheme employers; (b) the format, frequency and method of distributing such information or publicity; and (c) the promotion of the Scheme to prospective members and their employing authorities.

Since the formation of the Local Pensions Partnership (LPP) in April 2016, many Lancashire County Pension Fund (LCPF) communications are now issued on its behalf by LPP. LPP adheres to these standards when issuing any communications on behalf of LCPF.

Our Policy

The LCPF communication policy aims to ensure that all communications are:

Clear
We strive to avoid jargon and technical terms whenever possible. Our communications should be consistent across all platforms including web, email, direct correspondence, telephone and face-to-face.

Accurate and timely
We always aim to deliver a proactive service that provides accurate information in a timely fashion. We have already moved towards more electronic communications and online self-service to help deliver information in an effective and timely manner and will look to increase this in the future.

Open to feedback
We encourage all scheme members, employers and other audiences to feedback on our work and help us improve our services.

Targeted
We aim to ensure that all communications are relevant and appropriate for the audience.

Accessible
We meet accessibility needs wherever possible. We aim to reach as many people as possible, regardless of their situation. We follow the Government's 'digital by default' aims, and in 2017 we began the move to more electronic communications.

However, we recognise this may not be the best medium for all our audiences and will accommodate those who decide to opt out of e-communications.

Communications for Scheme Members

Whilst the easiest way for members to stay updated on the fund is via our online services, members can find information across several platforms:

My Pension Online – Member Self Service

https://lancslive.yourpension.org.uk/

- Annual Benefit Statements (ABS)
- Scheme Newsletters
- P60s
- Nomination details
- Monthly pay advice.

Website (www.yourpensionservice.org.uk)

- Personal pension details via our Member Self Service facility
- Guides to the scheme and its administration
- Scheme publications and literature

Via post

Members who have opted out of e-communications can request the following communications sent to a home address:

- Annual Benefit Statements (ABS)
- Annual Scheme Newsletters
- Pensioners pay advice
- P60s
- Scheme publications and literature

Information for Prospective Members

www.yourpensionservice.org.uk
Our websites offer information on joining the LGPS, scheme benefits as well as guidance on opting out of the scheme.

Forums & Events

LCPF are always pleased to meet their members face to face; members are encouraged to engage with our staff with regular "pension surgeries" being held across the County.

Communications for Scheme Employers

Like our members, employers are encouraged to use our online facilities and attend our face to face events to maximise our service value. There are various channels of communication which LCPF will utilize for our employers, such as:

EPIC – Employer Portal

- Employers can access the Employer Portal at www.yourpensionservice.org.uk/employers/
- Offers secure data transmission and online form processing

Newsletters, guides and bulletins

- Quarterly newsletter to update on scheme changes and new initiatives
- Regular employer bulletins and e-mail alerts
- Provision of news and employer guides via the website www.yourpensionservice.org.uk.

Annual Employer Forum and Practitioners conference

The LCPF Annual Employer events are an opportunity for employers to learn about Scheme changes as well as relevant information from across the sector and the wider pensions industry. Attendees can learn more about new LCPF initiatives and ask questions of both LCPF and LPP senior management.

Employer Training

A 6 month rolling programme for employer training is provided in addition to meeting individual Scheme employer's requirements and/or meeting training needs for specific legislative changes.

Communication Programme

The Fund will regularly review the format, frequency, and method of communication.

The following programme is currently in use.

Information	Stakeholder	Format	Frequency	Method of Distribution
Actuarial Valuation	All Stakeholders	Presentation, formal report	Triennial with annual updates	Email, mail, internet and face to face briefings
Fund Policy and Statements	All Stakeholders	Website	As amended	Mail/email/ internet
Annual Benefits Statements	Members	Online self service	Annual	Online/email alert/Post on request
Customer Satisfaction Survey	All Stakeholders	Website / online / telephone	Ongoing	Email / internet telephone
Member Guides	Members	Website	On or before employment/ On request	Via employer HR/payroll departments. Mail/internet
Employer Updates	Employer	Website, online	As requested	Email/ internet
Pensioner payslips/P60s	Member	Online self-service, paper	Annually	Email/ Internet/Post on request
Employer Guide	Employer	Website	As amended	Email/ internet
Employer Training	Employer	Presentation	6 monthly rolling program	Face to face – In house Employer locations
Factsheets	All members	Website/ Paper	On request	Email/ internet/mail
Individual Member Information	All Stakeholders	Online, self-service, paper	As required	Email/mail

Employer Information Pack	Employer	Paper/ website	On admission	Mail / email / internet
Newsletters	Members	Website	Annual	Online/Post on request
Scheme change and legislative change	All Stakeholders	Presentation / website / paper	As required and on request	Face to face / internet / paper
Fund Report and Accounts	All Stakeholders	Paper/ website	Annually	Mail / email / Internet
Service Level Standards	All Stakeholders	Website	As amended	Internet / intranet
Query	All Stakeholders	Telephone / email / online	Mon-Fri (Telephone)	Telephone / email / online

Rights to Information and Data Protection

Rights to Information

Nothing within this Policy Statement affects your rights to access or receive information under the Freedom of Information Act or the disclosure requirements of the Local Government Pension Scheme.

Data Protection

Since May 25th, 2018, LCPF has complied with EU General Data Protection Regulation (GDPR) and is therefore required to protect all personal information for which we are responsible, we have a legal obligation to process member's data under the Local Government Pension Scheme 2013 regulations. LCPF may only pass your details to named third parties under strictly controlled conditions and for very specific purposes. Members who wish to access their personal data can do so by contacting DPA@localpensionspartnership.org.uk

Review of Policy

LCPF undertakes to comply with the principal Local Government Pension Scheme Regulations including relevant overriding legislation and will continue to monitor the effective application of this policy. The policy will be subject to revision in the light of any significant changes to the LGPS, overriding legislation or the Authority's structures or procedures. The LCPF regularly reviews its communications channels to ensure these remain relevant and effective at reaching members, prospective members, scheme employers and the wider pensions landscape and associated clients. Next review of Policy due November 2020.

Pension Fund Committee
Meeting to be held on Friday, 7 February 2020

Electoral Division affected:
(All Divisions);

Draft Funding Strategy Statement
(Appendix 'A' refers)

Contact for further information: Abigail Leech (01772) 530808, Head of Fund
abigail.leech@lancashire.gov.uk

Executive Summary

This report relates to the draft Funding Strategy Statement which the Lancashire County Pension Fund is required to produce under the terms of the Local Government Pension Scheme Regulations to support the current on-going valuation of the Fund.

Recommendation

The Committee is asked to note the contents of the draft Funding Strategy Statement as set out at Appendix 'A', and invited to provide any comments to the Head of Fund for consideration as part of the on-going consultation process.

Background and Advice

The draft Funding Strategy Statement set out at Appendix 'A' has been prepared by Lancashire County Council (the Administering Authority) to set out the funding strategy for the Lancashire County Pension Fund, as required by legislation.

Ensuring that the Fund has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority. The long term objective is for the Fund to achieve this 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.

The strategy adopted by the Fund will therefore be critical in achieving this. The purpose of the Funding Strategy Statement is to set out this strategy as it applies to each Fund employer.

The general principle is that the assumptions used, taken as a whole, will be sufficiently prudent for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members' accrued pension rights.

Lancashire County Council

The draft Funding Strategy Statement has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund.

Given this, and in accordance with governing legislation, all interested parties connected with the Fund were consulted with and given the opportunity to comment on this Funding Strategy Statement.

All active scheme employers in the Fund, as well as members of the Lancashire Local Pension Board have been consulted on the draft Statement and asked for views by the 31st January 2020. Responses received have been taken into account when finalising the draft and at the meeting the Head of the Pension Fund will update the Committee on any additional responses received.

The Committee is asked to note the contents of the draft statement and are invited to provide any comments they may have for consideration as part of this on-going consultation.

The final version of the statement will be presented to the committee at its meeting on 6 March for approval.

Consultations

In preparing this draft the Fund's Actuary, Mercer have been consulted on the details of the Funding Strategy Statement.

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
N/A		

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

FUNDING STRATEGY STATEMENT

LANCASHIRE COUNTY PENSION FUND

DECEMBER 2019

Lancashire County Council

This Funding Strategy Statement has been prepared by Lancashire County Council (the Administering Authority) to set out the funding strategy for the Lancashire County Pension Fund (the

“Fund”), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

EXECUTIVE SUMMARY

Ensuring that the Lancashire County Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority (Lancashire County Council). The Funding Strategy adopted by the Lancashire County Pension Fund will therefore be critical in achieving this.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Lancashire County Pension Fund.

It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the Lancashire County Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

THE FUND'S OBJECTIVE

The Administering Authority's long term objective is for the Fund to achieve 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. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members' accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.

SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs

being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Local Government Pension Scheme (the "LGPS") so far as relating to the Fund.

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

The solvency level of the Fund is 100% at the valuation date. However, for many employers in the Fund the funding level will be less than 100% - i.e. their assets within the Fund are less than their liabilities. In these cases, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall. (In a similar manner, where an employer is in surplus it may in certain circumstances be appropriate to reduce the overall contributions payable to reflect this, by way of a "surplus offset".)

Deficit contributions paid to the Fund by each employer will normally be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may, in certain circumstances at the discretion of the Administering Authority, also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period.

The target recovery period for the Fund as a whole is 13 years at this valuation which is 3 years shorter than the target recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce by 3 years at this valuation.

Where there is an increase in contributions required at this valuation, in certain circumstances the employer will be able to step-up their contributions, with the pattern and period to be decided by the Administering Authority.

In exceptional circumstances the Fund may depart from the above principles for an employer or a particular group of employers. Any such exceptions would be determined by the Head of the Fund and reported to the Committee.

MCCLOUD

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment. Therefore, the Fund has considered its policy in relation to costs that could emerge from the McCloud judgment in line with the guidance from the Scheme Advisory Board in conjunction with the Actuary. Whilst the remedy is not known and may not be known for some time, for the purpose of this valuation:

- The Fund has included a margin within its assumptions (a small reduction has been made to the discount rate assumptions) to provide a general allowance in respect of the potential costs of the McCloud judgment
- When considering the appropriate contribution provision for individual employers, the estimated costs of the judgment have been calculated and notified to the employers, highlighting that the final costs may be significantly different. (These figures are calculated on the assumption that the judgment would have the effect of removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. Under this assumption the underpin therefore would apply to all active members as at 1 April 2012.)

Employers will be able to choose to include the estimated costs in the second bullet above over 2020/23 in their certified contributions. Alternatively, they will need to consider whether to make allowance within their budgets and note that backdated contributions could be payable if the remedy is known before the next valuation.

[Drafting Note – This paragraph has been added following the guidance issued by the Scheme Advisory Board on 14 May 2019 concerning how to deal with the potential additional liabilities arising from the Cost Cap process and the McCloud and Sargeant age discrimination case (McCloud) (found here: http://www.lgpsboard.org/images/Other/Advice_from_the_SAB_on_McCloud_May_2019.pdf).

This may need further adaptation once the outcome of the consultation is known. The Actuary will look at the potential cost to employers as part of the 2019 valuation process.]

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the "Secondary" rate) are set out in an Appendix to this FSS.

The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 1.4% per annum and for determining the future service ("Primary") contribution rates is 2.25% per annum.

Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Head of the Fund and reported to the Committee. Employers may also choose to fund using a discount rate in line with the Fund's termination policy (see below) if they so choose.

The demographic assumptions are based on the Fund Actuary's bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer's asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. In addition the asset share maybe restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's practice and policies in a number of key areas:

1. Covenant assessment and monitoring

An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner, and an employer's ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

After the valuation, the Fund will continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is set out in an Appendix to this statement. Examples of new employers include:

- Mandatory Scheme Employers - for example new academies (see later section)
- Designated bodies - those that are permitted to join if they pass a resolution for example Town and Parish Councils.
- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

- [Employers may also join the Fund under the 'Deemed Employer' route. Further information on this is set out within Appendix C.]

  [Drafting Note – This has been added following the consultation published by the MHCLG on 10 January 2019 (found here: https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection). The Funding Strategy Statement and Fund policies may need further adaptation once the consultation process has been completed.]

The key objective for the Fund is to only admit employers where the risk to the Fund is mitigated as far as possible. The different employers pose different risks to the Fund.

Certain employers may be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

3. Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

Where there is a guarantor who would subsume the liabilities of the exiting employer, then the standard ongoing funding assumptions are used to assess the termination liabilities. Where there is no guarantor, the Fund's policy is that a discount rate linked to corporate bond yields and a more prudent life expectancy assumption are used.

The Fund's policies on the payment of termination debts and exit credits is covered in section 5 below.

4. Insurance arrangements

For certain employers, the Fund will insure ill health retirement costs via an internal captive insurance arrangement which pools these risks for eligible employers. The captive arrangement will be operated as per the objectives set out in **Appendix C**.

5. Investment options

The Fund intends to implement a choice of "investment" pots to offer to employers, which will exhibit lower investment risk than the current whole fund strategy.

If an employer is deemed to have a weaker covenant than others in the Fund, is planning to exit the Fund or would like to target a lower risk strategy, the Administering Authority has the discretion to move that employer (typically following discussions with the employer) into another strategy to protect the employer and/or the Fund as a whole. The current overall Fund investment strategy (as set out in the Investment Strategy Statement) will then be known as the "return seeking" investment strategy.

The investment strategy for each of the investment pots will be reviewed, following each actuarial valuation, as a minimum. The discount rate assumption used for employers' liabilities who fall into

each category is linked directly to the relevant pot's underlying assets allowing for the underlying level of risk associated.

CONTENTS

APPENDICES

1
INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Lancashire County Pension Fund (the "Fund"), the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Fund published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS

The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full Fund benefits in relation to the member only and pay 50% of the normal member contribution.

EMPLOYER CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution).

PRIMARY RATE

The "Primary rate" for an employer is the contribution rate required to meet the cost of the future accrual of benefits, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

SECONDARY RATE

The "Secondary rate" is an adjustment to the Primary rate to arrive at the total rate of contribution each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following the actuarial valuation.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be the calculated weighted average based on the whole fund payroll in respect of percentage rates and the total amount in respect of cash adjustments.

2
PURPOSE OF FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve 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.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3
AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND ARE TO:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

4
RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (and, in particular the Pension Fund Committee), the individual employers and the Fund Actuary, and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

KEY PARTIES TO THE FSS

he **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a Fund employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits, early retirement strain, and
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

5
SOLVENCY FUNDING TARGET

Securing the “solvency” and “long term cost efficiency” is a regulatory requirement. To meet these requirements the Administering Authority’s long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the “funding target”) assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer’s total contribution rate would ultimately revert to its Primary rate of contribution.

SOLVENCY AND LONG TERM EFFICIENCY

Each employer’s contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund’s liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary’s Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the “solvency” of the pension fund and “long term cost efficiency" of the LGPS so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**.

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2020 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2019 actuarial valuation:

- The Fund does not believe it appropriate for offsets to total contributions in respect of any surplus to be allowed where the employer has a deficit on their termination assumptions, unless there is compelling reason to do so.
- Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Head of Fund and reported to the Committee. Employers may also choose to fund using a discount rate in line with the Fund's termination policy if they so choose.
- The target deficit recovery/surplus offset period for the Fund as a whole will reduce by three years, to 13 years at the 2019 valuation, so as to maintain same "end point". For individual employers who are open to new members, subject to consideration of affordability, as a general rule the recovery/offset period will reduce by 3 years for employers at this valuation when compared to the preceding valuation, subject to a minimum of 13 years. This is to target full solvency over a similar time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Recovery Plan in **Appendix B**).
- Individual employer contributions will be expressed and certified as two separate elements:
    - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits
    - the **Secondary rate**: a schedule of percentages of pensionable payroll or lump sum monetary amounts over 2020/23 in respect of an employer's surplus or deficit

  For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2023 based on the results of the 2020 actuarial valuation.
- Where increases in employer contributions are required from 1 April 2020, following completion of the 2019 actuarial valuation, if the Administering Authority agrees then the increase from the rates of contribution payable in the year 2019/20 may be implemented in steps, over a period agreed by the Administering Authority.
- For those employers who are to be included in the ill-health captive arrangement, the contributions payable over the period 1 April 2020 to 31 March 2023 will be adjusted accordingly to reflect the premium charged to provide continued protection against the risks of excessive ill-health retirement costs emerging. Further details are provided in Appendix C of these adjustments.
- In exceptional circumstances the Fund may depart from the above principles for an employer or a particular group of employers. Any such exceptions would be determined by the Head of the Fund and reported to the Committee. As a particular example, in the event that it appeared that an employer was likely to end its participation in the Fund without its liabilities

being passed on to a successor employer, and without the employer providing sufficient security against its closure position, then the Fund might decide to set a funding plan such that the employer's closure position were expected to be met by the time of its exit from the Fund.

- In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

Employers are required to meet all costs of early retirement strain by immediate capital payments into the Fund, or in certain circumstances by agreement with the Fund, through instalments over a period to be determined by the Administering Authority.

FUNDING FOR ILL HEALTH RETIREMENT COSTS

Should a member retire on ill health grounds, this will normally result in a funding strain for that employer (i.e. increased liability). The size of any funding strain will depend on how the cost of that ill health retirement compares with the expected cost built in the actuarial assumptions for that employer. The actual cost will also depend on the level of any benefit enhancements awarded (which depend on the circumstances of the ill health retirement) and also how early the benefits are brought into payment. The treatment of any ill-health retirement strain cost emerging will vary depending on the type of employer:

- For those employers who participate in the ill-health captive, any ill-health retirement strain cost emerging will be met by a contribution from the captive fund as part of the subsequent actuarial valuation (or termination assessment if sooner). No additional contributions will be due immediately from the employer although an adjustment to the "premium" payable may emerge following the subsequent actuarial valuation, depending on the overall experience of the captive fund.

- For those employers who do not participate in the ill-health captive, the "primary rate" payable over 2020/23 may include an allowance for ill-health retirement costs (alongside those for voluntary early retirements) depending on the employer's profile. Where ill-health retirement strain costs exceed an employer's allowance over the inter-valuation period (or should an employer not have an allowance within their "primary rate"), the excess strain costs will be included in the employer's deficit (and subsequent deficit contributions) at the 2022 valuation.

TERMINATIONS

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

Where there is a guarantor who would subsume the liabilities of the exiting employer, then the standard ongoing funding assumptions are used to assess the termination liabilities. Where there is no guarantor, the Fund's policy is that a discount rate linked to corporate bond yields and a more prudent life expectancy assumption are used. Where deemed appropriate the assessment will include an allowance for the potential impact of the McCloud judgement.

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

- Where there is no Fund guarantor any deficit will be recovered from the outgoing employer in the first instance, and then any bond or security where applicable. Any surplus on the termination assumptions will be returned to the employer as an exit credit. The remaining assets and liabilities are then "orphaned", and so become the responsibility of the remaining Fund employers.

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

- In full risk sharing cases, 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).

The Fund will not become embroiled in any disagreement between the guarantor and the outgoing employer on the nature of the outgoing employer's participation in the Fund, and the refund of any surplus which is contrary to commercial agreements.

Ultimately, where the position is disputed the Fund may have to comply with the Regulations and therefore pay any exit credit. It is then up to the guarantor to contest the surplus payment citing the commercial contract in place and the desire for equal treatment in the event of a deficit.

In the event of parties unreasonably seeking to crystallise the exit credit on termination, the Fund will consider its overall policy and seek to recover termination deficits as opposed to allowing them to be subsumed with no impact on contribution requirements until the next assessment of the contribution requirements for the guarantor. Equally where a guarantor decides not to underwrite the residual liabilities, the Fund will challenge this (and seek to recover any related costs from the guarantor). 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.

[Drafting note – Regulation changes are expected to clarify the treatment of exit credits (backdated accordingly) under a risk sharing arrangement i.e. no exit credit would be payable to an outgoing employer if a guarantor is underwriting the risk. This means the current policy will become a regulatory position]

Any exit payments due should be paid within 30 days, although instalment plans may be considered by the Administering Authority on a case by case basis. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it.

Any exit credits (surplus assets over liabilities) will be paid from the Fund to the exiting employer within 3 months of completion of the cessation assessment by the Actuary. The Administering Authority will seek to modify this approach on a case by case basis if circumstances warrant it.

This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date. The Administering Authority also

reserves the right to modify this approach on a case by case basis if circumstances warrant it based on the advice of the Actuary.

[An employer may continue to participate in the Fund with no contributing members and utilise the "Deferred Debt" Arrangements at the sole discretion of the Administering Authority which will be subject to a satisfactory covenant review on an ongoing basis. In this circumstance they will be treated as per any other participating employer in relation to overall funding strategy (including potentially requiring a final exit payment at some point) allowing for the covenant.]

[Drafting Note – This section has been adjusted following the consultation published by the MHCLG on 8 May 2019 (found here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf). The Funding Strategy Statement and Fund policies may need further adaptation once the consultation process has been completed.]

The full termination policy is set out in a separate document.

6

LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

The results of the 2019 valuation show the liabilities to be 100% covered by the current assets, with funding deficits and surpluses relating to individual employers being removed by future deficit contributions / surplus offsets.

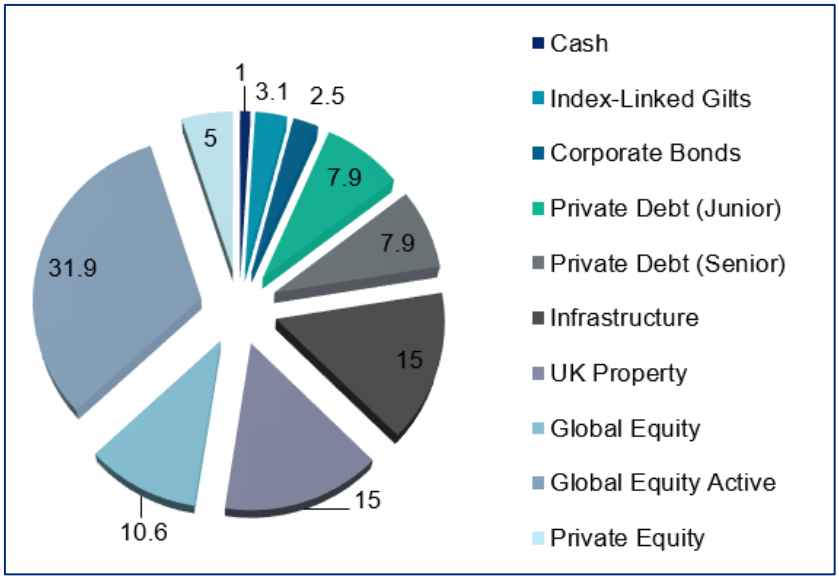
In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which aims to match the liabilities and represents the minimum risk investment position. Such a portfolio would consist mainly of a mixture of long-term index-linked and fixed interest gilts. Investment of the Fund's assets in line with the minimum risk portfolio would seek to minimise fluctuations in the Fund's ongoing funding level between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 63%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current strategy is:



The investment strategy and return expectations set out above equate to an overall best estimate average expected return of 3.03% per annum in excess of CPI inflation as at 31 March 2019. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations.

INVESTMENT OPTIONS

The Fund intends to implement a choice of “investment” pots to offer to employers, which will exhibit lower investment risk than the current whole fund strategy.

If an employer is deemed to have a weaker covenant than others in the Fund, is planning to exit the Fund or would like to target a lower risk strategy, the Administering Authority has the discretion to move that employer (typically following discussions with the employer) into another strategy to protect the employer and/or the Fund as a whole. The current overall Fund investment strategy (as set out in the Investment Strategy Statement) will then be known as the “return seeking” investment strategy.

The investment strategy for each of the investment pots will be reviewed, following each actuarial valuation, as a minimum. The discount rate assumption used for employers’ liabilities who fall into each category is linked directly to the relevant pot’s underlying assets allowing for the underlying level of risk associated.

7

IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term.

FINANCIAL

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.

Any increase in employer contribution rates (as a result of these risks), may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored.

DEMOGRAPHIC

The demographic risks are as follows:-

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to minimise the number of ill-health retirements**. Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

INSURANCE OF CERTAIN BENEFITS

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to Fund,
- Changes to national pension requirements and/or HMRC Rules

Membership of the LGPS is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond
- Changes in the Committee membership.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored, but in most cases the employer, rather than the Fund as a whole, bears the risk.

8
MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Fund membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations but it is unlikely that this power will be invoked other than in exceptional circumstances.

In exceptional circumstances, not envisaged in the Funding Strategy Statement, the Fund can apply for a direction from the Secretary of State to carry out an interim valuation. The Secretary of State would also have a power to require interim valuations of the Fund either on representation from funds, scheme employers or of his own motion.

Where the contribution review is triggered by an employer request, the costs associated with the review will be included in the assessment of the contributions if deemed appropriate.

[Drafting Note – This has been added following the consultation published by the MHCLG on 8 May 2019 (found here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/800321/LGPS_valuation_cycle_reform_consultation.pdf)

.

The Funding Strategy Statement and Fund policies may need further adaptation once the consultation process has been completed.]

COST MANAGEMENT AND THE MCCLOUD JUDGEMENT

The cost management process was set up by HMT, with an additional strand set up by the Scheme Advisory Board (for the LGPS). The aim of this was to control costs for employers and taxpayers via adjustments to benefits and/or employee contributions.

As part of this, it was agreed that employers should bear the costs/risks of external factors such as the discount rate, investment returns and inflation changes, whereas employees should bear part of the costs/risks of other factors such as wage growth, life expectancy changes, ill health retirement experience and commutation of pension.

The outcomes of the cost management process were expected to be implemented from 1 April 2019, based on data from the 2016 valuations for the LGPS. This has now been put on hold due to age discrimination cases brought in respect of the firefighters and judges schemes ("McCloud"), relating to protections provided when the public sector schemes were changed (which was on 1 April 2014 for the LGPS and 1 April 2015 for other Schemes).

It is not known how these cases will affect the LGPS or the cost management process at this time. The Scheme Advisory Board issued guidance which sets out how the McCloud case should be allowed for within the 2019 valuation.

However, the Government has now confirmed that a remedy is required for the LGPS in relation to the McCloud judgment. Therefore, the Fund has considered its policy in relation to costs that could emerge from the McCloud judgment in line with the guidance from the Scheme Advisory Board in conjunction with the Actuary. Whilst the remedy is not known and may not be known for some time, for the purpose of this valuation:

- The Fund has included a margin within its assumptions (a small reduction has been made to the discount rate assumptions) to provide a general allowance in respect of the potential costs of the McCloud judgement
- When considering the appropriate contribution provision for individual employers, the estimated costs of the judgment have been calculated and notified to the employers, highlighting that the final costs may be significantly different. (These figures are calculated on the assumption that the judgment would have the effect of removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. Under this assumption the underpin therefore would apply to all active members as at 1 April 2012.)

Employers will be able to choose to include the estimated costs in the second bullet above over 2020/23 in their certified contributions. Alternatively, they will need to consider whether to make allowance within their budgets and note that backdated contributions could be payable if the remedy is known before the next valuation.

[Drafting Note – This paragraph has been added following the guidance issued by the Scheme Advisory Board on 14 May 2019 concerning how to deal with the potential additional liabilities arising from the Cost Cap process and the McCloud and Sargeant age discrimination case (McCloud) (found here: http://www.lgpsboard.org/images/Other/Advice_from_the_SAB_on_McCloud_May_2019.pdf). This may need further adaptation once the outcome of the case is known. The Actuary will look at the potential cost to employers as part of the 2019 valuation process.]

APPENDIX A - ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets base on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 1.4% per annum above CPI inflation i.e. a real return of 1.4% per annum, equating to a total discount rate of 3.8% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.

For any employers who are funding on a corporate or government bond basis the discount rate used will be linked directly to the yields available on relevant assets of an appropriate duration.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Fund's accrued liabilities, but subject to the following two adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index

The overall reduction to RPI inflation at the valuation date is 1.0% per annum.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the Fund. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a level of longevity 'improvement' year on year in the future in line with the CMI projections with a long-term rate of improvement of 1.75% per annum.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption have been modified from the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.6% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR PRIMARY RATE)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the "Primary Rate" (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the FSR should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are based on an overall assumed real discount rate of 2.15% per annum above the long term average assumption for consumer price inflation of 2.4% per annum.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE "PRIMARY RATE") FOR THE 2019 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.4% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	3.8% p.a.
CPI price inflation	2.4% p.a.
Long Term Salary increases	3.9% p.a.
Pension increases/indexation of CARE benefits	2.4% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.55% p.a.
CPI price inflation	2.4% p.a.
Long Term Salary increases	3.9% p.a.
Pension increases/indexation of CARE benefits	2.4% p.a.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

	Base Table	Improvements	Adjustment (M / F)
Current pensioners:			
Normal health	S3PA	CMI_2018 [1.75%]	103% / 91%
Ill-health	S3PA	CMI_2018 [1.75%]	125% / 129%
Dependants	S3PMA / S3DFA	CMI_2018 [1.75%]	132% / 110%
Future dependants	S3PMA / S3DFA	CMI_2018 [1.75%]	137% / 92%
Current active / deferred:			
Active normal health	S3PA	CMI_2018 [1.75%]	110% / 94%
Active ill-health	S3PA	CMI_2018 [1.75%]	126% / 144%
Deferred	S3PA	CMI_2018 [1.75%]	133% / 109%
Future dependants	S3PMA / S3DFA	CMI_2018 [1.75%]	138% / 117%

Other demographic assumptions are set out in the Actuary's formal report.

APPENDIX B – EMPLOYER DEFICIT RECOVERY PLANS

As the assets of the Fund are not equal to the liabilities for the majority of employers at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall, or adjustments made to run off the surplus (where appropriate).

Deficit contributions paid to the Fund by each employer will normally be expressed as £s amounts and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund. Any surplus offsets will normally be expressed as a percentage adjustment to the primary rate.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers in deficit will be free to select a shorter deficit recovery period and higher contributions if they wish, including, at the discretion of the Administering Authority, the option of prepaying the deficit contributions in one lump sum, either on an annual basis or as a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of the recovery periods is summarised in the table below:

Category	Normal Deficit Recovery Period	Derivation
Fund Employers	13-16 years (in most cases)	Determined by reducing the period from the preceding valuation by 3 years.
Open Admitted Bodies	13-16 years (in most cases)	Determined by reducing the period from the preceding valuation by 3 years.
Closed Employers	Minimum of 13 years and the future working lifetime of the membership	Determined by the future working life of the membership.
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain overall contribution level at least at the expected monetary levels from the preceding valuation (allowing for any indexation in the deficit payments over the recovery period).

In exceptional circumstances the Fund may depart from the above principles for an employer or a particular group of employers. Any such exceptions would be determined by the Head of the Fund and reported to the Committee.

Other factors affecting the Employer Deficit Recovery Plans

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2020/23. Any application of this option is at the ultimate discretion of the Head of the Fund in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

APPENDIX C - ILL-HEALTH CAPTIVE FOR SMALL EMPLOYERS

OVERVIEW

For certain employers in the Fund a captive insurance arrangement exists to cover ill-health retirement costs.

The captive arrangement operates as follows:

- "Premiums" are paid by the eligible employers into a captive fund which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer's future service % contribution rate. The premium for 2020/23 is 1.5% pa.
- The captive fund is then used to meet strain costs emerging from ill-health retirements i.e. there is no impact on funding position for employers within the captive.
- Any shortfall in the captive fund is effectively underwritten by all other employers within the Fund. If any excess funds are built up in the Captive, some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary.
- Premiums payable subject to review from valuation to valuation depending on experience and included in employer rates.
- Over the longer-term, given the regular review of the premiums payable into the Captive fund there would be expected to be no net cost to those employers underwriting the Captive Fund in the long-term i.e. any fluctuations in their own contribution requirements arising from experience would smooth out over time.

EMPLOYERS

Those employers (both existing and new) that will be included in the captive are those with less than 150 active members (excluding major Councils).

For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements would still apply i.e. the Fund continues to monitor ill-health retirement strain costs incurred against allowance certified with recovery of any excess costs from the employer once the allowance is exceeded.

PREMIUM REVIEW

As part of each actuarial valuation exercise (or earlier review if appropriate) the Fund Actuary will review the experience of the captive fund since the last review.

Should the premiums paid into the captive fund over the period not be sufficient to cover the ill-health retirement costs emerging, any shortfall in the fund will be allocated across all those employers within the Fund underwriting the captive. If any excess funds are built up in the Captive,

some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary.

The ongoing premium payable by those employers within the captive fund will also be assessed as part of this process and will be set by the Actuary to cover the period until the next review (e.g. to the next actuarial valuation assessment). The Premiums that will be assessed will take into account the expected level of future ill-health retirements across those employers within the captive and also to reflect any adverse/favourable experience where appropriate.

APPENDIX D – ADDITIONAL INFORMATION ON EMPLOYERS JOINING THE FUND

[JOINING THE FUND VIA THE 'DEEMED EMPLOYER' ROUTE

This is an alternative route to the admitted body route for achieving pension protection. It relates to employers which have employees working for a third party but fall under the deemed employer for the purposes of the Regulations.

It will be the outsourcing Scheme Employer's choice, when initially putting the contract out to tender, whether the Admission Agreement or Deemed Employer approach will be used. The outsourcing scheme employer will be also known as the deemed employer with regard to this admitted body.

If the Deemed Employer route is chosen, the admitted body will not join the Fund and will instead be grouped/pooled with the original scheme employer. This may be used when a pass through arrangement has been agreed.

The Fund's policy will be dependent on the deemed employer's policy and approach to dealing with these outsourcings. This makes it imperative that each outsourcing scheme employer has a clear policy on the treatment of each type of admitted body. The Fund also requires an agreement (similar to the admission agreement) with the admitted body to ensure their duties are fulfilled e.g. payment of contributions.]

[Drafting Note – This has been added following the consultation published by the MHCLG on 10 January 2019 (found here: https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection). The Funding Strategy Statement and Fund policies may need further adaptation once the consultation process has been completed.]

SECOND GENERATION OUTSOURCINGS FOR STAFF NOT EMPLOYED BY THE SCHEME EMPLOYER CONTRACTING THE SERVICES TO AN ADMITTED BODY

[Drafting Note – This section will potentially need amending when the outcome of the consultation published by the MHCLG on 10 January 2019 is known (found here: https://www.gov.uk/government/consultations/local-government-pension-scheme-fair-deal-strengthening-pension-protection).]

A 2nd generation outsourcing is one where a service is being outsourced for the second time, usually after the previous contract has come to an end. For Best Value Authorities, principally the unitary authorities, they are bound by The Best Value Authorities Staff Transfers (Pensions) Direction 2007 so far as 2nd generation outsourcings are concerned. In the case of most other employing bodies, they should have regard to Fair Deal Guidance issued by the Government.

It is usually the case that where services have previously been outsourced, the transferees are employees of the contractor as opposed to the original scheme employer and as such will transfer from one contractor to another without being re-employed by the original scheme employer. There

are even instances where staff can be transferred from one contractor to another without ever being employed by the outsourcing scheme employer that is party to the Admission Agreement. This can occur when one employing body takes over the responsibilities of another, such as a maintained school (run by the local education authority) becoming an academy. In this instance the contracting body is termed a ‘Related Employer’ for the purposes of the Local Government Pension Scheme Regulations and is obliged to guarantee the pension liabilities incurred by the contractor.

“Related employer” is defined as “any Scheme employer or other such contracting body which is a party to the admission agreement (other than an administering authority in its role as an administering authority)”.

APPENDIX E - 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.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

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.

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.

Employing bodies: any organisation that participates in the LGPS, including admission bodies and Fund employers.

Equities: shares in a company which are bought and sold on a stock exchange.

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.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

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 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.

Maturity: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

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 funding basis: more cautious funding basis than the existing valuation basis. The relevant discount rate used for valuing the present value of liabilities is based on the yields from Government Bonds or Swaps.

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.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing/stepping of contributions: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Pooling: employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Real Return or Real Discount Rate: a rate of return or discount rate net of (CPI) inflation.

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: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These 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).

Fund / Scheme Employers: 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.

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2019 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

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.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

Pension Fund Committee
Meeting to be held on Friday, 7 February 2020

Electoral Division affected: None;

Progress on delivering the Lancashire County Pension Fund Strategic Plan
Appendix A refers

Contact for further information:
Abigail Leech,01772 530808 , Head of Fund,
abigail.leech@lancashire.gov.uk

Executive Summary

On the 1st December 2017 the Committee approved the Fund's 3 year Strategic Plan. This report provides an update on the progress of delivery of the specific objectives set out in the Plan.

Recommendation

The Committee is asked to note the progress made on the delivery of the Lancashire County Pension Fund Strategic Plan.

Background and Advice

In December 2017 the Committee approved a Strategic Plan covering the financial years 2018/19 to 2020/21. The Plan is structured around the four broad areas that impact on the running of a successful pension fund:

- Governance
- Asset and Liability Management
- Administration, and
- Communication

Appendix 'A' shows the progress that has been made against the outcomes in the plan up to December 2019

Consultations
N/A

Implications:

This item has the following implications, as indicated:

Lancashire County Council

Risk management

The Strategic Plan is part of the process of managing risk faced by 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

Governance

Governance is the overall set of processes we use to run the Pension Fund. It forms a key part of a number of the other areas of focus within this plan but is also crucial in its own right.

Our objectives in this area are:

- To be open and accountable to our stakeholders for our decisions, ensuring they are robust and evidence based;
- To ensure that the Pension Fund is effectively managed and its services are delivered by highly motivated people who have the appropriate knowledge and expertise, and with access to appropriate systems;
- To deliver value for money, excellent customer service and compliance with regulatory requirements and industry standards where appropriate.

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

Outcomes	Actions	Timeframe	Progress September 2018	Progress Deecember 2019
Implement any new governance requirements to reflect changes in the Council's management structure	• Assessment of governance policy documentation of the fund in consultation with the new S151 officer. • Review officer scheme of delegation • Implement any changes in 2018/19.	2018/19	Governance reviewed April 2018. No material changes identified.	No further changes have been required.
Compliance with all statutory regulations.	• MiFID2 – ensure all appropriate documentation is completed by the deadline of Jan 2018. Continue to monitor compliance with MiFID2.	2018/19	MiFiD 2 implemented on time. It is an on-going process which will continue to be reviewed.	MIFID 2 is business as usual activity.

Appendix A

	• General Data Protection Regulations (GDPR) – ensure that the fund and LPP will be fully compliant with the new regulations by the deadline of May 2018 • Work with LPP representatives to implement changes		The Fund has implemented GDPR regulations. LPP had an independent review of their implementation by a company that specialises in GDPR and data protection. LPP were rated as 'excellent'.	GDPR action plan in place to tackle high risk areas Senior Managers & Certification Regime (SMCR). Wide ranging project in place to deliver this new FCA regime. Implementation date was the 9th December 2019 and LPPI achieved this deadline,
Ensure that LPP are operating effectively and to the agreement	• Regular meetings with LPP • Monitoring of performance and KPI's	Throughout period of Strategic Plan	Regular meetings with LPP are held. Updates and performance measures are reported to committee on a quarterly basis.	PWC undertook and independent review of LPP reporting its findings in March 2019 Regular meetings with LPP continue to be held and performance measurement reported to committee. A three year benchmarking review is progress to assess LPP's effectiveness in advance of the break clause in the contract in 2022.

Ensuring LCPF interests are protected as other funds join the LPP Pool as clients	• Performance monitoring • Analysis of any proposal which impacts on shareholding arrangements	Throughout period of Strategic Plan as proposals are submitted	Performance of both the investment and administration services provided by LPP are monitored regularly. Reports submitted to and considered by both the Pension Fund Committee and Investment Panel.	Berkshire Pension Fund now has it assets managed by LPP. The Pension Fund Committee and Investment Panel have continued to monitor performance and ensured that there has been no detriment to LCPF.
Ensure appropriate and effective implementation of Responsible Investment	• Working group to review; • Develop an RI Policy; • Evaluate closer working with LPFA; • Review RI Reporting	June 2018	The Working Group is reporting back to the November Pension Fund Committee with a revised RI Policy and includes a new potential dashboard style reporting for RI. Closer working with LPFA regarding RI is still being explored, and as such, LPFA representatives attended the RI Working Group Meeting in October.	A new Responsible Investment Policy was presented and agreed at the Pension Fund 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 being considered, however has yet to be initiated due to LPFA directing resources to their own policy.
Continue to enhance risk management processes	• Ongoing assessment of existing and new risks; • Where appropriate linking of risk register to LPP risk register • Develop a fund risk management framework;	Risk approach to be enhanced on an ongoing basis throughout the period of the Plan	Regular reports submitted to both the PF Committee and the LPB.	A Risk Management Framework has been developed and implemented – after approval by the Pension Fund

			The LCPF continue to work closely with LPP to manage existing risks and identify and new emerging ones. LCPF are current in the process of developing a Risk Management Framework.	Committee in June 2019. Links with the LPP risk register is being maintained through regular quarterly meetings with LPP.
Implement any changes to the Local Pensions Board arising from the Advisory Board review of their effectiveness	• Assessment of Advisory Board findings and identify any weakness in the working of the Lancashire Local Pension Board	Throughout period in response to publications and recommendations	No recommendations have been issued from the SAB.	The Scheme Advisory Board published their Good Governance Report on 31 July 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.
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.	March 2019	The Fund has a statement on compliance with COP 14 an update will be presented to the LPB annually.	All Committee and Board members have had training on Code of Practice 14. LPP produce quarterly SLA performance

	• Undertake an annual data review and introduce an improvement plan (where required) • Ensure compliance with forthcoming TPR guidance on record keeping and breach reporting		Breeches are now reported to the LPB on a quarterly basis.	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, 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 early 2020.

Asset and Liability Management

Asset management is the process of achieving returns on the contributions to the Fund made by members and employers so ensuring that the money required to pay pensions is available when required. Liability management is the process by which the impact of changes in the value of the obligation to pay future pensions on the Fund is mitigated.

Our objectives in this area are:

- To ensure that resources are available to meet the Fund's liabilities through achieving investment performance at least in line with actuarial assumptions.
- To achieve full funding (i.e. no funding deficit) over a period no longer than the current recovery period.
- To achieve, as far as possible, stable employer contribution rates;
- To manage employers' liabilities effectively having due regard to the strength of each employer's covenant by the consideration of employer specific funding objectives.
- To maintain liquidity to meet projected net cash flow outgoings.
- To minimise irrecoverable debt on the termination of employer participation.
- To be a good asset owner.

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

Outcomes	Actions	Timeframe	Progress September 2018	Progress December 2019
Ensure effective cash-flow management to meet pension fund payments in the future	• Revised Investment Strategy implemented from 1 April 2018, which increases liquidity in the portfolio, Continue to monitor cash-flow throughout the plan.	2018/19 and reviewed throughout Plan	Policy in place to manage some £70m in liquid assets by LCC's Treasury Management Team. Liaison between LPP and LCC to	Liquid assets have been managed by LCC in line with the allocations in the Investment strategy.

			forecast and monitor cash flow is being undertaken.	
All appropriate assets pooled. Agreed methodology for reporting savings.	• To oversee the completion of the pooling of investments • Continue development of a model to capture savings	Expected completion of pooling early 2018 Savings model established 2018/19	All appropriate assets are pooled.	A real estate pool was launched in October 2019; which is the final investment pooling vehicle
Improve the transparency over the costs of the Fund	• Implement the CIPFA Code of Practice on Management expenses and the LGPS Advisory Board Code on Transparency	On-going in line with publication of the CIPFA guidance on the Codes	Work on-going with LPP and managers to implement the CIPFA code. Classification of costs is improving. CIPFA has also issued new guidance re disclosures following pooling which will be reviewed and implemented.	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 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	Ongoing throughout the period	Investment Panel continually reviews strategy. No modifications required as Investment Strategy implemented from 1 April 2018.	The Investment Panel continue to review the strategy. The Investment Strategy will be reviewed and amended as necessary following approval of the Funding Strategy Statement.
Completion of the 2019 Actuarial Valuation and identification of changes, if any, required in the Investment Strategy	• Provision of data to the Actuary at individual member level. • Agreement of key assumptions with the Actuary by the PFC • Engagement with employers on an ongoing basis throughout the process, but particularly as results become available. • Review of Funding Strategy in light of results	Provision of data from April 2019. •Agreement of assumptions by PFC to be in line with Actuary's timetable. •Feedback of results from September 2019. •Revised Funding Strategy Statement PFC Feb / March 2020.	Initial discussion with actuary have been undertaken. The Head of Fund and actuary have met with the Chief Finance Officers and a meeting with the Lancashire Leader has been arranged for November.	All data files and cash flow files were sent to the scheme actuary by 31 July 2019. Release of employer results and schedules where 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

		•Implementation of revised Rates and Adjustments Certificate from April 2020		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.

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 September 2018	Progress December 2019
To ensure that the level of complaints and errors does not increase	To review the impact of the re-organisation of LPP administration service on LCPF	December 2019	LPP have implemented changes to the administration service. The impact of these has been monitored and reports presented to the Pension Fund Committee	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.
Implementation of the penalty system policy from April 2018	Review and implement revised Pensions administration strategy statement to include specific charging scales and ensure procedures are put in place to recover those charges from employers.	June 2018	The revised Pension Administration Strategy Statement was approved at Pension Fund Committee in July	LCPF have introduced an escalation policy for dealing with employer issues surrounding, specifically, the

			2018 following a consultation with Scheme employers. The statement was published and distributed to employers in Sept 2018 and now includes charging scales for penalties where an employer is in breach of their requirements under the scheme. Work is on-going with the LCC finance team and the LPP date team to ensure that procedures are in place to identify and rectify breaches promptly.	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 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 Admissions and termination policy amending the actuarial assumptions used to assess the value of the liabilities at the point an employer exits the fund.	April 2018 April 2018	New Admissions and termination policy completed April 2018. Work is on-going with LPP employer risk team	The admissions 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

	• 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.	Annually Annually	and Mercers to identify "high risk" employers to monitor. Initial funding review of employers as at March 2018 has been passed to LPP as part of that on-going exercise.	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 PFaroe risk modeller.
Implementation of changes to statutory regulations	Review and implement all amending legislation including the following legislation expected in 2018 : • The 3 proposed policies covering caps and reforms being considered by government in respect of exit payments made to or in respect of a person leaving public sector employment. • LGPS amending legislation covering fair deal in the LGPS, Freedom and choice options for AVC,s and extended early release options for deferred members	Implemented in accordance statutory timetables	Consultations regarding any amendments in this area are still awaited. The Local Government Pension Scheme (Amendment) Regulations 2018 came into force on 14 May 2018. Those changes have been fully implemented by LPP. However the freedom and choice options for AVC ,which were included in the consultation, were not taken forward by the	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

			MHCLG in the final regulations. In addition the fair deal proposals were also not taken forward, however the MHCLG are still planning to proceed with this and will launch a separate consultation later this year.	The consultation on limiting exit payments for public sector workers closed on 3 July 2019. HM Treasury received 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.

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	Progress September 2018	Progress December 2019
To ensure that all members and stakeholder appropriately identify and recognise LCPF	• Develop LCPF Branding • Develop a new website.	2018-19	A company has been engaged to produce a brand for LCPF. Website to be	A new brand and logo has been developed and agreed by the Pension Fund

			developed once determined.	Committee in June 2019. 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	April 2018 Ongoing throughout period of Strategic Plan from June 2018	New Lifestyle funds introduced and communicated to members in July 2018. Availability of Salary sacrifice schemes for AVC's have been communicated to Scheme employers both directly and through the practitioner's conference. To date Blackpool, Blackburn and Wyre have adopted the scheme. For Lancashire County Council, their scheme was approved by	LCC's salary sacrifice scheme is now fully up and running, a programme is in place to continually promote and expand the scheme.

			Employment committee in Sept 2018. It is expected that the New scheme will be launched Feb to March 2019.	

Glossary

GDPR- A European regulation which replaces data protection requirements including the UK Data Protection Act 1998

PFC – The Pension Fund Committee the body of elected councillors and other representatives of employers and scheme members responsible for making the key decisions about the management of the Fund.

LCPF –Lancashire County Pension Fund.

LGPS- Local Government Pension Scheme. This is a statutory scheme with regulations stipulating the benefits available.

LPB – The Local Pension Board, a body of 4 employers and 4 scheme members together with an Independent Chair who are responsible for overseeing the work of the County Council as Administering Authority for the Fund and making recommendations for improvement.

LPP - The Local Pensions Partnership is a collaboration between two LGPS funds – Lancashire County Pension Fund and London Pensions Fund Authority. It covers both investment and administration activities.

MiFID 2 -The second Markets in Financial Instruments Directive (MiFID II) was implemented in the UK from 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.

Phone (01772) 530530

E mail:

Website www.yourpensionservice.org,uk

Pension Fund Committee
Meeting to be held on Friday, 7th February 2020

Electoral Division affected:
(All Divisions);

Responsible Investment Report
(Appendix 'A' refers)

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.

The report at Appendix 'A' provides the Pension Fund Committee with an update from LPP Investments Ltd on responsible investment matters during the third quarter of 2019.

Recommendation

The Committee is asked to note the report.

Background and Advice

The report at Appendix 'A' has been prepared by the Head of Responsible Investment at LPP Investments Ltd 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.

For the purposes of reporting on voting, engagement and litigation monitoring activities, the information provided relates to the third quarter of 2019 and focusses on the period from 1st July to 30th September 2019.

This report also pulls together wider reporting from Appendix 'A' and elsewhere, for the purpose of bringing current and emerging issues to the Committee's attention.

Points to note:

Lancashire County Council

- Further to previous updates to the Committee, the Financial Reporting Council launched the revised UK Stewardship Code in October 2019 which came into effect on the 1st January 2020. The new Code sets higher standards requires a greater onus of responsibility from signatories to demonstrate that expected levels stewardship are being adhered to. The Local Pensions Partnership will be seeking to be signatories to the new Code and hence there would be no obligation or requirement for Lancashire County Pension Fund also being a signatory. The new UK Stewardship Code can be found clicking the following link:

  https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Final2.pdf

- The Scheme Advisory Board have developed some guidance on Responsible Investment which is scheduled for consultation with scheme stakeholders with a view to publication in 2020. The guidance is aimed at assisting those responsible for investment decision making in the Local Government Pension Scheme to recognise their responsibilities for developing and maintaining responsible investment policies according to scheme regulations, statutory guidance and the general public law. Further information will be made available to the Committee when the final guidance is published.

- The Local Authority Pension Fund Forum have produced and released a survey for Forum members titled – 'Managing the risks of climate change'. The survey aims to shape the Forum's priorities, share best practice and inform greater understanding of the key issues and barriers. The Fund have completed the survey with the support of the Local Pensions Partnership.

- Finally, representatives of the Local Authority Pension Fund Forum facilitated a workshop on the Forum, Climate Change and Lobbying' on the 5th November 2019.

Consultations

Frances Deakin the Head of Responsible Investment at the Local Pensions Partnership was consulted regarding this report.

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 Lancashire County Pension Fund is required to be a signatory to the UK Stewardship Code and to uphold the principles espoused by the code.

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
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Appendix A

LOCAL PENSIONS PARTNERSHIP INVESTMENTS LIMITED

Lancashire County Pension Fund

Pension Fund Committee

7th February 2020

Responsible Investment Report

Title of Paper	Quarterly Report on Responsible Investment (2019 Q3)
Lead Officer:	Frances Deakin, Head of Responsible Investment Local Pensions Partnership Investments Ltd frances.deakin@localpensionspartnership.org.uk
Appendices	None

1. Executive Summary

This report provides members of the Pension Fund Committee of Lancashire County Pension Fund (LCPF) with a quarterly update on Responsible Investment (RI) matters.

2. Introduction

The Fund's approach to RI is articulated within an Investment Strategy Statement (ISS) which confirms that the objective of RI is to decrease investor risk, improve risk-adjusted returns and assist the Fund's adherence to the UK Stewardship Code. LCPF's ISS is supplemented by a Responsible Investment Policy which explains that the Fund's preferred approach to RI encompasses four main areas of activity:

- Voting Globally
- Engagement through Partnerships
- Shareholder Litigation
- Active Investing

Responsibility for the practical implementation of the Fund's approach to RI is devolved to Local Pensions Partnership Investments Ltd (LPPI) as LCPF's provider of investment management services. The report which follows provides the Committee with an update on RI activity during the period 1 July to 30 September 2019 plus insights on current and emerging issues.

3. Voting Globally

Through its investment in the LPPI Global Equities Fund (GEF) LCPF owns units in a pooled fund which invests in listed companies globally. Investors in the GEF delegate the control and exercise of shareholder voting to LPPI. This reflects that clients owning units in the GEF are beneficial owners in common but do not directly own shares in underlying companies.

LPPI exercises shareholder voting rights for the GEF centrally rather than delegating voting to individual asset managers and takes account of voting recommendations from an external provider of proxy voting and governance research (ISS) in accordance a Sustainability Voting Policy designed to ensure the consideration of ESG factors within analysis. LPPI reviews voting recommendations and takes the final decision on all voting.

In the third quarter of 2019 shareholder voting headlines for the GEF were as follows:

LPPI Global Equities Fund (GEF)

Total company meetings taking place	65
Total resolutions (management and shareholder proposals)	716
Total company proposals in the period	708
Total shareholder proposals in the period	8

The following table summarises resolutions by type and indicates where opposition voting was concentrated in Q3.

Proposals				
	For	Against	Withhold	Total
Antitakeover Related	10	0	0	10
Capitalization	71	2	0	73
Directors Related	327	36	4	367
Miscellaneous	7	0	0	7
Non-Salary Comp.	49	9	0	58
Preferred/Bondholder	2	4	0	6
Reorg. and Mergers	14	5	0	19
Routine/Business	167	1	0	168
SH-Dirs' Related	6	0	0	6
SH-Health/Environ.	1	0	0	1
SH-Routine/Business	0	1	0	1
Total	654	58	4	716

LPPI voted against or withheld support for management proposals in 62 instances (across 26 company meetings).

This included opposing or withholding support in 40 management proposals connected with the election / re-election of directors or with the appointment of statutory auditors.

Opposition voting commonly reflected concerns with the composition and independence of company boards, the independence of individual board members, and the over boarding (multiple other directorships) of individual board members.

Director Related

At AusNet Services Ltd (Australia: Electric Utilities) LPPI voted against the re-election of the independent chairman. The nominee was previously the chair of a financial services company where the Australian Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry found material failures of governance, stewardship, and risk oversight during his tenure (Result: 23.5% against).

At Yunnan Baiyao Group Co. (China: Pharmaceuticals) LPPI voted against the election of seven non-independent directors as the level of board independence falls below the regulatory requirement for more than one-third of the board to be independent directors. (Results: all seven directors received report of at least 95.8%).

At SBI Life Insurance Company Limited (India: Life & Health Insurance) LPPI voted against the re-election of a director due to failure to attend at least 75% of board and committee meetings with no satisfactory explanation. (Result: 10.0% against).

Non-Salary Compensation

Management proposals on compensation arrangements prompted nine opposition votes. These were in response to cases including a lack of transparency around performance conditions, poor alignment of performance conditions to shareholder interests, and instances where variable pay terms are considered to be excessive.

At Vista Outdoor Inc. (USA: Leisure Products) LPPI voted against the Advisory Vote to Ratify Named Executive Officers' Compensation. This reflected that despite the company's engagement with shareholders following the same proposal's rejection by shareholders (LPPI included) last year, underlying concerns are not yet considered sufficiently addressed. The company reduced target performance levels within the short-term incentive plan and achieved performance levels from 2018, resulting in above target pay-outs alongside declining financial performance. Additionally, key metrics in both the short-term and long-term incentive plans were not adequately disclosed. (Result: 59.9% against).

At Mr. Price Group Ltd. (South Africa: Apparel, Accessories & Luxury Goods) LPPI voted against a resolution to approve the Remuneration Implementation Report. The company has not disclosed sufficient information around bonus performance targets and the departing CEO's leaving arrangements. (Result: 38.7% against).

At Berkeley Group (UK: Homebuilding) LPPI voted against a proposal to approve the Remuneration Policy. The reworked policy sought to extend the long-term incentive plan (positive) but its extension is considered to be delivering a relatively high quantum of reward without encouraging enhanced company performance. (Result: 43% against).

LPPI supported seven shareholder proposals across eight company meetings in Q3.
Six of the eight resolutions related to the election of shareholder nominated independent directors and board supervisors at two Chinese companies. LPPI supported the proposals in all cases.

Two interdependent shareholder resolutions arose at Suncorp Group (Australia: Property and Casualty Insurance). The proponent sought support for amending the company's constitution to enable each shareholder to place resolutions on the agenda. LPPI voted against the resolution due to a lack of legal or regulatory supervision of potential shareholder proposals in Australia (concern that proposal could lead to, and because the text of the proposed amendment was considered too broad (Result: 95.8% against). The second resolution, which sought the introduction of Paris-aligned targets in Suncorp's lending and underwriting was withdrawn (could not be tabled at the meeting) because it was dependent on the first resolution passing. Had the second resolution been tabled, LPPI would have voted in favour.

4. Engagement through Partnerships

LPPI regularly participates in collaborations which aim to make progress on commonly held issues by co-ordinating the efforts of multiple investors. Key partners include the Local Authority Pension Fund Forum (LAPFF) the Pensions and Lifetime Savings Association (PLSA) the Principles of Responsible Investment (PRI) the Institutional Investor Group on Climate Change (IIGCC) the LGPS Cross Pool RI Group, and the UK Pension Scheme RI Roundtable.

LAPFF

LAPFF has long been LCPF's preferred engagement partner. The Fund is a long-standing member of the Forum and the Head of Fund and Chair of the Pension Fund Committee both currently sit on the LAPFF Executive.

LAPFF provide information on engagement activities undertaken on behalf of member funds by publishing Quarterly Engagement Reports (QER). Based on the content of these reports it has previously been possible to provide committee members with quantitative information on LAPFF

engagement activities. However, a "new look" QER has recently been introduced which places greater focus on narrative content and includes selective examples rather than the former range of summary metrics. For this reason, it is no longer possible to provide the familiar tables. To enable members to review the Forum's full account of engagement activity in the period a link to the 2019 Q3 QER is provided below.
http://www.lapfforum.org/wp-content/members-folder2017/2019/LAPFFQERQ3FINAL.pdf

LAPPF have undertaken analysis of the voting records of asset managers managing LGPS assets and have reported back results which confirm a lack of disclosure by some (which hampers analysis) and some degree of misalignment between LAPFF voting alerts (and the recommendations they make to Funds) and the way in which fund managers voted. The LAPFF analysis did not include any tabulation of voting by LGPS pools despite a number overseeing voting centrally rather than delegating it to individual asset managers.

Shareholder voting for the LPPI Global Equities Fund through which LCPF invests in listed equities is overseen by the RI team and voting decisions incorporate recommendations from an external voting provider based on sustainability (ESG) focussed voting guidelines. Wider information is considered where pertinent and if LAPFF issues a voting alert which relates to a company in the GEF consideration is given to the points raised as part of reaching a final decision. A record of all voting decisions by LPPI is made publicly available via quarterly voting reports published on the LPP website.

PLSA

The Head of RI is a member of the Pensions and Lifetime Savings Association's Defined Benefit Scheme Stewardship Advisory Group (SAG). This group meets quarterly to discuss developing issues and is a sounding board for the Association's programme of work on stewardship.

SAG members have been approached to join a working group which will shape the 2020 version of PLSA's annual Corporate Governance Policy and Voting Guidelines. This guidance is published every January and provides practical guidance for schemes considering how to exercise their rights at AGMs in the next season. The guide is one of the PLSA's most popular stewardship downloads.

In January 2019 the guidelines were updated to cover changes to the UK Corporate Governance Code and highlight some of the key developments in UK corporate governance policy and practice. For 2020 the intention is a further thorough review. The update is in the context of renewed regulatory requirements and an increasing scrutiny of how pension schemes are fulfilling the responsibilities of asset ownership through stewardship actions.

The Head of RI has agreed to participate as a member of the Working Group (which had its first meeting in central London in early November). The outcome of the review will be a revised guide, details of which will be shared with the committee in due course.

Transition Pathway Initiative

LPP has agreed to become a Strategic Asset Owner Partner to the TPI.

This followed an approach proposing a more formal step in our continuing support for the initiative. Becoming a strategic partner entails providing funding support and being represented on the TPI Steering Committee. Members of LPP's Stewardship Committee met with TPI representatives in September to discuss the proposal, provide feedback on our experience/impressions of the current tools and share insights from manager feedback.

Following the meeting it was agreed that LPP will provide financial support for 4 years (2020- 2024) and explore how we can add value through representation on the TPI Steering Group and through constructive

challenge/feedback which reflects our use of the toolkit as part of portfolio and manager monitoring and engagement.

5. Shareholder Litigation

LPPI employs Institutional Protection Services (IPS) as an external provider of litigation monitoring services to ensure shareholder litigation cases affecting securities owned by the GEF are known about, claims are filed in a timely way and progress is monitored and followed up with Claims Administrators. In addition, IPS monitor cases relating to shares held by LCPF in the period before the Fund pooled its listed equity investments from November 2016. Litigation can arise quite some time after shares have been sold and monitoring new cases and referring back to historic records to establish rights of ownership is an ongoing task.

IPS provide LPPI with monitoring information on a quarterly basis detailing the number of cases investigated. The monitoring report for Q3 2019 confirms that 3 new potential cases have been identified where the Fund may have an entitlement to join a class action and eligibility is being assessed, there are a further 11 cases where eligibility has been confirmed and a claim filed. In Q13 the Fund received a disbursement of monies relating to two claims that had reached settlement.

6. Active Investing

The LCPF Responsible Investment Policy describes active investing as the search for sustainable investments which meet LCPF's requirements for strong returns combined with best practice in ESG and corporate governance. The Fund has not set allocations for investments within specific sectors or identified impact themes but in general favours investments with positive social outcomes and has expressed an interest in understanding where current investments are delivering social benefits in addition to generating investment returns. Examples of socially positive investments are available from across the asset classes the fund invests in.

Infrastructure

In the period since the committee last met an infrastructure investment in Rock Rail East Anglia (through GLIL) has received positive media coverage related to the launch of a new fleet of passenger trains which are serving the Greater Aglia region.

A press release on the initiative produced by GLIL provides further detail on the benefits provided by the Rock Rail partnership and records a positive reception for the launch of the first cohort of new trains.
https://www.glil.co.uk/assets/Greater-Anglia-has-formally-launched-its-new-fleet-of-regional-trains-with-special-runs-between-Lowestoft-and-Norwich.pdf

The development of a website by GLIL https://www.glil.co.uk/ has enabled information about the infrastructure partnership (origination, history to date, delivery aims and current portfolio) to be publicly available and details are now accessible on individual investments made to date by what is now a £1.275 billion alternative investment fund targeting core infrastructure opportunities (predominantly in the United Kingdom).

Current investments in which the Fund has an interest through GLIL (and which are having positive economic, employment and social benefits within the UK) include the supply of renewable power (wind and solar) and bio-energy (generating electricity and heat from waste), specialist logistics via one of the UK's largest port groups, and a portfolio of 92 operational assets supporting service provision within healthcare, education, accommodation, transport, community health, prisons, and utilities.

Additional Resources

LPPI has significantly increased the resources being dedicated to Responsible Investment through appointments to 3 new Analyst posts over the summer. This investment in expanding current capacity reflects the importance LPP places on RI and investment stewardship.

The new posts report to the Head of RI, are members of the Investment Strategy Team and create a split site RI Team of 4fte which has a presence in both London and Preston offices (which makes it better able to support the activities of asset class teams). Priorities include further developing policy and procedures which integrate ESG into decision-making, facilitating LPPI's participation in collaborative initiatives and identifying and using data to identify, map and quantify risks through models which will support monitoring, help to prioritise stewardship activity and increase the availability of information for enriching client and external reporting.

Pension Fund Committee
Meeting to be held on Friday, 7th February 2020

Electoral Division affected:
None;

Feedback from members of the Committee on pension related training, conferences and events.

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 conferences/seminars and internal training workshops which have been attended by individual members of the Committee since the last meeting.

Recommendation

The Committee is asked to note the report and any feedback given at the meeting in relation to specific training received.

Background and Advice

On the 23rd March 2018 the Committee agreed a revised Training Policy which set out the Fund's 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.

Below is a list of pension related external conferences/events or internal workshops which members of the Committee have attended since the last meeting. Individual members of the Committee are invited to provide feedback on their experiences at the meeting.

22nd/23rd September 2019 - Pension Trustees Circle Seminar at The Grand Hotel, York, attended by County Councillor L Collinge.

25th September 2019 - Introduction to the LGPS at the Northern Trust, 50 Bank Street, London, Greater London attended by County Councillor L Collinge.

16th to 18th October 2019 - Annual Conference and Exhibition 2019 in Manchester attended by County Councillors L Collinge, E Pope and K Ellard.

Lancashire County Council

5th November 2019 - Workshop on the role of the Local Authorities Pension Fund Forum, Climate Change and Lobbying at County Hall, Preston, attended by County Councillors E Pope, J Burrows, A Schofield, K Ellard, J Mein and co-opted members P Crewe, Councillor R Whittle, Councillor D Borrow and Ms J Eastham.

14th November 2019 - ESG & Topical Investment Issues for Local Authority Pension Investors at Le Meridien, Piccadilly, London, attended by County Councillors E Pope and K Ellard.

4th/6th December 2019 - LAPFF Annual Conference at the Hilton Hotel, Terrace Road, Bournemouth attended by County Councillor E Pope.

15th January 2020 - Local Authority Responsible Investment Seminar at the offices of the Local Government Association, 18 Smith Square, Westminster, London, attended by County Councillor L Collinge.

22nd January 2020 – internal workshop on The Pension Regulator attended by County Councillors E Pope, J Burrows, K Ellard, L Collinge, T Martin and J Mein together with Co-opted member Mr P Crewe.

23rd January 2020 - Annual LGPS Governance Conference at the Principal Hotel, York, attended by County Councillor E Pope.

6th February 2020 - LAPF Strategic Investment Forum at the Andaz Hotel, London attended by County Councillor G Dowding.

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 Pension Board are well-informed, confident, and knowledgeable participants who work effectively and consistently in the best interests of the Fund and its stakeholders.

The cost of attendance, together with travel and subsistence costs, were met by the Pension Fund.

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

Paper	Date	Contact/Tel
Attendance at external Conferences and Events approved by the Head of Fund under the Scheme of Delegation to Heads of Service	September 2019 to February 2020	Mike Neville (01772) 533431
Attendance sheet for pension workshop.	5th November 2019 and 22nd January 2020	Mike Neville (01772) 533431

Reason for inclusion in Part II, if appropriate

N/A

Pension Fund Committee
Meeting to be held on Friday, 7 February 2020

Electoral Division affected:
None;

Transaction of Urgent Business - Strategic Objectives for the Independent Advisers to the Lancashire County Pension Fund

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

Executive Summary

This report sets out the details of a decision taken by the Monitoring Officer on the 6th December 2019, under the procedure for dealing with matters of urgent business.

Recommendation

The Committee is asked to note the decision taken by the Monitoring Officer under the urgent business procedure to approve a set of strategic objectives for the Independent Advisers to the Lancashire County Pension Fund as required by The Investment Consultancy and Fiduciary Management Market Investigation Order, 2019.

Background and Advice

The Terms of Reference of the Pension Fund Committee state that the Committee has the following responsibilities in relation to investments in connection with the Lancashire County Pension Fund.

1. To determine the Strategic Asset Allocation policy, giving due recognition to the options made available by the Local Pensions Partnership Ltd.

2. To monitor the performance of the Fund's investments and ensure that best practice is being adopted and value for money is being delivered.

3. To submit an Annual Report to the Full Council on the performance and state of the Fund and on the investment activities during the year.

Lancashire County Council

4. To approve and review on a regular basis an overall Investment Strategy and subsidiary Strategies for such asset classes as the Investment Panel consider appropriate.

5. To have overall responsibility for investment policy.

The Investment Panel, which comprises the Head of Fund and two Independent Advisers, provides expert professional advice to the Lancashire County Pension Fund in relation to investment strategy. The Advisers also support the Head of Fund with the specialist advice required by the Pension Fund Committee.

In 2017, following a market study into the asset management sector, the Financial Conduct Authority concluded that there were reasonable grounds to suspect that there were features of the investment consultancy and fiduciary management sector which prevented, restricted or distorted competition and consequently referred the issue to the Competition and Markets Authority.

During its investigation the Competition and Markets Authority gathered data from various sources within the investment consultancy and fiduciary management market, engaged with key participants and undertook a significant economic analysis before coming to its conclusions.

The investigation ended in June 2019 after which the Competition and Markets Authority, having considered all the circumstances, published its findings together with a number of proposals to remedy, mitigate or prevent the adverse effects of competition which had been identified, including

a) in respect of Investment Consultancy Services:

- Low levels of engagement by some customers;
- Lack of clear information for customers to assess the quality of their existing Investment Consultancy Provider;
- Lack of clear and comparable information for customers to assess the value for money of alternative Investment Consultancy Providers.

b) in respect of Fiduciary Management Services:

- IC-FM firms steering their advisory customers towards their own Fiduciary Management Services;
- Low levels of customer engagement at the point of first moving into Fiduciary Management;
- Lack of clear and comparable information for customers to assess the value for money of alternative Fiduciary Management Providers;

The Competition and Markets Authority have also made The Investment Consultancy and Fiduciary Management Market Investigation Order, 2019, which requires fiduciary managers (who make investment decisions on behalf of trustees) and investment consultants to provide clearer information about services their customers receive and incentivises pension scheme trustees to shop around to make sure they are getting the best deal to suit their needs. The Order will fully come into effect on the 10th December 2019 and a copy can be viewed at https://assets.publishing.service.gov.uk/media/5cfdfa86e5274a090f9eef8e/Order_investment_consultants.pdf

At the meeting on the 28th November, 2019, the Investment Panel discussed the Order and its implications in relation to the Independent Advisers to the Fund and agreed that in accordance with the requirement set out in the Order the Pension Fund Committee should be recommended to agree strategic objectives for the Independent Advisers.

Having consulted with the Head of Fund the following strategic objectives were proposed:

1. In conjunction with input from Local Pensions Partnership Investments and any other relevant sources, recommend a Strategic asset Allocation with tactical ranges to the Pension Fund Committee.

2. Monitor the construction and performance of the Fund, all its sub-funds and its asset manager (Local Pensions Partnership Investments) and recommend any consequent changes to the Pension Fund Committee.

3. Where relevant and appropriate recommend suitable strategies to mitigate Fund risks to the Pension Fund Committee. These could include currency and liability hedging.

On the 6th December 2019 the Monitoring Officer, under the procedure for dealing with matters of urgent business, approved the above strategic objectives for the Independent Advisers to the Lancashire County Pension Fund.

Reason for the use of the Urgent Business Procedure

The Investment Consultancy and Fiduciary Management Market Investigation Order, 2019, will fully come into effect on the 10th December 2019. Setting the objectives would be a matter for the Pension Fund Committee. However, following the announcement of the General Election on the 12th December 2019 the meeting of the Pension Fund Committee scheduled for the 29th November was postponed until the 7th February 2020.

Consultations

The Chair and Deputy Chair of the Pension Fund Committee were consulted on the proposed objectives and have raised no objections.

If approved the performance of the Independent Advisers will be assessed against the strategic objectives after a period of 12 months.

Implications:

This item has the following implications, as indicated:

Risk management

Section 167 of the Enterprise Act 2002 places a duty on any person to whom an Order made by the Competition and Markets Authority relates to comply with it and the Authority can enforce compliance with the Order by civil proceedings for an injunction or for any other appropriate relief or remedy.

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

Paper	Date	Contact/Tel
The Investment Consultancy and Fiduciary Management Market Investigation Order, 2019	2019	M Neville 01772 533431

Reason for inclusion in Part II, if appropriate

N/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)

Document is Restricted

(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

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)

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)

Document is Restricted

(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

(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

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)

Document is Restricted

Appendix C

(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

(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

(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

(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

(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

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)

Document is Restricted

Appendix C

(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