

## Lancashire County Council

### Pension Fund Committee

Friday, 11th March, 2022 at 10.30 am in Committee Room 'C' - The Duke of Lancaster Room, County Hall, Preston

#### Agenda

Part I (Open to Press and Public)

#### No. Item

1. **Welcome and 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 Meeting held on 26th November 2021** (Pages 1 - 8)  
To be confirmed by the Committee and signed by the Chair.
4. **Report of the Appointments Sub Committee** (Pages 9 - 12)
5. **2021/22 Budget Monitoring Report** (Pages 13 - 18)
6. **Lancashire County Pension Fund 2022/23 Budget** (Pages 19 - 26)
7. **Lancashire County Pension Fund Strategic Plan 2022/25** (Pages 27 - 58)
8. **Lancashire County Pension Fund - Death Grant Policy** (Pages 59 - 64)
9. **Feedback from members of the Committee on pension related training.** (Pages 65 - 68)
10. **Lancashire County Pension Fund - Training Plan 2022/23** (Pages 69 - 76)
11. **2022/23 Work Plan for the Lancashire Local Pension Board** (Pages 77 - 80)

**12. Responsible Investment Report** (Pages 81 - 110)

**13. Responsible Investment Dashboard Report** (Pages 111 - 114)

**14. 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.

**15. Date of Next Meeting**

The next meeting of the Committee will be held on Friday 17<sup>th</sup> June 2022 in Committee Room 'C' – the Duke of Lancaster Room at County Hall, Preston.

**16. 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)**

**17. Local Pensions Partnership Annual Budget 2022/23 and Strategic Plan** (Pages 115 - 170)

**18. Local Pensions Partnership Update** (Pages 171 - 234)

**19. Investment Performance Report** (Pages 235 - 262)

**20. Investment Panel Report** (Pages 263 - 280)

**21. Investment Service Based Review** (Pages 281 - 290)

L Sales  
Director of Corporate Services

County Hall  
Preston

## Lancashire County Council

### Pension Fund Committee

**Minutes of the Meeting held on Friday, 26th November, 2021 at 10.30 am in Committee Room 'A' - The Tudor Room, County Hall, Preston.**

#### **Present:**

County Councillor E Pope (Chair)

#### **County Councillors**

M Brown	G Dowding
J Burrows	M Pattison
S Clarke*	A Schofield
M Clifford	S Smith
F De Molfetta	D Westley
R Woollam	

\* Replaced County Councillor M Goulthorp as a member of the Committee for this meeting only.

#### **Co-opted members**

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

#### **In attendance:**

Mr S Greene, Head of Pension Fund, Lancashire County Council.  
Ms L Sales, Director of Corporate Services, Lancashire County Council.  
Ms A Devitt, LCPF Independent Investment Adviser.  
Mr E Lambert, LCPF Independent Investment Adviser  
Mr W Bourne, Chair of the Lancashire Local Pension Board.  
Mr M Neville, Senior Democratic Services Officer, Lancashire County Council.  
Mr C Rule, Chief Executive, Local Pensions Partnership.  
Mr G Smith, Director of Strategy, Local Pensions Partnership.  
Ms J Darbyshire, Director of Administration, Local Pensions Partnership.

#### **Dialling into the meeting via MS Teams:**

Mr A Ayre, Audit Manager, Grant Thornton UK LLP

#### **1. Apologies**

Apologies for absence were received from Councillor D Borrow.

#### **2. Disclosure of Pecuniary and Non-Pecuniary Interests**

No disclosures of Pecuniary/Non-Pecuniary interest were made at this point in the meeting.

### **3. Minutes of the Meeting held on 17th September 2021**

The Chair referred to the discussion at the previous meeting regarding the Fund Annual Report 2020/21 and informed the Committee that the executive summary document, highlighting key areas of activity and performance, was due to be circulated during the following week.

**Resolved:** That the Minutes of the meeting held on 17<sup>th</sup> September 2021 are confirmed as an accurate record and signed by the Chair.

### **4. External Audit Findings Report**

Mr Ayre, Audit Manager from Grant Thornton UK LLP, presented a report on the findings of the audit of the Lancashire County Pension Fund accounts for the year ended 31<sup>st</sup> March 2021 and informed the Committee that the report had been updated since it was presented to the Audit, Risk and Governance Committee on 18<sup>th</sup> October 2021 to reflect the completion of some of the outstanding items.

In considering the report the Committee recognised the work done by the County Council's Finance Team in response to the audit and noted that the external auditor considered the financial statements:

- a) gave a true and fair view of the financial transactions of the Pension Fund during the year ended 31<sup>st</sup> March 2021 and the position at that date of the Fund's assets and liabilities.
- b) had been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 and
- c) had been prepared in accordance with the requirements of the Local Authority Accountability Act 2014.

It was also noted that the final audited accounts for the County Council would be presented to a meeting of the Audit, Risk and Governance Committee in December 2021 for consideration and approval.

**Resolved:** That the findings of the external audit of the Lancashire County Pension Fund accounts for the year ended 31<sup>st</sup> March 2021, together with the adjustments to the financial statements and the other issues raised by the auditor as set out in the report presented, are noted.

Mr Ayre dialled out of the meeting at this point.

### **5. 2021/22 Budget Monitoring Report**

The Committee reviewed a report on the income and expenditure of the Fund for the 6 months up to 30th September 2021 and noted the budget and forecast variances set out in the report.



**Resolved:** That the financial results of the Fund for the 6 months up to 30th September 2021 together with the budget and forecast variances, as set out in the report presented, are noted.

## **6. Feedback from members of the Committee on pension related training.**

A report was presented on pension related training which had taken place since the previous meeting and members of the Committee commented on their experiences at the different events.

The workshop on responsible investment had been informative and it was recognised that the subject had been given more prominence at the PLSA Annual Conference which had also been good though the opportunity for networking had been reduced as the event was online. The overview of the Local Government Pension Scheme webinar had also been well received and was recommended by the Chair to those members of the Committee who had been unable to attend the event in October. Details of similar events would be circulated to the Committee members in the future.

It was also noted that Committee members would be asked to complete a Training Needs Analysis in due course to identify any gaps in skills/knowledge and inform future training provision.

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

## **7. Local Pensions Partnership Annual Report and Accounts**

The Committee considered a report on the Annual Report and Accounts for the Local Pensions Partnership for the year ended 31<sup>st</sup> March 2021, as approved by the Partnership Board and filed with Companies House.

**Resolved:** That the 2020/21 Annual Report and Accounts for the Local Pensions Partnership Limited, as set out at Appendix 'A' to the report presented, is noted.

## **8. Responsible Investment Report**

The Committee considered a report from Local Pension Partnerships Investments Ltd (LPPI) on responsible investment activity during the third quarter of 2021 and noted that LPPI was a new signatory to the Institutional Investor Group on Climate Change as announced at COP26. Updates were also given in relation to the Transition Pathway Initiative and PRI Reporting, as referred to in the report.

In response to a query regarding reference to the CDP Non-Disclosure Campaign in the report the Head of Fund confirmed that further details would be circulated to Committee members outside of the meeting.

**Resolved:** That the update on responsible investment activity by Local Pension Partnerships Investments Ltd during Q3, as set out in the report presented, is noted

## **9. Review of Responsible Investment Policy**

County Councillor Schofield, the Chair of the Responsible Investment Task & Finish Group, updated the Committee on the work of the Group to date and presented a revised Responsible Investment Policy (developed in consultation with Officers, LPPI and the Local Pension Board) for approval.

The Head of Fund also informed the Committee that the Group had agreed to some minor amendments to the Dashboard report on responsible investment and would consider more substantive changes at a meeting to be arranged in the new year with recommendations being presented to the Committee on the 11<sup>th</sup> March 2022 for consideration.

### **Resolved:**

1. That the revised Responsible Investment Policy, as set out at Appendix 'A' to the report presented is approved.
2. That the RI Task and Finish Group present any recommendations regarding substantive changes to the Dashboard report to the Committee on 11<sup>th</sup> March 2022 for consideration and approval.

## **10. Urgent Business**

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

## **11. Programme of Meetings for 2022/23**

**Resolved:** That, in accordance with the decision of the full Council on 14th October 2021, the 2022/23 programme of meetings for the Committee is noted as follows, with all meetings held at County Hall, Preston, commencing at 10.30am

17th June 2022  
16th September 2022  
25th November 2022  
10th March 2023

## **12. Date of the Next Meeting**

The next scheduled meeting of the Committee will be held at 10.30am on 11<sup>th</sup> March 2022 in Committee Room 'A' The Tudor Room at County Hall, Preston.

## **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

paragraphs 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. 2022 Valuation process and timetable**

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 Head of Fund presented a report on the proposed timetable for the 2022 actuarial valuation of the Fund's assets and liabilities which would be based on data as at the 31<sup>st</sup> March 2022. It was reported that the broad objectives of the valuation were to assess the financial health of the Fund, determine future employer contribution rates (with effect from 1<sup>st</sup> April 2023) and maintain a sufficient level of contributions to ensure that the Fund, as far as possible, maintained a 100% or greater funded position, whilst recognising pressures on scheme employers' budgets.

The Head of Fund also confirmed that arrangements would be made for a pensions workshop on the actuarial valuation in 2022 to be held early in the new year.

**Resolved:** That the timetable for the 2022 valuation of the Fund, as set out in the report presented, is noted.

#### **15. Local Pensions Partnership Update**

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

Representatives from the Local Pensions Partnership presented a strategic update which included the financial position of the Group up to 30<sup>th</sup> September 2021, together with summaries of the performance of the investment and pension administration functions.

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

#### **17. Investment Panel Report**

In response to a request from Mr Lambert, Independent Investment Adviser to the Fund, the Chair agreed to take the Investment Panel report as the next item of business.

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

Ms Devitt, Independent Adviser to the Fund, presented a report on the performance of global markets/economies and factors which influenced the investment market in which the Fund operated including the Covid-19 pandemic, Brexit and the recent COP26 in Glasgow.

**Resolved:** That the updates on the performance of global markets and economies, as set out in the report presented and given at the meeting, are noted.

## **16. Investment Performance 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.

Mr Lambert, Independent Investment Adviser to the Fund, presented a report on the performance of the Fund up to the end of September 2021, highlighting key areas of interest such as the performance of the Fund over different periods of time, individual asset allocations and the current funding level.

Regarding the reported drop in net income Mr Lambert explained that the Fund received significant prepayments from employers in year 1 compared to years 2 and 3 which created a deficit. However, the Committee was assured that the Fund continued to have a healthy funding level and maintained sufficient levels of liquidity to deal with any payment of benefits.

**Resolved:** That the performance of the Fund up to the end of September 2021, as set out in the report presented, is noted.

Representatives from the Local Pensions Partnership left the meeting at this point.

## **18. Lancashire County Pension Fund Risk Register**

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

A report was presented by the Head of Fund on proposed changes to reporting in relation to the risk register, including the provision of a heat map to provide a visual representation of risks associated with the Fund mapped against the risk Matrix, and templates for specific risks that had been recently reviewed or newly created. It was also reported that a specific risk regarding ESG factors was being developed and would be incorporated into a future version of the Register, and

that pension related risks would be cross referenced with the County Councils Risk Register.

**Resolved:** That the proposed changes to the format of reporting on the Lancashire County Pension Fund Risk Register, as set out in the Appendices to the report presented, are approved.

Both Independent Investment Advisers left the meeting at this point.

## **19. Appointment of Independent Investment Adviser to the Pension Fund**

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

A report was presented on a proposal to invite expressions of interest for the position of Independent Investment Adviser to the Fund through an advertisement in suitable investment press and networks, using the existing role statement as a basis of appointment, with a proposed closing date of 31<sup>st</sup> January 2022.

In considering the report the Committee agreed to establish an Appointments Sub-Committee in accordance with the Terms of Reference of the Committee to conduct the interviews and make the necessary appointment.

**Resolved:** That the process for the appointment of an Independent Investment Adviser, as set out in the report presented, including the establishment of an Appointments Sub-Committee authorised to conduct the subsequent interviews and appoint an Adviser, is approved, subject to a waiver of the county council's procurement rules as set out at paragraph 14.2 of Appendix R to the county council's constitution.

L Sales  
Director of Corporate Services

County Hall  
Preston



## **Pension Fund Committee**

Meeting to be held on Friday, 11 March 2022

Electoral Division affected: (All Divisions);
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## **Report of the Appointments Sub Committee**

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

### **Executive Summary**

On 26<sup>th</sup> November 2021 the Pension Fund Committee approved the establishment of an ad hoc Appointments Sub Committee to appoint an Independent Investment Adviser to succeed Mr Eric Lambert.

This report presents the results of the Sub Committee's work.

### **Recommendation**

The Committee is asked to note the appointment of Marian George as an Independent Investment Adviser to the Fund for an initial term of 2 years from 1<sup>st</sup> March 2022 with the potential to extend for a further 12 months.

### **Background and Advice**

At the meeting on 26<sup>th</sup> November 2021 the Committee approved a process to appoint a new Independent Investment Adviser to the Fund, including the establishment of an Appointments Sub-Committee authorised to conduct interviews and make an appointment.

After consulting with the Chair of the Pension Fund Committee, it was agreed that the Appointments Sub Committee would comprise 3 members based on 2 representatives nominated by the Conservative Group (the Chair and Deputy Chair of the Committee) and 1 member nominated by the Labour Group (County Councillor De Molfetta).

As physical meetings were not advisable due to Covid restrictions the Monitoring Officer approved under the urgent business procedure on 16<sup>th</sup> December 2021 the constitution and Terms of Reference of the Sub Committee to enable an informal meeting to be held.

The informal meeting of members of the Sub Committee was held remotely on 21<sup>st</sup> December 2021 where the following recommendations were agreed and

subsequently approved under the urgent business procedure by the Monitoring Officer on 22<sup>nd</sup> December 2021:

1. County Councillor E Pope was appointed as Chair of the Appointments Sub Committee.
2. Documentation associated with the appointment of an independent Investment Adviser to the Lancashire County Pension Fund was agreed
3. The Fund's Actuary (Mercers) was to be consulted with a view to providing an Investment Consultant to provide independent advice to the Sub Committee at the interviews in relation to the investment market.
4. Members of the Sub Committee were to be consulted on available dates to enable meetings to be arranged in February 2022 for shortlisting, and the holding of interviews and appointment of a successful candidate

The Sub Committee met on the 14<sup>th</sup> and 28<sup>th</sup> February 2022. At the first meeting the seven applications received were scored against the agreed criteria and the top four candidates were identified and shortlisted.

On 28<sup>th</sup> February 2022 the four shortlisted candidates were interviewed. The interview process consisted of a 10-minute presentation and six questions, which were scored by members of the Sub-Committee in accordance with an agreed scoring system. The Sub-Committee was supported by the Head of Fund and an Investment Consultant from the Fund's Actuary, Mercers. The Investment Consultant provided a means of independent verification and additional investment specialism and insight to the appointment process, both during shortlisting and interviews.

The Sub-Committee was very impressed with the overall standard of all the applications received and the four candidates who were interviewed and was unanimous in its decision to appoint Marian George to the role. At the point of writing this report, an offer has been accepted and the contract procedure is in progress.

Marian is qualified actuary with over 30 years of investment experience gained in senior positions at a leading global asset manager, investment consultancies and as an actuary for an insurance company. She currently provides independent investment advice to two LGPS Funds and private sector pension fund clients and has the following key skills/experience:

- Asset allocation and investment strategy.
- Monitoring of investment managers and other service providers.
- Risk management.
- Responsible Investment; and
- Governance.

To provide for a handover period and ensure a staggering of the termination dates for the two Independent Investment Adviser's contracts, the Appointment Sub-



Committee has agreed the appointment of Marian George for an initial term of 2 years from 1<sup>st</sup> March 2022 with the potential to extend for a further 12 months.

### **Consultations**

Mercer Investment Consultant

### **Implications:**

N/A

### **Risk management**

Independent advice regarding investments is both critical for the effective management of the investments and for meeting legal requirements.

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

Paper	Date	Contact/Directorate/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



## Pension Fund Committee

Meeting to be held on Friday, 11 March 2022

Electoral Division affected: N/A;
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## 2021/22 Budget Monitoring Report

(Appendix 'A' refers)

Contact for further information:

Sean Greene, Head of Fund, Sean.Greene@lancashire.gov.uk

### Executive Summary

This report sets out the income and expenditure of the Fund for the 9-month period to 31 December 2021 and provides a forecast for the year ending 31 March 2022.

### Recommendation

The Committee is asked to review the financial results for the 9 months to 31 December 2021 and note the budget and forecast variances, as set out in the report.

### Background and Advice

The budget for the financial year ending 31 March 2022 was approved by the Pension Fund Committee on the Friday 12th March 2021. The budget was based on the information available at that time. The forecast provided gives the latest estimate of expenditure and income for the financial year in light of updated information to date.

The forecast for the year ending 31 March 2022 indicates a reduction in the money that will be available for investment against that set out in the budget for the same period. Details are shown in Appendix 'A' with significant variances by budget line set out below.

### Contribution's income

**Actual £117.4m (Budget £174.7m, revised forecast at Q3 £157.1m)**

The employer and employee contributions have remained largely in line with the previous forecast. The forecast has been revised due to a lower-than-expected amount of pension strain.

## **Transfers In**

**Actual £11.0m (Budget £9.9m, forecast at Q3 £13.5m)**

Income from transfers is dependent on the number and timing of new members joining the Fund and is not an item that can be predicted with great accuracy. The actual is within the anticipated range.

## **Investment income**

**Actual £173.6m (Budget £179.5, forecast at Q3 £218.5m)**

Investment income consists mainly of income from the pooled investment funds (95% of the budget). Also included are direct property rental income, interest, foreign exchange differences and tax refunds.

Over the 9 months to 31 December 2021 total investment income received has been above budget by £39.0m.

The investment income is above budget, including pooled investment income and fixed interest income. However, property investment income – both direct and pooled - is below budget.

The forecast has been updated mainly due to an additional unexpected income of £21.3m in relation to infrastructure. The forecast has previously been revised due to an unexpected £18.5m dividend being received by the fund prior to the sale of the asset.

## **Total benefits payable**

**Actual £231.0m (Budget £294.6m, forecast at Q3 £305.3m)**

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

## **Transfers out**

**Actual £10.2m (Budget £16.2m, forecast at Q3 £14.3m)**

The cost of transfers out of the Fund is dependent on the number and timing of members transferring their benefits to other funds. The actual is broadly in line with expectations.

## **Investment management expenses**

**Actual £137.5m (Budget £84.2m, forecast at Q3 £158.5m)**

Investment management expenses encompass fees related to the ongoing management, custody and performance of investments.

## **Management fees**

Management fees (related to ongoing management) are expected to directly relate to the value of the assets. At the point that the budget is set, management fees are estimated based on asset values at that point projected forwards. Actual experience during the year to date has shown that asset values have increased at a much greater rate than projected. During the 9 months to 31 December 2021, the value of the Fund's assets has increased from £9.6 billion to £10.8 billion, and this exceptional asset performance has resulted in an increase in management fees.

## **Performance fees**

Performance related fees are highly difficult to estimate as they are dependent on returns generated over a particular period, there are specific thresholds to be met before being payable and provisions whereby prior performance fees can be returned to investors. As such, it is the Fund's policy not to explicitly forecast performance-related fees. Rather, the budget/estimate for the current year is based on the previous year's actual performance fees subject to some relevant adjustments. Differences between budgeted / estimated fees and actual fees are likely to be exacerbated by periods of market volatility under this approach.

## **Overall position**

The 9-month actuals to 31st December show the investment management fees are higher than anticipated with the forecast being adjusted for unexpected additional costs in relation to performance fees (see above). Therefore, the variation it is not totally unexpected.

## **Fund administration and oversight and governance fees**

### **Actual £4.0m (Budget £5.5m, forecast at Q3 £5.7m)**

These cover the cost for administration expenses payable to Local Pensions Partnership Administration Limited comprises core administration services, charged on a cost per member basis as well as costs such as staff, legal and actuarial fees incurred in running the fund.

## **Consultations**

Local Pensions Partnership Investments Limited has been consulted for investment management fee and investment income analysis.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

The full year financial performance is included in the Fund's annual report and statement of accounts for the year ended 31 March 2021. Regular budget monitoring is a key control for the Fund and assists in the financial management of the Fund, providing an indication of significant variances from expectations and informing future budgets.

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

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

**Lancashire County Pension Fund  
Fund Account - Year ending 31 March 2022**

	FORECAST based on Q2 Year ending 31 March 2022 £'000	BUDGET Year ending 31 March 2022 £'000	BUDGET 9 months ended 31 December 2021 £'000	ACTUAL 9 months ended 31 December 2021 £'000	FORECAST Year ending 31 March 2022 £'000	FORECAST VARIANCE Year ending 31 March 2022 £'000	FORECAST VARIANCE Year ending 31 March 2022 % of budget	FAVOURABLE / ADVERSE
<b>INCOME</b>								
<b>Contributions Receivable</b>								
<u>From Employers</u>								
Future service rate contributions	(82,620)	(99,190)	(77,497)	(62,013)	(82,092)	17,097	17.2%	ADV
Deficit recovery contributions	(4,939)	(4,646)	(3,484)	(3,793)	(5,058)	(412)	(8.9%)	FAV
Pension strain / augmented pensions	(4,538)	(6,800)	(5,100)	(1,644)	(3,344)	3,456	50.8%	ADV
From Employees	(67,501)	(64,105)	(48,079)	(49,933)	(66,577)	(2,472)	(3.9%)	FAV
<b>Total contributions receivable</b>	<b>(159,598)</b>	<b>(174,741)</b>	<b>(134,161)</b>	<b>(117,383)</b>	<b>(157,071)</b>	<b>17,670</b>	<b>10.1%</b>	ADV
<b>Transfers in</b>	<b>(10,677)</b>	<b>(9,900)</b>	<b>(7,425)</b>	<b>(11,046)</b>	<b>(13,521)</b>	<b>(3,621)</b>	<b>(36.6%)</b>	FAV
<b>Total Investment Income</b>	<b>(195,899)</b>	<b>(179,488)</b>	<b>(134,616)</b>	<b>(173,656)</b>	<b>(218,528)</b>	<b>(39,041)</b>	<b>(21.8%)</b>	FAV
<b>TOTAL INCOME</b>	<b>(366,174)</b>	<b>(364,129)</b>	<b>(276,201)</b>	<b>(302,085)</b>	<b>(389,120)</b>	<b>(24,991)</b>	<b>(6.9%)</b>	FAV
<b>EXPENDITURE</b>								
<b>Benefits Payable</b>								
Pensions	250,770	249,251	186,939	188,972	251,963	2,711	1.1%	ADV
Lump Sum Benefits	50,206	45,300	33,975	42,042	53,367	8,067	17.8%	ADV
<b>Total benefits payable</b>	<b>300,976</b>	<b>294,551</b>	<b>220,914</b>	<b>231,014</b>	<b>305,330</b>	<b>10,778</b>	<b>3.7%</b>	ADV
<b>Transfers out</b>	<b>15,500</b>	<b>16,200</b>	<b>12,150</b>	<b>10,212</b>	<b>14,262</b>	<b>(1,938)</b>	<b>(12.0%)</b>	FAV
<b>Refund of Contributions</b>	<b>762</b>	<b>730</b>	<b>547</b>	<b>680</b>	<b>862</b>	<b>133</b>	<b>18.2%</b>	ADV
<b>Contributions Equivalent Premium</b>	<b>19</b>	<b>50</b>	<b>38</b>	<b>(7)</b>	<b>6</b>	<b>(44)</b>	<b>(88.9%)</b>	FAV
<b>Fund administrative expenses</b>								
<u>Administrative and processing expenses:</u>								
Total administrative expenses (includes LPP expenses)	4,256	4,206	3,155	3,022	4,256	50	1.2%	ADV
<b>Total administrative expenses</b>	<b>4,256</b>	<b>4,206</b>	<b>3,155</b>	<b>3,022</b>	<b>4,256</b>	<b>50</b>	<b>1.2%</b>	ADV
<b>Investment management expenses</b>								
<u>Investment management fees:</u>								
LPP directly invoiced investment management fees	939	1,178	884	692	922	(256)	(21.7%)	FAV
DIRECTLY INVOICED non LPP investment management fees - direct holdings	163	163	122	92	163	0	0.0%	FAV
Investment management fees on pooled investments	135,187	80,043	60,032	132,757	152,768	72,725	90.9%	ADV
Transition costs	0	0	0	0	0	0	0.0%	FAV
Custody fees	54	60	45	39	54	(6)	(9.4%)	FAV
Commission, agents charges and withholding tax	2,690	1,425	1,069	2,798	3,155	1,729	121.3%	ADV
LCC recharge for treasury management costs	58	58	44	44	58	0	0.0%	FAV
Property expenses	1,589	1,276	957	1,041	1,360	84	6.6%	ADV
<b>Total investment management expenses</b>	<b>140,681</b>	<b>84,204</b>	<b>63,153</b>	<b>137,463</b>	<b>158,481</b>	<b>74,277</b>	<b>88.2%</b>	ADV
<b>Oversight and Governance expenses</b>								
Performance measurement fees (including Panel)	85	85	64	69	85	0	0.0%	FAV
Lancashire Local Pensions Board	12	12	9	3	12	0	0.0%	FAV
IAS19 advisory fees	0	0	0	25	0	0	0.0%	FAV
Other advisory fees (including abortive fees)	160	160	120	50	160	0	0.0%	FAV
Actuarial fees	166	166	125	98	166	0	0.0%	FAV
Audit fees	31	41	31	28	31	(10)	(24.4%)	FAV

Legal & professional fees  
 LCC staff recharges  
 Bank charges  
**Total oversight and governance expenses**

14	14	11	80	100	86	594.5%	ADV
862	763	573	649	878	114	15.0%	ADV
3	2	1	3	4	2	147.7%	ADV
<b>1,333</b>	<b>1,244</b>	<b>933</b>	<b>1,006</b>	<b>1,436</b>	<b>193</b>	<b>15.5%</b>	ADV
<b>463,529</b>	<b>401,185</b>	<b>300,889</b>	<b>383,390</b>	<b>484,633</b>	<b>83,448</b>	<b>20.8%</b>	ADV
<b>97,354</b>	<b>37,056</b>	<b>24,688</b>	<b>81,305</b>	<b>95,513</b>	<b>58,456</b>	<b>157.7%</b>	ADV

**TOTAL EXPENDITURE**

**MONEY AVAILABLE FOR INVESTMENT BEFORE  
 REALISED AND UNREALISED PROFITS AND LOSSES ON  
 INVESTMENTS**



## Pension Fund Committee

Meeting to be held on Friday, 11 March 2022

Electoral Division affected: N/A;
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## Lancashire County Pension Fund 2022/23 Budget

(Appendix 'A' refers).

Contact for further information:

Sean Greene, Head of Fund, 01772 530877, Sean.Greene@lancashire.gov.uk

### Executive Summary

A one-year budget has been set for the Lancashire County Pension Fund for the year ending 31 March 2023.

### Recommendation

The Committee is asked to approve the budget for the year ending 31<sup>st</sup> March 2023, as set out in Appendix 'A' to this report.

### Background and Advice

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

This budget sets out a reduction in money available for investment (before accounting for changes in the market value of investments during the year) of £19.7m after taking into account prepayments made in 2020 in respect of the year ended 31<sup>st</sup> March 2023). The rationale behind the budget and key budget assumptions are outlined in more detail below.

The proposed budget for Lancashire County Pension Fund for the year ending 31<sup>st</sup> March 2023 is set out in Appendix 'A' to this report.

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

- The latest forecast for the year ending 31<sup>st</sup> March 2022 which is also included in the agenda for this meeting as well as actual experience for the year ending 31<sup>st</sup> December 2020 for some items.
- Information received from the Local Pensions Partnership and Knight Frank Investment Management in terms of investment income, administration and investment management expenditure.

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

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

Key assumptions supporting the budget are set out below:

## **INCOME**

### **Income from members and employers**

Contribution income for the year ending 31<sup>st</sup> March 2023 excludes receipts from employers who chose to pay future service rate and/or deficit contributions in advance following the 2019 actuarial valuation.

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

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

The element of the prepayment which is attributable to the year ending 31<sup>st</sup> March 2022 is approximately £80m. The budgeted Fund Account attached as Appendix 'A' has been extended to reflect the net position had the contributions not been recorded on receipt. The result reports an expenditure in excess of income of £20m rather than the budget deficit of £100m and illustrates the impact that this accounting treatment has on the reported results of the Fund.

The anticipated 20/21 pay award has been applied to employee contributions as well as a 2% pay award for 21/22 which is in line with the figure used in LCC's Medium Term Financial Strategy, these figures have also been assumed for other, non-public sector employers. As a result, employee contributions are budgeted to be higher to the forecast full year for 2021/22.

The income in respect of pension strain and transfers in have been based on the average cost from January 2020 to December 2021.

## **Investment income**

The budget for 22/23 has used the March 21/22 forecast, adjusting for a £18.5m one off income amount received in 21/22. This has then been increased in line with LPPI's long term growth assumption of 5%.

## **EXPENDITURE**

### **Benefits payable**

Benefits payable have been budgeted to increase by September CPI of 3.1%.

### **Transfers out and payments to leavers**

Transfers out have been estimated using the same methodology as transfers in and pension strain using an average from January 2020 to December 2021.

### **Pensions administration expenses**

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

1. an inflationary uplift of 4.0%;
2. the 1.25% employer Health & Social Care levy effective which becomes payable from April 2022;
3. the cost of additional temporary headcount recruited to provide operational resilience for the migration to UPM and reduction in systems costs as we transition away from the current system, Altair

The core fee excludes work not considered to be 'business as usual'. There is the potential for additional work to be required in the year, for example work on the McCloud issue therefore the Fund budget includes £100k to cover additional work. Any such work will be the subject of specific engagement fees.

### **Investment management expenses**

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

The majority of invoiced fees are payable to Local Pensions Partnership Investments Limited for the management of non-pooled investments (see item 'LPP directly invoiced investment management fees' on appendix A). These invoices are calculated on the basis of the market value of those non-pooled investments and the budget of £0.8m reflects that the majority of the Fund's investments are now held pooled arrangements. The budget is consistent with the level of invoicing through the third quarter of 2021/22 with an asset growth assumption of 5% applied.

Other directly invoiced fees are payable to the Fund's property managers and other directly held investment managers (see item ' DIRECTLY INVOICED non LPP investment management fees - direct holdings' in appendix A).

The most significant investment fee cost is 'Investment management fees on pooled investments' in appendix A. This comprises of management fees and performance fees.

**Management fees:** Local Pensions Partnership Investments Limited do not invoice the Fund directly for the management of pooled investments but instead these fees are recovered through a deduction from the distributions paid to the Fund. The budget for these fees is £13.2m compared to the previous year budget of £11.2m. The increase is principally due to an assumed increase in the value of the Pools.

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

Also Included within this is the budget for fees embedded in the value of underlying investments within the pools. This has been calculated at an amount equal to the 2020/2021 fees for the management and transaction elements increased by 5% for assumed growth in 21/22 and for another 5% in 22/23.

**Performance fees:** The budget also makes a provision for embedded performance fees based on recent experience. As has been reported to Committee through quarterly budget monitoring reports, these fees are inherently difficult to forecast and many pension funds do not include this cost within their budgets. Therefore, there is likely to be significant variation from this budget during the year.

Although investment performance for 2022/23 is not expected to be as strong as it has been in prior years, performance fees are reported by managers in arrears and some fees related to strong performance in 2021/22 will crystallise in the 2022/23 budget. This has been taken into account in setting the budget to ensure that the budget is prudent.

### **Oversight and governance expenses**

The Performance management budget has been based on the 21/22 forecast, adjusted to reflect the annual inflationary increase in allowances paid to the Fund's independent investment advisors as well as the conclusion of the Investment Service Based Review work.

The Local Pensions Board budget has remained in line with 21/22.

The budget for advisory fees has been decreased due to actuals being less than anticipated in 21/22.

The actuarial fees budget has been increased to reflect increased actuarial work relating to the 2022 Actuarial Valuation.

The fee for external audit is currently uncertain but given the increased scrutiny on public sector accounts, we have added a modest increase on the 21/22 budget.

The increase in the budgeted staff recharge from Lancashire County Council incorporates additional resource required for the pensions team, as well as reviewed resourcing for the finance team.

## **NET POSITION**

This budget sets out a reduction in money available for investment (before accounting for changes in the market value of investments during the year) of £99.8m.

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

## **Consultations**

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

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

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

## **Local Government (Access to Information) Act 1985**

### **List of Background Papers**

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A



**Lancashire County Pension Fund  
Fund Account - Year ending 31 March 2023**

	ACTUAL 9 months ended 31 December 2021 £'000	BUDGET Year ending 31 March 2022 £'000	FORECAST Year ending 31 March 2022 £'000	BUDGET Year ending 31 March 2023 £'000
<b>INCOME</b>				
<b>Contributions Receivable</b>				
<u>From Employers</u>				
Future service rate contributions	(62,013)	(99,190)	(82,092)	(85,202)
Deficit recovery contributions	(3,793)	(4,646)	(5,058)	(5,428)
Pension strain / augmented pensions	(1,644)	(6,800)	(3,344)	(4,534)
From Employees	(49,933)	(64,105)	(66,577)	(69,082)
<b>Total contributions receivable</b>	<b>(117,383)</b>	<b>(174,741)</b>	<b>(157,071)</b>	<b>(164,246)</b>
<b>Transfers in</b>	<b>(11,046)</b>	<b>(9,900)</b>	<b>(13,521)</b>	<b>(13,180)</b>
<b>Total Investment Income</b>	<b>(173,656)</b>	<b>(179,488)</b>	<b>(218,528)</b>	<b>(209,564)</b>
<b>TOTAL INCOME</b>	<b>(302,085)</b>	<b>(364,129)</b>	<b>(389,120)</b>	<b>(386,990)</b>
<b>EXPENDITURE</b>				
<b>Benefits Payable</b>				
Pensions	188,972	249,251	251,963	259,774
Lump Sum Benefits	42,042	45,300	53,367	49,731
<b>Total benefits payable</b>	<b>231,014</b>	<b>294,551</b>	<b>305,330</b>	<b>309,504</b>
<b>Transfers out</b>	<b>10,212</b>	<b>16,200</b>	<b>14,262</b>	<b>15,673</b>
<b>Refund of Contributions</b>	<b>673</b>	<b>780</b>	<b>868</b>	<b>872</b>
<b>Fund administrative expenses</b>				
<u>Administrative and processing expenses:</u>				
Total administrative expenses (includes LPP expenses)	3,010	4,056	4,231	4,368
<b>Investment management expenses</b>				
<u>Investment management fees:</u>				
LPP directly invoiced investment management fees	692	1,178	922	820
DIRECTLY INVOICED non LPP investment management fees - direct holdings	92	163	163	190
Investment management fees on pooled investments:	132,757	80,043	152,768	150,000
Custody fees	39	60	54	75
Commission, agents charges and withholding tax	2,798	1,425	3,155	2,043
Property expenses	1,041	1,276	1,360	1,360
<b>Total investment management expenses</b>	<b>137,419</b>	<b>84,146</b>	<b>158,422</b>	<b>154,488</b>





## Pension Fund Committee

Meeting to be held on Friday, 11 March 2022

Electoral Division affected: N/A;
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## Lancashire County Pension Fund Strategic Plan 2022-25

(Appendices 'A' and 'B' refer)

Contact for further information: Sean Greene, Head of Fund, 01772 530877,  
Sean.Greene@lancashire.gov.uk

### Executive Summary

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

- Governance
- Funding and Investment
- Administration
- Communication

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

### Recommendation

The Committee is asked to approve the draft Lancashire County Pension Fund Strategic Plan 2022/25 and note the 12 months update attached at Appendices 'A' and 'B' respectively to this report.

### Background and Advice

It is considered good governance for pension funds to develop a clear planning and risk management framework. The Lancashire County Pension Fund has produced its Strategic Plan to cover the three-year period 2022/23 to 2024/25.

The proposed Plan for 2022/23 to 2024/25 is framed around four thematic areas of focus:

- **Governance** – To ensure that the Fund is transparent, open, and accountable to our stakeholders for our decisions and ensure the effective operation of the framework of control and the understanding and addressing of the risks to which the Fund is exposed.

- **Funding and Investment** – the 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.
- **Administration** – Processes for maintaining member contribution records and for the accurate and timely calculation and payment of benefits.
- **Communication** – Processes for communicating both with scheme members and employers and promoting the benefits of participation in the scheme.

A draft three-year Strategy outlining key initiatives, together with an annual update on progress on the 2021/24 strategic plan, are attached at Appendices 'A' and 'B' to this report for approval.

### **Consultations**

Head of Fund  
 LCC Pensions Team  
 Independent Investment Advisers  
 Fund Actuary  
 Local Pensions Partnership Limited  
 Local Pensions Partnership Administration Limited

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

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

### **Local Government (Access to Information) Act 1985**

#### **List of Background Papers**

Paper	Date	Contact/Tel
N/A		

# Lancashire County Pension Fund

## Strategic Plan 2022-2025

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## Foreword

The Lancashire County Pension Fund is the means of pension saving and the provider of retirement security for 177,799 Fund members and over 300 employers across the County. With assets of over £10bn invested to provide retirement security for members.

This Strategic Plan sets out the mission statement and key objectives of the Fund, together with planned priorities/initiatives.

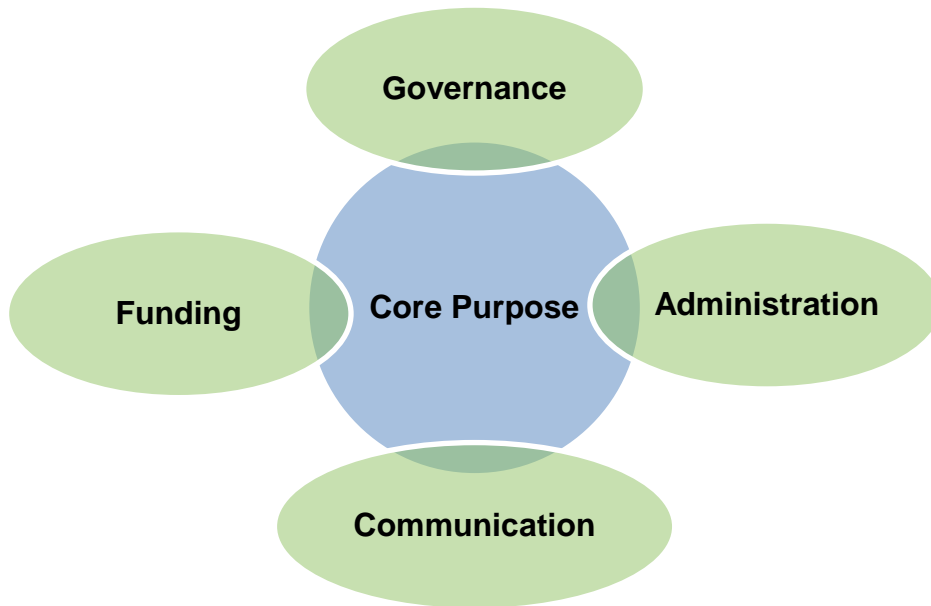
We need to set ourselves clear objectives and plan our work to achieve them. As much of what we do is driven by the cycle of actuarial valuations of the Fund we do this over a three-year period.

This Strategic Plan sets out what we plan to do to achieve our objectives in four areas over the coming three years. This plan will be reviewed by the Pension Fund Committee each year and progress will be reported within the Fund's Annual Report.

The Fund works closely in conjunction with Local Pensions Partnership Administration Limited (LPPA) who deliver pension services to employers and Fund members on our behalf. In addition, Local Pensions Partnership Investment Limited (LPPI) provides pooled investment services to the Fund and manage all non-pooled investments for the Fund. Both of these partners are key to the Fund successfully implementing this strategic plan.

**Mission statement** Our core purpose is to effectively manage and govern the Lancashire County Pension Fund delivering a high quality member and employer experience so allowing Fund members to benefit from financial security during retirement.

**Our Planning Framework** Our planning framework is based on doing the things that help us deliver our core purpose. These fall into four groups which are shown in the diagram below. Within each group, strategic objectives have been identified.



The following sections of this plan set out the objectives we are aiming to achieve within each of these groups and the key initiatives over the next three years to achieve objectives.

A summary outlining the key priorities/initiatives is provided on page 5. Further detail on priorities/initiatives falling within each of the areas of governance, funding, administration and communication are provided in the following annexes.

# Summary of Strategic Plan

## Governance

Ref	Initiative	Outcome	Timeframe	Priority
1	<b>Pension Fund Committee and Local Pension Board</b>	Officers support of the Pension Fund Committee and Local Pension Board with training and development	31 <sup>st</sup> March 2023	
2	<b>Resourcing</b>	Ensure sufficient and adequate resources to manage the Pension Fund	31 <sup>st</sup> March 2023	
3	<b>Good Governance</b>	Ensure compliance with the Pension Regulator's (TPR) Code of Practice No. 14 and subsequent revisions specifically the single code of practice	31 <sup>st</sup> March 2023	
4	<b>Risk Management</b>	Improved risk management framework and appropriate risks	31 <sup>st</sup> March 2024	
5	<b>Responsible Investment</b>	Ensure appropriate and effective implementation of Responsible Investment	31 <sup>st</sup> March 2024	
6	<b>Shareholder Review</b>	Review of governance arrangements and shareholder agreement	31 <sup>st</sup> March 2023	
7	<b>Good Governance</b>	Implemented Good Governance project outcomes	31 <sup>st</sup> March 2024	

## Funding and Investment

8	<b>Valuation 2022</b>	Assess financial health of the Lancashire County Pension Fund and determine local employer contribution rates.	31 <sup>st</sup> March 2023	
9	<b>Investment Strategy</b>	Ensure that the Investment Strategy is up to date and appropriate	31 <sup>st</sup> March 2024	
10	<b>Investment</b>	Ensure effective cash-flow management to meet pension fund payments in the future	31 <sup>st</sup> March 2024	
11	<b>Employer Risk</b>	Fully transitioned employer risk service from LPPA to LCPF and management framework	31 <sup>st</sup> March 2025	
12	<b>Service Based Review (Investment)</b>	Ensure that periodic reviews are undertaken by the Fund on services provided by LPPI resulting in good service delivery.	31 <sup>st</sup> March 2023	

## Administration

13	<b>McCloud and other technical changes</b>	Implementation of changes to statutory regulations	31 <sup>st</sup> March 2023	
14	<b>Service Based Review (Administration)</b>	Ensure that periodic reviews are undertaken by the Fund on services provided by LPPA resulting in good service delivery.	31 <sup>st</sup> March 2023	
15	<b>Employer Engagement</b>	Compliance with all statutory regulations	31 <sup>st</sup> March 2024	
16	<b>LPPA Relationship Management</b>	LPPA quality and performance scores are high, and the service is operating effectively.	31 <sup>st</sup> March 2024	
17	<b>Pensions Dashboard</b>	Collaborate with LPPA and employers to ensure that data is ready for implementation of the Pensions Dashboard.	31 <sup>st</sup> March 2024	

## Communication

18	<b>Cyber Security and Scams</b>	Reduced risk of Cyber incidents occurring, and appropriately manage any incidents that arise	31 <sup>st</sup> March 2023	
19	<b>Communication Strategy</b>	LCPF develop communication strategy to meet the needs of all its stakeholder	31 <sup>st</sup> March 2024	

### Key:

	Critical activities for core responsibilities. If not done, there will be immediate and detrimental impact to the Fund and/or members.
	Important but not necessarily in the short term. Should and need to do this to fulfil the responsibilities of the Fund, but there is no immediate impact to the Fund and members.



## Annex 1: Governance

Governance is about having the right decision makers, structures and processes to enable effective, timely decisions and risk management in running the Pension Fund.

Our objectives in this area are:

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

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

Outcomes	Actions	Timeframe
<b>Pension Fund Committee and Local Pension Board</b> - Officers support of the Pension Fund Committee and Local Pension Board with training and development	<ul style="list-style-type: none"> <li>• Development of training strategy and programme</li> <li>• Communications with committee and board members as well as members</li> <li>• Ensure initial induction training programme especially for members who do not have detailed pensions experience</li> <li>• Recruitment planning for LPB Members and Chair</li> </ul>	31 <sup>st</sup> March 2023
<b>Resourcing</b> - Ensure sufficient and adequate resources to manage the Pension Fund	<ul style="list-style-type: none"> <li>• Ensure the resilience of the LCPF team to support robust succession planning</li> <li>• Actuarial services tender exercise as current contract expires in 2023</li> <li>• Develop resilience in the Employer risk function, including a review of resourcing requirements in this and other areas.</li> </ul>	31 <sup>st</sup> March 2023
<b>Good Governance</b> – Ensure compliance with the Pension Regulator's (TPR) Code of Practice No. 14 and subsequent revisions specifically the single code of practice	<ul style="list-style-type: none"> <li>• Impact assessment to the new single code of practice</li> <li>• Assessment of cyber security and Business Continuity and Additional Voluntary Contributions modules</li> <li>• Present a compliance report to the Local Pension Board based on the new single code of practice (Jan 2023)</li> </ul>	31 <sup>st</sup> March 2023

<p><b>Risk Management</b> – Improved risk management framework and appropriate risks</p>	<ul style="list-style-type: none"> <li>• Revise the Fund's risk management framework to ensure appropriate ongoing assessment of existing and new risks.</li> <li>• Further development of key risks continuing the work done on making the risk register a living and relevant document that supports in mitigating Fund risks</li> </ul>	<p>31<sup>st</sup> March 2024</p>
<p><b>Responsible Investment</b> – Ensure appropriate and effective implementation of Responsible Investment</p>	<ul style="list-style-type: none"> <li>• Oversee the LPPI implementation of the Responsible Investment Policy, including the enhancements to the Responsible Investment Dashboard.</li> <li>• Implementation of Taskforce on Climate Related Disclosure (TCFD) requirements.</li> </ul>	<p>31<sup>st</sup> March 2024</p>
<p><b>Shareholder Review</b> - Review of governance arrangements and shareholder agreement</p>	<ul style="list-style-type: none"> <li>• To review the appropriateness of the current governance arrangements as shareholders of LPP Group</li> <li>• Revision of the existing Shareholder Agreement</li> <li>• Consideration of Government pooling consultation</li> </ul>	<p>31<sup>st</sup> March 2023</p>
<p><b>Good Governance</b> – Implemented Good Governance project outcomes</p>	<ul style="list-style-type: none"> <li>• Impact assessment of good governance requirements</li> <li>• Implement any resulting governance enhancements required/preferred</li> </ul>	<p>31<sup>st</sup> March 2024</p>

## Annex 2: Funding and Investment

Funding is the process of ensuring that the Fund has sufficient assets to provide benefits as they fall due –encompassing (amongst other things) setting contributions at an appropriate level, monitoring the progression of liabilities and managing changes in their value, and managing employer risk.

A key element of ensuring benefits can be paid is the investment strategy – all contributions are invested to achieve the maximum returns possible, subject to the Fund’s views on suitable levels of risk, in order to limit the contribution burden and ensure benefit security. Our objectives in this area are:

- To ensure that resources are available to meet the Fund's liabilities through achieving optimal investment performance;
- To achieve and maintain at least a fully funded position (i.e. no funding deficit);
- To achieve, as far as possible, stable and affordable employer contribution rates;
- To manage employers' liabilities effectively having due regard to the strength of each employer's covenant;
- To meet projected net cash flow outgoings covered by investment income and other liquidity;
- To be a responsible asset owner investing sustainably so as to preserve the long-term resilience of the Fund.

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

Outcomes	Actions	Timeframe
<b>Valuation 2022</b> – Assess financial health of the Lancashire County Pension Fund and determine local employer contribution rates.	<ul style="list-style-type: none"> <li>• Employer engagement and data readiness – engage on data requirements and valuation outcomes (including employer contribution rates). Ensure data is accurate and complete</li> <li>• Actuarial Assumption analysis and setting, valuation calculation and results, interim valuation</li> <li>• Determine the optimal level of contributions going forward</li> <li>• Review all Fund policies and update the Funding Strategy Statement</li> </ul>	31 <sup>st</sup> March 2023
<b>Investment Strategy</b> – Ensure that the Investment Strategy is up to date and appropriate	<ul style="list-style-type: none"> <li>• To review the Investment Strategy and implement any changes in conjunction with 2022 Valuation</li> <li>• Determine the optimal level of investment risk going forward</li> </ul>	31 <sup>st</sup> March 2024

<p><b>Investment</b> – Ensure effective cash-flow management to meet pension fund payments in the future</p>	<ul style="list-style-type: none"> <li>• Investment Panel to monitor cash-flow.</li> <li>• Investment Panel to ensure it holds assets to ensure sufficient investment income and liquidity in the Fund.</li> <li>• Ensure treasury management policy is operating effectively in practice.</li> </ul>	<p>31<sup>st</sup> March 2024</p>
<p><b>Employer Risk</b> – Fully transitioned employer risk service from LPPA to LCPF and management framework</p>	<ul style="list-style-type: none"> <li>• Analysis of the employer population focusing on different covenants, funding positions, risk appetites to determine priority employer groups/target employers</li> <li>• Implement measures to mitigate employer risk including bonds and security, newly introduced employer flexibilities, deficit recovery periods and alternative discount rates</li> <li>• LCPF to develop an effective employer risk framework and communicate effectively to employers.</li> </ul>	<p>31<sup>st</sup> March 2025</p>
<p><b>Service Based Review (Investment)</b> – Ensure that periodic reviews are undertaken by the Fund on services provided by LPPI resulting in good service delivery.</p>	<ul style="list-style-type: none"> <li>• Implement action points from the Investment SBR, including review of the Asset Management Agreement</li> </ul>	<p>31<sup>st</sup> March 2023</p>

## Annex 3: 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/information is handled securely and used only for authorised purposes.

Outcomes	Actions	Timeframe
<b>McCloud and other technical changes</b> – Implementation of changes to statutory regulations	<ul style="list-style-type: none"> <li>• Ensure revised transfer requirements have been adequately implemented</li> <li>• Implementation of the regulations following the McCloud judgement.</li> <li>• Respond to DLUHC consultation on pooling, TCFD, and levelling up due Summer 2022</li> </ul>	31 <sup>st</sup> March 2023
<b>Service Based Review (Administration)</b> – Ensure that periodic reviews are undertaken by the Fund on services provided by LPPA resulting in good service delivery.	<ul style="list-style-type: none"> <li>• Initial Administration Service review will concentrate on the terms of the contract and whether they remain valid and fit for purpose as well as the key performance indicators</li> </ul>	31 <sup>st</sup> March 2023
<b>Employer Engagement</b> – Compliance with all statutory regulations	<ul style="list-style-type: none"> <li>• Develop mechanisms in collaboration with LPPA, for Fund Employers to improve their compliance and participation levels to drive improvements to member experience.</li> <li>• Develop training/improvement plans - in collaboration with LPPA - for fund employers particularly in areas where performance needs to improve.</li> </ul>	31 <sup>st</sup> March 2024
<b>LPPA Relationship Management</b> – LPPA quality and performance scores are high, and the service is operating effectively.	<ul style="list-style-type: none"> <li>• Ensure PACE project is successfully implemented ensuring anticipated benefits are delivered.</li> <li>• Effective service review meetings based on improved reporting and data insights.</li> <li>• Develop appropriate assurance processes to ensure LPPA have updated systems/processes</li> </ul>	31 <sup>st</sup> March 2024

<p><b>Pensions Dashboard -</b> Collaborate with LPPA and employers to ensure that data is ready for implementation of the Pensions Dashboard.</p>	<ul style="list-style-type: none"> <li>• Data quality and availability to be key considerations as we move closer to the launch of the Pensions Dashboard</li> <li>• Employer engagement to ensure clear on data required and impacts of inaccurate/gaps in data</li> </ul>	<p>31<sup>st</sup> March 2024</p>
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## Annex 4: 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 Fund 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 and taking advantage of different communication channels;
- To ensure that our communications are simple, relevant and have impact.

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

Outcomes	Actions	Timeframe
<b>Cyber Security and Scams</b> – Reduced risk of Cyber incidents occurring, and appropriately manage any incidents that arise	<ul style="list-style-type: none"> <li>• Review of Cyber risk and management</li> <li>• Self-assessment to identify areas of focus, using cyber scorecard</li> <li>• Assessing key systems and service providers</li> <li>• LPPA and LCPF to ensure sufficient processes are in place to safeguard member and employers in online activities and address any gaps identified. Ensure LPPA comply with the Pension Regulator's Scorpion initiative and best practice</li> </ul>	31 <sup>st</sup> March 2023
<b>Communication Strategy</b> – LCPF develop communication strategy to meet the needs of all its stakeholder	<ul style="list-style-type: none"> <li>• Understanding communication needs/objectives of members and employer and develop/implement strategy</li> <li>• Gap analysis of existing communications and identify changes to ensure scheme members have cohesive pensions engagement journey via LPPA, LCPF and other parties' communications and engagement.</li> </ul>	31 <sup>st</sup> March 2024

## Glossary

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

LCPF –Lancashire County Pension Fund.

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

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

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

LPPI – Local Pensions Partnership Investment.

LPPA – Local Pension Partnership Administration

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

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



# Progress Update on Strategic Plan

## Strategic Plan 2021-2024

## Governance

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

Our objectives in this area are:

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

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

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

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

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

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

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

## Asset and Liability Management Asset management

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

Our objectives in this area are:

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

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



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

## Administration

Administration is the process through which the information required to maintain members' contribution records, collect contributions due and calculate and pay their benefits in an accurate and timely way is undertaken. Our objectives in this area are:

- To deliver a high quality, cost-effective, user-friendly and informative service to all members, potential members and employers at the point where it is needed.
- To ensure that benefits are paid, and contributions collected accurately and on time.
- To demonstrate compliance with all relevant regulatory requirements.
- To ensure that data is handled securely and used only for authorised purposes.

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

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

Communication is the process by which we ensure that Fund members and employers are aware of their benefits and of their responsibilities, and of the overall performance of the Fund. It is also the process by which we promote the benefits of the Fund.

Our objectives in this area are:

- To provide good pension information, promoting pensions in the workplace and to actively promote the Scheme to prospective members and their employers.
- To ensure transparency; building trust, confidence and engagement in pension saving as the norm, and ensuring that investment issues are communicated appropriately to the Fund's stakeholders.
- To communicate in an appropriate and direct way to all our stakeholders, treating them all fairly, achieving appreciation of the benefits of being a member of the Fund
- To ensure that our communications are simple, relevant and have impact;
- To deliver information in a way that suits all stakeholders, increasingly taking advantage of advances in technology.
- To treat information security with the upmost importance.

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

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

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LCPF –Lancashire County Pension Fund.

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

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

LPPI – Local Pensions Partnership Investment.

LPPA – Local Pension Partnership Administration

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

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





## **Pension Fund Committee**

Meeting to be held on Friday, 11 March 2022

Electoral Division affected: N/A;
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## **Lancashire County Pension Fund - Death Grant Policy**

Contact for further information:

Julie Price, Senior Technical Pensions Officer, Julie.Price5@lancashire.gov.uk

### **Executive Summary**

The Death Grant Policy was last reviewed in January 2016. A revised policy has been developed which updates roles and responsibilities and takes account of experience of actual cases in making death grant payment decisions.

### **Recommendation**

The Pension Fund Committee is asked to approve the revised Death Grant Policy set out at Appendix 'A'.

### **Background and Advice**

The Local Government Pension Scheme (LGPS) regulations provide for individual administering authorities to set their own discretionary policies in certain areas. Lancashire County Council as administering authority may, at its absolute discretion, pay a death grant arising following the death of an active, deferred or pensioner member, to or for the benefit of a member's nominee, personal representatives or any person appearing to the authority to have been a relative or dependent of the member. The Death Grant Policy is a non-mandatory policy, which was last reviewed in January 2016.

The existing policy (at Appendix 'B') has worked well but requires updates in response to changes in the structure and roles/job titles of both the Pension Fund Team and Local Pensions Partnership Administration Ltd (LPPA), as well as difficulties in setting up child trust funds to the age of 25 which is the current policy in some cases. This has prompted an overall review of the policy, which takes account of experience of actual cases and situations which may arise.

Feedback has been sought from the Lancashire Local Pension Board and Local Pensions Partnership Administration in putting together the revised policy. A clarificatory change has been made following the consultation.

Lancashire County Council's constitution states that the Death Grant Policy will be approved by the Pension Fund Committee (as required in the Terms of Reference).

## **Consultations**

Lancashire Local Pension Board  
Local Pensions Partnership Administration Limited

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

This Death Grant Policy gives a framework for appropriate delegation and decision making to take place where death grants become payable. Having a robust policy in place will ensure that decisions are reasonable and consistent.

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

Paper	Date	Contact/Tel
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N/A		
Reason for inclusion in Part II, if appropriate		

N/A		
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## Payments following death policy

The following procedures shall apply in relation to the payment of death grants (to include AVC lump sum payments due on death where that AVC was taken out on or after 1 April 2014): -

### Determination of Beneficiary

1. Payment of the death grant will be made to or for the benefit of a member's nominee(s), personal representatives or any person or persons appearing to the authority to have been a relative or dependent of the member. The decision will take account of all the relevant circumstances of a particular case, including the following scenarios which will be considered in the following order –
  - There is a clear, effective and valid nomination in respect of the death grant by the Scheme member
  - A dependant's pension is payable
  - There are other dependants (e.g. a cohabiting partner who was not in a position to marry so does not meet the criteria for a survivor pension)
  - There are children
  - There are other relatives
  - There is a personal representative who has legal authority to administer the Estate;
  - There are no valid beneficiaries and payment is to be made to the Duchy of Lancaster

In all cases the payment of the death grant will be made at the absolute discretion of Lancashire County Council as the administering authority.

### Delegation

2. The payment of death grants under the Local Government Pension Scheme Regulations shall be delegated to the Head of Fund, who will further delegate this responsibility to the Pension Fund's Technical Pensions Lead (unless paragraph 3 applies in which case it is delegated to the relevant individual at Local Pensions Partnership Administration Ltd.).
3. Where the death grant does not exceed £100,000 and there are no competing death grant claims, and
  - there is a valid nomination held on record with no evidence which may undermine that nomination (for example, a change in partnership status since the nomination was made), or
  - where there is a dependant's pension; or
  - there are children (satisfying the definition of a child under the LGPS regulations)

responsibility will be further delegated to the Operations Director of Local Pensions Partnership Administration Ltd.

### **Arrangements for Children/Young Adults below the age of 21 at time of payment**

4. Where the death grant payable to an individual is £25,000 or greater the death grant will be paid into a child's trust fund which will be payable: -
  - On the child attaining age 21; or
  - On application under the terms of the Trust Deed, the Family Trustees may jointly agree with the Independent Trustee (if applicable), that a part of the child's trust fund shall be payable before the age of 21.
  
5. Where the death grant payable to an individual is under £25,000 and greater than £5,000 the death grant will be paid into a child's trust fund which will be payable: -
  - On the child attaining age 18; or
  - On application under the terms of the Trust Deed, the Family Trustees may jointly agree with the Independent Trustee (if applicable), that a part of the child's trust fund shall be payable before the age of 18.
  
6. Where the death grant payable to an individual is £5,000 or under and the child is under age 18 at time of payment, the death grant will be paid to the child's parent / legal guardian for the benefit of the child. If the death grant payable to an individual is £5,000 or under and the child is age 18 or over at time of payment, the death grant will be paid directly to the child.

### **Payment to the Estate**

7. Where a pension scheme member dies and payments due from the Pension Fund do not exceed the Administration of Estates (Small Payments) Act, and the payment is being made to the Estate: -
  - If a spouse, cohabiting or civil partner's pension is being paid there are no further documentation requirements
  - In all other instances a form of indemnity, Grant of Probate or Letters of Administration must be satisfactorily completed or produced before any payments can be made to the estate.

**Lancashire County Pension Fund – Death Grants Policy  
(as at April 2014 and revised January 2016)**

The payment of death grants under the Local Government Pension Scheme Regulations shall be delegated to the Director of Financial Resources, who will further delegate this responsibility to the Head of Your Pension Service.

**Determination of Beneficiary and Payment of Grant**

- 1** To determine the beneficiary where the death grant does not exceed £100,000 and either:
- There is a valid nomination held on record;
  - The deceased is survived by a next of kin;
  - A nominated co-habiting or civil partner's pension is being paid;
  - Payment is to be made to the Estate; or
  - There are no valid beneficiaries and payment is to be made to the Duchy of Lancaster.

**2 Arrangements for Children/Young Adults below the age of 18**

- payment to be made to person/s with parental responsibility for the child/young adult;

**Children/Young Adults above the age of 18**

- payment to be made to the child/young adult;

**In exceptional circumstances**

Payment to be made as follows, at the discretion of the Head of Your Pension Service

Where the death grant payable to an individual is £25,000 or greater the death grant will be paid into a child's trust fund which will be payable:

- On the child attaining age 25; or
- On application under the terms of the Trust Deed, the Family Trustees may jointly agree with the Independent Trustee (if applicable), that a part of the child's trust fund shall be payable before the age of 25.

Where the death grant payable to an individual is under £25,000 and greater than £5,000 the death grant will be paid into a child's trust fund which will be payable:

- On the child attaining age 18; or

- On application under the terms of the Trust Deed part of the child's trust fund shall be payable before the age of 18; and
- Where the death grant payable to an individual is under £5,000 the death grant will be paid:

If the child is under age 16, to the child's parent / guardian for the benefit of the child; or

If the child has attained age 16, to the child.

### **3 Payment of Death Grants Without Letters of Representation**

Where a pension scheme member dies and payments due from the Pension Fund do not exceed the Administration of Estates (Small Payments) Act:

- If a spouse, nominated co-habiting or civil partner's pension is being paid there are no further documentation requirements;
- In all other instances a form of indemnity or letters of representation must be satisfactorily completed or produced before any payments can be made to the estate.

## Pension Fund Committee

Meeting to be held on Friday, 11 March 2022

Electoral Division affected: None;
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### Feedback from members of the Committee on pension related training.

Contact for further information:

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

#### Executive Summary

This report relates to opportunities for training which members of the Committee have participated in since the last meeting in November 2021.

#### Recommendation

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

#### Background and Advice

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

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

Date(s)	Event	Participants
6 <sup>th</sup> December 2021	Workshop on McCloud and Update on the Investment Service Based Review	County Councillors M Clifford, F De Molfetta, M Pattison, E Pope, A Schofield and Co-opted members Cllr R Whittle, Ms J Eastham, and Mr P Crewe.
26 <sup>th</sup> January 2022	LGPS Overview webinar	County Councillor M Clifford and Co-opted member Mr P Crewe
10 <sup>th</sup> February 2022	Workshop on the LCPF Valuation	County Councillors F De Molfetta, G Dowding, M Pattison, E Pope, A Schofield, and R Woollam and Co-opted members Cllr R Whittle, Ms J Eastham, and Mr P Crewe.

18 <sup>th</sup> February 2022	Workshop on the LPP 2021/22 Budget	County Councillors M Clifford, E Pope, A Schofield, and Co-opted members Councillor D Borrow and Mr P Crewe.
1 <sup>st</sup> /2 <sup>nd</sup> March 2022	LPPI Investment Conference	County Councillors E Pope and A Schofield and Co-opted member Mr P Crewe.

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

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

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

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

### **Financial**

Decisions made by the Pension Fund Committee have direct financial implications for the Fund. The Fund's Training Policy (approved in March 2021) forms part of its governance and risk management arrangements which seek to ensure that the members of the Pension Fund Committee and the Lancashire Local Pension Board are well-informed, confident, and knowledgeable participants who work effectively and consistently in the best interests of the Fund and its stakeholders.

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



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

Paper	Date	Contact/Tel
Attendance at external Conference approved by the Head of Fund under the Scheme of Delegation to Heads of Service	15 <sup>th</sup> December 2021	Mike Neville (01772) 533431
Attendance sheets for internal pension related workshops.	6 <sup>th</sup> December 2021 and 10 <sup>th</sup> and 18 <sup>th</sup> February 2021	Mike Neville (01772) 533431

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



## **Pension Fund Committee**

Meeting to be held on Friday, 11 March 2022

Electoral Division affected: (All Divisions);
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## **Lancashire County Pension Fund - Training Plan 2022/23**

(Appendix 'A' refers)

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

### **Executive Summary**

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

The LCPF Training Plan 2022/23, at Appendix A, sets out the various training options which are available during the year to meet the required training needs of both Committee and Board Members.

### **Recommendation**

The Committee is asked to approve the Training Plan for 2022/23 as set out at Appendix 'A'.

### **Background and Advice**

Pension Fund Committee and Local Pension Board Members face different requirements for gaining and maintaining knowledge and understanding. This reflects that their remit and responsibilities originate from different pieces of legislation. Knowledge requirements falling on Board members are defined statutorily under section 248a of the Public Service Pensions Act 2013 and are personal to each individual. Learning requirements for Committees have been less stringently defined in legislation and fall collegiately on Committees as collective bodies rather than on their members as individuals.

Though their learning obligations under legislation are different, Committee and Board members share significant common ground in terms of the sphere of knowledge and understanding they need to be conversant with. Across the range of Technical Knowledge and Skills Frameworks it has published to date, CIPFA has identified a syllabus of 8 core areas of knowledge under the CIPFA Knowledge and Skills Framework (2021) for LGPS Committee Members and LGPS Officers:

1. Pensions Legislation and Guidance;
2. Pensions Governance;

3. Fund Strategy and Actuarial Methods;
4. Pensions Administration and Communications;
5. Pensions Financial Strategy, Management Accounting, Report and Audit Standards;
6. Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management;
7. Financial markets and product;
8. Pension Services Procurement, Contract Management and Relationship Management;

There is a separate technical knowledge and skills framework which is CIPFA Local Pension Boards (2015) with the following 8 core areas:

1. Pensions Legislation
2. Pensions Governance
3. Pensions Administration
4. Pensions Accounting and Auditing Standards
5. Pension Services Procurement and Relationship Management
6. Investment Performance and Risk Management
7. Financial Markets and Product Knowledge
8. Actuarial Methods. Standards and Practices

There is significant crossover in the knowledge requirements from each of the frameworks which was amalgamated into one training needs analysis questionnaire detailed below.

### **Training Needs Analysis**

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

This year the training needs analysis form was sent to all Committee and Board members for completion and responses were received from 9 Committee members and 8 Board members.

The survey consisted of self-assessment questions which sought to determine individual knowledge around eight core areas:

1. Pensions Legislation and Guidance
2. Pensions Governance
3. Funding Strategy and Actuarial Valuation
4. Pensions Administration and Communications
5. Pensions Financial Strategy, Management Accounting and Report and Audit Standards
6. Investment Strategy, Asset Allocation, Pooling, Performance and Risk Management
7. Financial Services and Products

## 8. Pension Services Procurement, Contract Management and Relationship Management

The results of the survey found that the following three core areas were clearly identified as requiring additional training:

- Pensions Administration and Communications
- Financial Services and Products
- Pension Services Procurement, Contract Management and Relationship Management

Additional training will be provided in-house via workshops to cover Pensions Administration and Communications. In addition in-house training will also cover some specific issues identified within the five other core areas. Separately, the pensions team is looking into appropriate training options for Financial Services and Products and Pension Services Procurement, Contract Management and Relationship Management.

### **Local Pension Board Training Requirements**

The Chair of the Local Pension Board reviews training requirements each year with Board members as part of the Annual Review process. The training needs identified by the Board are:

- General refresh on the legal framework and requirements both for Board members and the Fund;
- The new PACE administration system;
- New service level contracts with LPPA and LPPI;
- Valuation;
- Longer term effects of Covid.

### **Hymans Online Learning Academy**

The Fund recognises that the breadth of knowledge and understanding needed by Committee and Board members is extensive and has evolved in recent years. Hence, it is vital that all the tools at our disposal are utilised to support good learning outcomes.

Hymans has developed a bespoke online training tool to support LGPS funds to meet Committee and Board training needs. The Fund are currently evaluating the system with a view to potentially make it available to Committee and Board members in 2022/23.

### **LCPF Training Plan 2022/23**

The new training plan for 2022/23 can be seen at Appendix A, which sets out various training for the year which meet the needs highlighted above:

- Workshops which are held regularly;
- Quarterly briefings prior to Pension Fund Committee meetings;
- External training courses and conferences;
- Online Training:
  - TPR Public Service Toolkit;
  - Hymans Online Learning Academy (Tentative).

The Pension Fund Committee is asked to approve the planned training available during 2022/23.

### Consultations

N/A

### Implications:

This item has the following implications, as indicated:

### Risk management

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

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

Paper	Date	Contact/Tel
CIPFA - Code of Practice LGPS Knowledge and Skills 2021 edition	2021	Mukhtar Master 01772 532018
CIPFA – Technical Knowledge & Skills Framework for Local Pension Boards	2015	Mukhtar Master 01772 532018
CIPFA - Knowledge and Skills Framework – LGPS Committee Members and LGPS Officers	2021	Mukhtar Master 01772 532018
The Pensions Regulator - Code of Practice No 14 (Governance and Administration of public service pension schemes)	2015	Mukhtar Master 01772 532018

## LCPF Training Plan for 2022/23

### Internal Training Schedule

Dates and times are subject to change

#### **Workshops:**

<b>Date</b>	<b>Time</b>	<b>Subject</b>
Thursday 10 <sup>th</sup> February 2022	1:00PM	Valuation Workshop Part 1 Mark Wilson/Leanne Johnson
Friday 18 <sup>th</sup> February 2022	10:00AM	LPP Budget (Adrian Taylor) ahead of report to March PFC
Tuesday 29 <sup>th</sup> March 2022	10:00AM	'Employer Risk & Engagement' LCPF/Mercers
Monday 9 <sup>th</sup> May 2022	10:00AM	Legal Update
Wednesday 1 <sup>st</sup> June 2022	1:00PM	PACE Update & Pensions Administration Update – (LPP)
Wednesday 20 <sup>th</sup> July 2022	1:00PM	Cyber Security (Northern Trust/LPP)
Friday 2 <sup>nd</sup> September 2022	10:00AM	LCPF Accounts & Annual Report Peter Worth
Tuesday 4 <sup>th</sup> October 2022	1:00PM	RI Update (TCFD/Stewardship Code Update) Frances Deakin, LPP
Friday 25 <sup>th</sup> November 2022	10:00AM	Valuation Update – (Mercers)
Monday 5 <sup>th</sup> December 2022	10:00AM	Technical Update – (LPP)
Monday 16 <sup>th</sup> January 2023	1:00PM	Comms Strategy & LPP Comms Update
Wednesday 1 <sup>st</sup> February 2023	10:00AM	LPP Budget (Adrian Taylor) ahead of report to March PFC
Friday 24 <sup>th</sup> March 2023	1:00PM	TBC

#### **Pre-Committee Briefing\*:**

<b>Date</b>	<b>Subject</b>
17 <sup>th</sup> June 2022	Pension Board Update – William Bourne
16 <sup>th</sup> September 2022	TBC
25 <sup>th</sup> November 2022	TBC
10 <sup>th</sup> March 2023	2022 Valuation Results

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

## **External Training Schedule**

Online Training/Seminars 2022-23:

<b>Training</b>	<b>Dates</b>
<p><b>PLSA Webinar Access:</b></p> <p>1. Pensions Dashboard</p>	<p><a href="https://www.plsa.co.uk/Events-Webinars">https://www.plsa.co.uk/Events-Webinars</a></p> <p>31<sup>st</sup> March 2022</p>
<p><b>CIPFA:</b></p> <p>1. LGPS Local Pension Board Members Annual Event 2022</p> <p>2. Introduction to the LGPS</p> <p>3. LGPS Local Pension Boards Member Autumn Seminar</p> <p>CIPFA's partnership with Barnett Waddingham has come to an end. CIPFA have signed a new agreement with Isio and are not yet able to full details of their offering. This will be updated once CIPFA publish their training calendar.</p>	<p>May 2022 (Exact date TBC)</p> <p>September 2022(Exact date TBC)</p> <p>November 2022 (Exact date TBC)</p>
<p><b>Local Government Association:</b></p> <p>LGPS Fundamentals Training for newly Elected Members.</p> <p>This training is delivered at 3 locations in England and Wales, however may be online.</p>	<p>Day 1 – October Day 2 – November Day 3 – December</p> <p>Precise dates to be determined.</p>
<p><b>Hymans:</b></p> <p>Governance Administration and Projects (GAP) Team</p> <p>Governance Administration and Projects (GAP) Webinar - 2022 National Knowledge Assessment Results</p> <p>Governance Administration and Projects (GAP) Webinar – Business Planning for 2022/23</p>	<p>June 2022 (Exact date TBC)</p> <p>Sept/Oct 2022 (Exact date TBC)</p> <p>December 2022 (Exact date TBC)</p>



## Conferences 2022-23:

Conference	Dates
PLSA Annual Conference	12-13 October 2022 (Liverpool)
PLSA Local Authority Conference	13-15 June 2022 (Gloucestershire)
LAPF Strategic Investment Forum	4-6 July 2022 (Hertfordshire)
LGA Annual Conference & Exhibition	28-30 June 2022 (Harrogate)
LAPFF Annual Conference	7-9 December 2022 (Bournemouth)
LGC Investment Summit	September 2022 (Date and Venue TBC)
CIPFA Pensions Conference	TBC

## On-line Training:

### Hymans – Online Learning Academy

Hymans offer a bespoke LGPS online training tool which provides various training modules.

The modules include:

- Introduction to LGPS
- Governance and Regulators
- Administration and Management
- Funding and Actuarial Matters
- Investments
- Current Issues

### The Pensions Regulator's Public Service Toolkit:

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

<https://education.thepensionsregulator.gov.uk/login/>



## **Pension Fund Committee**

Meeting to be held on Friday, 11 March 2022

Electoral Division affected: N/A;
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## **2022/23 Work Plan for the Lancashire Local Pension Board**

(Appendix 'A' refers)

Contact for further information:

Junaid Laly, Senior Governance Officer, 01772 532767

Junaid.Laly2@lancashire.gov.uk

### **Executive Summary**

The 2022/23 work plan for the Lancashire Local Pension Board is attached to this report for the information of the Committee

### **Recommendation**

That the 2022/23 Work Plan for the Lancashire Local Pension Board, as set out in Appendix 'A' to this report, is noted.

### **Background and Advice**

Under its Terms of Reference, the Local Pension Board is required to produce a work plan each year and submit it to the Pension Fund Committee for information.

The work plan for 2022/23 has been developed in consultation with the Chair of the Board and the Head of Fund.

The work plan for 2022/23 is attached at Appendix 'A'.

### **Consultations**

Head of Fund

Chair of the Lancashire Local Pension Board

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

The Pension Board is required under legislation to secure compliance and ensure the effective, efficient governance and administration of the Fund

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

Paper	Date	Contact/Tel
N/A	N/A	N/A
Reason for inclusion in Part II, if appropriate		
N/A		

## Lancashire Local Pensions Board - Work programme 2022/23

18-Jan-22	26-Apr-22	05-Jul-22	18-Oct-22	24-Jan-23
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Standing Items					
Welcome and Apologies, Declaration of Interests, Urgent business, Exclusion of press/public, Date of the next meeting of the LLPB.	Y	Y	Y	Y	Y
Minutes of the previous meeting of the LLPB	Y	Y	Y	Y	Y
Feedback from Board members on conferences/events and other training received	Y	Y	Y	Y	Y
Part I/II Reports considered by the recent Pension Fund Committee	Y	Y	Y	Y	Y
Regulatory changes update report	Y	Y	Y	Y	Y

Governance					
Quarterly risk register report	Y	Y	Y	Y	Y
Report update on progress of the current LLPB work plan				Y	
LLPB Members Training Record		Y			
Annual compliance report with the Pension Regulator's Code of Practice 14	Y				Y
Single Code of Practice Impact Assessment			Y		Y
Update of Constitution, Membership and Terms of Reference of the LLPB					Y
Annual Review of the effectiveness of the LLPB - conclusions of the Chair and draft LLPB Annual Report for the previous year.		Y			
Note Approval of the annual LLPB work plan for the following year by PFC		Y			
Communications plan update report	Y	Y	Y	Y	Y
Annual report on the results of the pension regulator's survey				Y	
Review the PFC report on UK Stewardship Code Compliance			Y		
Annual report on Cyber Security					Y
Updated Risk Management Framework		Y			

Administration Performance					
Summary report of appeals under the internal dispute resolution procedures					Y
Annual report on LPPA administration performance, data quality and data scores			Y		

Pensions Administration Financial Monitoring					
Contributions monitoring and data breaches (quarterly reporting)	Y	Y	Y	Y	Y
LCPF budget and cost per member review (with particular regard to cost savings, productivity gain, risk reduction, service improvement and performance).					

**Laly, Junaid:**  
This is covered by the LPB when they consider Part 1 reports considered by the PFC at prior meeting.

Lancashire Pension Fund Policies					
Actuarial Valuation	Y				
Policy - Funding Strategy Statement					Y
Policy - Pension Administration Strategy Statement					
Policy - Admissions & Termination Statement					
Policy - Communications Policy Statement			Y		
Policy - Employer & Administering Authority Discretions				Y	
Policy - Governance Policy Statement					
Policy - Death Policy	Y				
Policy - Breaches			Y		

## Lancashire Local Pension Board – 2022/23 Annual Work Plan

The pension work plan sets out the order of matters the Pension Board will review in the financial year. The work plan has been arranged into two sections an annual work plan reflecting reports presented on a quarterly basis as well as a three year work plan to reflect the frequency of policies which are refreshed every three years. The order of presentation of the agenda is as reflected below.

Lancashire Pension Fund Policies	2022/23	2023/24	2024/25	2025/26	2026/2027
Actuarial Valuation	Y			Y	
Policy - Funding Strategy Statement	Y			Y	
Policy - Pension Administration Strategy Statement			Y		
Policy - Admissions & Termination Statement			Y		
Policy - Communications Policy Statement	Y			Y	
Policy - Employer & Administering Authority Discretions	Y			Y	
Policy - Governance Policy Statement			Y		
Policy - Breaches Policy	Y			Y	



## **Pension Fund Committee**

Meeting to be held on Friday, 11 March 2022

Electoral Division affected: (All Divisions);
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## **Responsible Investment Report**

(Appendices 'A' and 'B' refer)

Contact for further information: Mukhtar Master, Governance & Risk Officer,  
Lancashire County Pension Fund (01772) 5 32018

mukhtar.master@lancashire.gov.uk

### **Executive Summary**

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

Set out at Appendix 'A' is a report from the Local Pensions Partnership Investments Limited which provides the Committee with an update on responsible investment matters during the fourth quarter of 2021 (October to December).

### **Recommendation**

The Committee is asked to note the report.

### **Background**

The report at Appendix 'A' has been prepared by the Head of Responsible Investment at Local Pensions Partnership Investments Limited (LPPI) and provides information on how the Fund is being supported to fulfil its commitment to long term responsible asset ownership in line with the approach set out within its Investment Strategy Statement and the Responsible Investment Policy approved by the Committee at its meeting in November 2021.

Attached as Appendix 'B' is the dashboard style report together with the qualitative overview of LPPI stewardship activities for the fourth quarter of 2021 (October - December).

Other matters of note for the Committee:

### **Responsible Investment Policy Review**

A Task and Finish Group established by the Pension Fund Committee are due to present the outcome of the remaining action for the Group at the meeting today. The

paper covering the Responsible Investment Dashboard Review will table recommended changes to the Dashboard Report for approval by the Committee.

### **Key Points from LPPI Responsible Investment Report Q3 2021**

- LPPI have just confirmed the appointment of Chronos Sustainability as their Net Zero Consultant. Chronos Sustainability will provide support, advice and assistance in developing their Net Zero route map;
- Numerous metrics have seen improvements with regards to Climate Change. These include:
  - Investments in Brown sectors;
  - And a reduction in the carbon intensity for the LPPI Global Equities Fund portfolio.
- Robeco Active Ownership has consulted with clients and have agreed the four new engagement themes for 2022. The themes are:
  - Net Zero Emissions;
  - Natural Resource Management;
  - Diversity, Equity and Inclusion;
  - Nature Action 100.

### **Local Authority Pension Fund Forum (LAPFF)**

LAPFF business meetings continue to be held online. The last meeting held on the 26th January 2022 covered topics such as:

- Mining and Human Rights;
- Water Companies and Sewage;
- Draft LAPFF Workplan 2022/2023;
- Just Transition Inquiry Update and Plans.

Papers from the meeting can be made available on request.

### **Public Campaign Queries**

#### **Make My Money Matter.**

A letter was received from the CEO of 'Make My Money Matter' in January 2022 as a follow up from a previous letter received in July 2021 asking for the Fund's position on a Net Zero commitment. Make My Money Matter is an organisation campaigning to create a movement, calling for the money invested in UK pensions to be invested to build a better world. The Fund responded to the latest letter referring to the LPPI public commitment to Net Zero greenhouse gas emissions by 2050 of which the Fund is fully supportive.

#### **Divest From Big Livestock**

A query was received from a constituent of a local district councillor in relation to the Fund's investment in 'big livestock'.



The query originates from a campaigning group 'feedbackglobal.org', which feels that 'Agriculture and diets are depleting soils, changing our climate and biodiversity loss to such an extent that our life-supporting ecosystems are now under threat.'

A response to this query was sent with support from LPPI.

### **Consultations**

Frances Deakin, the Head of Responsible Investment at the Local Pensions Partnership Investments Limited, 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 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 oversight and lack of independence.

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

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

### **Local Government (Access to Information) Act 1985**

#### **List of Background Papers**

Paper	Date	Contact/Tel
Robeco Active Ownership Report Q4-2021	01/10/21 to 31/12/21	Mukhtar Master (01772) 532018

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



**This report has been prepared by LPPI for Lancashire County Pension Fund (LCPF) as a professional client.**

## 1. Introduction

This report on Responsible Investment (RI) is a companion to the LPPI RI Dashboard (Appendix B) and the Quarterly Active Ownership Report (available from the online Pensions Library).

It covers stewardship in the period 1st October - 31st December 2021 plus insights on current and emerging issues for client pension funds.

<sup>R</sup> This symbol indicates a term explained in the reference section at the end of this report.

Key takeaways for the period:

- In Q4 2021 LPPI voted on 96% company proposals, supporting 89% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 2.21% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 2.84% of the portfolio.
- LPPI's first Net Zero update is to confirm the appointment of Chronos Sustainability as our Net Zero consultant.
- The annual emissions snapshot for the LPPI Global Equities Fund, has confirmed a further reduction in the carbon intensity for the portfolio, compared with the same point in 2020. The intensity is also well below that of the fund's benchmark (MSCI ACWI)<sup>R</sup>.
- The Climate Change Annex to LPPI's Responsible Investment Policy has been updated and is available from the LPPI website.

## 2. RI Dashboard – Portfolio Characteristics

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

As an enhancement, LPPI has developed and added a new section to the end of the RI Dashboard this quarter. The new Client Guide aims to assist the interpretation of metrics presented and is in response to feedback from clients that readers would benefit from additional context and explanation. We welcome comments on the new section piloted in the Q4 2021 Dashboard and feedback on ways it can be further enhanced.

Asset class metrics (*Dashboard pages 1 & 2*) offer insights on the composition of the portfolio and its general characteristics. See the summary for Q4 2021 outlined below.

[Listed Equities \(Dashboard p1\)](#)

## Sector Breakdown

Categorised by GICS<sup>R</sup> the largest sectoral exposures for the Global Equity Fund (GEF) are Information Tech. (27%), Consumer Staples (15%), and Industrials (12%).

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

## Top 10 Positions

The top 10 companies (10 largest positions) make up 24% of the total LPPI GEF.

In Q4 2021 Microsoft remains the largest holding in the GEF. Nestlé and Visa remain in the top three as the second and third largest holdings in the GEF respectively. Accenture, Colgate-Palmolive, Starbucks, and Pepsi's positions remained unchanged (4<sup>th</sup>, 5<sup>th</sup>, 6<sup>th</sup>, and 7<sup>th</sup> respectively) between Q3 and Q4. Below the top 7 holdings, Costco moved up 2 positions, to 8<sup>th</sup> largest holding whilst Alphabet and Experian (8<sup>th</sup> and 9<sup>th</sup> in Q3) replaced by Apple and Adobe to become 9<sup>th</sup> and 10<sup>th</sup>.

## Portfolio ESG Score

The GEF's Portfolio ESG score has increased from 5.3 to 5.4 between Q3 and Q4. In the same period the equivalent score for the benchmark increased from 5.1 to 5.2.

## Transition Pathway Initiative (TPI)

Monitoring against TPI<sup>R</sup> Management Quality ratings confirms the GEF continues its relatively low exposure to highly carbon intensive activities with minimal changes in ratings since Q3. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment remains unchanged from Q3, at 12%.

The number of GEF companies in scope of TPI scoring has decreased by 2 since Q3 2021, changing from 24 to 22.

Of the 22 companies in TPI scope:

- 97% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI3) and into their strategic planning (TPI 4). This is up from 90% in Q3 2021, which is a reflection of three companies TPI scores being re-evaluated and improving to TPI 3.
- 4 companies are scored below TPI 3 and are under monitoring.

The Real-World Outcomes section of the dashboard features examples of socially positive investments and this quarter the focus is on Listed Equity. Pages 6-8 share information on a selection of investments within the Lancashire Fund portfolio which are developing solutions in large, small and mid-cap companies.

## Other asset classes (Dashboard p2)

### **Private Equity**

Sector and geographical exposures remained unchanged to those reported in Q3 2021. The portfolio continued to have a strong presence in the United States (47%) and the largest sector exposure continued to be Information Technology (31%).

### **Infrastructure**

The geographical exposures to UK based Infrastructure slightly decreased, moving from 47% exposure in Q3 to 43% in Q4. The largest sectoral exposure remained in Traditional Energy, Renewable Energy, Waste, which makes up 37% of the portfolio.

### **Real Estate**

Sector and geographical exposures remained similar to those reported Q3 2021. The portfolio continued to be largely deployed in the UK, with 74% assets here. The largest sectoral exposure continued to be Industrial assets, increasing to 38% of the portfolio.

### **Green & Brown Exposures**

Calculation of the Fund's exposure to Green and Brown activities focusses specifically on equity assets (Listed Equity, Private Equity, and Infrastructure) plus corporate bonds within Fixed Income. Figures give an indication, rather than a precise measure, as an assistance to reviewing the overall position.

Green activities are those directly contributing to real world decarbonisation, principally through renewable energy generation, but include other activities supporting lower emissions including district heating, and waste management. Brown activities are those directly involved with extracting, transporting, storing, and otherwise supplying fossil fuels, or using them to generate energy.

The dashboard presents information on the trend in Green and Brown exposures (commencing in Q4 2019). Quarterly changes in Green and Brown exposure reflect multiple factors at play including funds reaching maturity, assets being revalued, and investments being made and sold. The total value of the Lancashire County Pension Fund (LCPF) portfolio (as the denominator) also affects Brown and Green % shares quarterly.

Compared with Q3 2021, Brown exposure has decreased from 2.38% to 2.21%. The biggest contributor was the removal of two extractive fossil fuel assets within the GEF. However, this was slightly offset by the addition of 'Brown' assets identified as part of a recent audit (Q4 2021), located within existing pooled funds (Infrastructure and Private Equity). Growth in the value of LCPF's Fund (as the denominator) between Q3 and Q4, led to further influences on the overall reduction to the proportion of Brown assets.

Compared with Q3 2021, Green exposure has decreased from 3.08% to 2.84% of the portfolio. The change reflects a reduction in the overall value of assets identified as Green,

predominantly from an Infrastructure asset valuation update. Growth in the value of LCPF's Fund (as the denominator) between Q3 and Q4, also contributed to the overall reduction to the proportion of Green assets.

Investments in renewable energy generation from Wind, Solar, Hydro, and Waste make up 76% of total Green exposure, and 96% of Green exposure is via Infrastructure assets.

### 3. Core Stewardship

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

#### Shareholder Voting - LPPI Global Equity Fund (GEF) (Dashboard page 3)

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

Full details of all shareholder voting by LPPI are publicly available from the LPP website within quarterly [shareholder voting reports](#).

The period 1st October - 31st December 2021 encompassed 50 meetings and 337 resolutions voted. LPPI voted at 96% meetings where GEF shares entitled participation. The shortfall reflects an issue under investigation involving interactions in the voting chain between LPPI's proxy voting services provider and local sub-custodian regarding entitlement to vote.

#### **Company Proposals**

LPPI supported 89% of company proposals in the period.

Voting against management concentrated on:

- the election of directors (addressing individual director issues, overall board independence, and over-boarding), 43% of votes against company proposals.
- non-salary compensation (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards), 27% of votes against company proposals.
- the support of shareholder resolutions, covering topics including climate change, human rights, diversity, and political lobbying (23%).

#### **Case Study – Directors Related**

- LPPI voted against eight directors across four companies due to a lack of Board independence. At Groupe Bruxelles Lambert (Belgium: Multi-Sector Holdings) for example, LPPI voted against one director nominee due to the lack of overall Board independence. Result: 33.8% Against. No other vote results disclosed.

- At The Estee Lauder Companies Inc. (USA: Personal Products), LPPI withheld support for one director nominee due to over-boarding. Result: 9.2% Against.
- At Guoco Group Limited (Hong Kong: Industrial Conglomerates), LPPI voted against the Chair of the Nomination Committee due to the lack of gender diversity on the Board. Result: 0.4% Against.

### **Case Study – Non-Salary Compensation**

- At Nike (USA: Footwear), LPPI voted against the say on pay. This was due to factors including a significant portion of long-term incentives that were not performance-related (and undesirable metrics for the portion that was), and excessive awards. Result: 28.1% Against.
- At Medtronic (Ireland: Health Care Equipment), LPPI voted against the say on pay. This was due to changes in the long-term incentive plan (LTIP), alongside the additional complexity introduced. Result: 9.7% Against.

### **Shareholder Proposals**

- At Autozone (USA: Automotive Retail), LPPI supported the shareholder resolution requesting the company introduce reporting on short and long-term greenhouse gas emissions reductions targets in line with the Paris Agreement<sup>R</sup>. The vote passed with 70.4% support.
- At Microsoft (USA: Systems Software), LPPI supported a shareholder resolution requesting the company release a transparency report detailing the effectiveness of workplace sexual harassment policies. The vote passed with 78.0% support.
- At Nike (USA: Footwear), LPPI supported a shareholder resolution requesting more comprehensive information regarding their political contributions. The vote resolution did not pass but received support of 30.5%. LPPI also supported a shareholder resolution at Nike requesting the company publish a human rights impact assessment examining the actual and potential impacts of its cotton sourcing. The resolution received support of 27.7%.

### **Shareholder Engagement**

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

LPPI's engagement partner Robeco has completed a fifth full quarter of engagement activity. The RI Dashboard (page 4) presents engagement headlines for the quarter which confirm the Robeco Active Ownership Team undertook 73 activities in total, and the predominant focus (by topic) was Environmental Management.

Page 5 of the Dashboard summarises the status of each live engagement theme (as it stood at the end of Q4 2021).



The Active Ownership Report provides detailed narrative on thematic engagements underway with listed companies (representing shares held by the Global Equities Fund, or corporate bonds held by the LPPI Fixed Income Fund).

Each quarter, we provide further insights into live themes underway by the Robeco Active Ownership Team, this quarter we share insights on focus themes in the year ahead.

### ***Robeco Active Ownership: new engagement themes for 2022***

Each year in Q4, Robeco clients submit engagement priorities and suggestions to inform new themes for the year ahead. These suggestions are aggregated and presented at the annual client panel for further discussion. The four new engagement themes for 2022 are below and will be rolled out across the year.

#### **Net Zero Emissions**

Net Zero commitments of asset owners and asset managers require increased climate coverage. This engagement theme will be an expansion of the Net Zero Emission engagement theme launched in 2020, focussing on high carbon emitting companies that are lagging in their transition to net zero.

#### **Natural Resource Management**

Water and waste are critical factors that influence environmental stability. Environmental regulation is rapidly increasing for both corporates and investors. This engagement theme will focus on companies that face environmental issues such as seabed and land mining, PFAS emissions, water scarcity, agrochemical waste and plastic waste.

#### **Diversity, Equity, and Inclusion**

Companies play a crucial role in creating diverse, equitable and inclusive (DEI) workplaces through their human capital strategy. The theme will aim to improve embedding DEI in companies' human capital strategies. Companies will be expected to set clear targets to strengthen DEI practices and outcomes. Further, companies will be expected to measure and disclose meaningful data and outcomes related to workforce composition, promotion, recruitment, retention rates and equity pay practices.

#### **Nature Action 100**

25% of all species on Earth are at risk of extinction by 2050. This engagement will be part of a global collaborative engagement program, building on the lessons learned from Climate Action 100<sup>R</sup>. The focus of the engagement will be on terrestrial, fresh water and marine biomes. Dependencies and potential impact on biodiversity, such as deforestation, overfishing and pollution will be assessed. The Nature Action 100 governance structure is currently under negotiation and aims to build on the Nature benchmark of the World Benchmarking Alliance.

## **4. Collaborations and Partnerships**

LPPI participates in a range of investor groups and partnerships which provide opportunities for shared learning and a platform for collective action. The following are headlines for Q4 2021.



## Net Zero by 2050 Update

In partnership with our client pension funds, LPPI has set the goal of achieving Net Zero portfolio emissions by 2050. In November 2021 we signed the Institutional Investors Group on Climate Change (IIGCC)<sup>R</sup> Net Zero Asset Manager Commitment, which forms part of the IIGCC Net Zero (1.5°C) Investment Framework (NZIF). We will be collaborating with and are well placed to learn from partners, peers and industry leaders through our participation in this IIGCC initiative. More information about this is available from the [LPPI website](#).

The IIGCC 1.5°C framework will inform LPPI's approach to aligning the portfolio we manage with the goals of the Paris Agreement whilst remaining focussed on sustainable investment outcomes for client pension funds. As our Net Zero analysis and planning evolve, we will keep client funds updated and share insights into the actions we are taking, and the progress being made.

Our first update is to confirm LPPI's appointment of Chronos Sustainability as our Net Zero consultant. Chronos will be providing advice, support, and practical assistance for developing LPPI's Net Zero route map and an implementation plan for the initial steps of a long-term pathway towards Net Zero portfolio emissions by 2050.

## 30% Club

During 2021, the 30% Club<sup>R</sup> expanded its focus to include ethnic diversity in addition to gender diversity. To mark the launch of the new approach, the 30% Club set out a statement on race equity which was originally intended for publication in November 2021. LPPI provided feedback during the drafting process and have been added as signatories to the final statement as members of the 30% Club. The statement will now be published in February 2022 and contains the following targets for 2023:

- *Beyond 30% representation of women on all FTSE 350 boards, including one person of colour.*
- *Beyond 30% representation of women on all FTSE 350 Executive Committees, including one person of colour.*
- *Beyond 30% of all new FTSE 350 Chair appointments to go to women between 2020 and 2023.*

The statement also advocates for a number of actions at UK listed companies including better data collection and disclosure of the ethnic make-up of workforces and action plans to reduce race based inequalities. Signatories to the letter commit to actively engage with board Chairs, nomination committees and executive teams on the issue of racial inequality. Additionally, where insufficient progress is made against targets, 30% Club members will consider voting against the re-election of board directors beginning in 2022.

These commitments are reflective of our existing engagement priorities outlined in our [Shareholder Voting Guidelines](#) and align with our ongoing work as investor signatories of the WDI and Asset Owner Diversity Charter.

### *Workforce Disclosure Initiative*

LPPI is an investor signatory for the Workforce Disclosure Initiative (WDI), an investor collaboration platform which seeks to enhance corporate management of workforce issues through increased transparency. At the start of the 2021 engagement cycle, LPPI identified five target companies as priorities to respond to the WDI annual survey and coordinated with other investor signatories to lead a letter campaign to encourage participation for two of these targets. Following engagement, four out of the five target companies responded to the survey providing us with enhanced insights on their workforce management.

## **5. Other News and Insights**

### *Letter to LGPS Chairs – Occupied Palestine*

In December 2021 the LGPS Scheme Advisory Board (SAB) discussed a letter sent to all LGPS Pension Fund Chairs in November 2021 by Michael Lynk, United Nations Special Rapporteur on the Palestinian Territories, which asks a number of questions of LGPS funds regarding their investments. The minutes of the SAB meeting held on 13<sup>th</sup> December 2021 confirmed the Board was liaising with the Local Authority Pension Fund Forum (LAPFF) regarding a response and would organise a call with Mr Lynk to take place in the early new year.

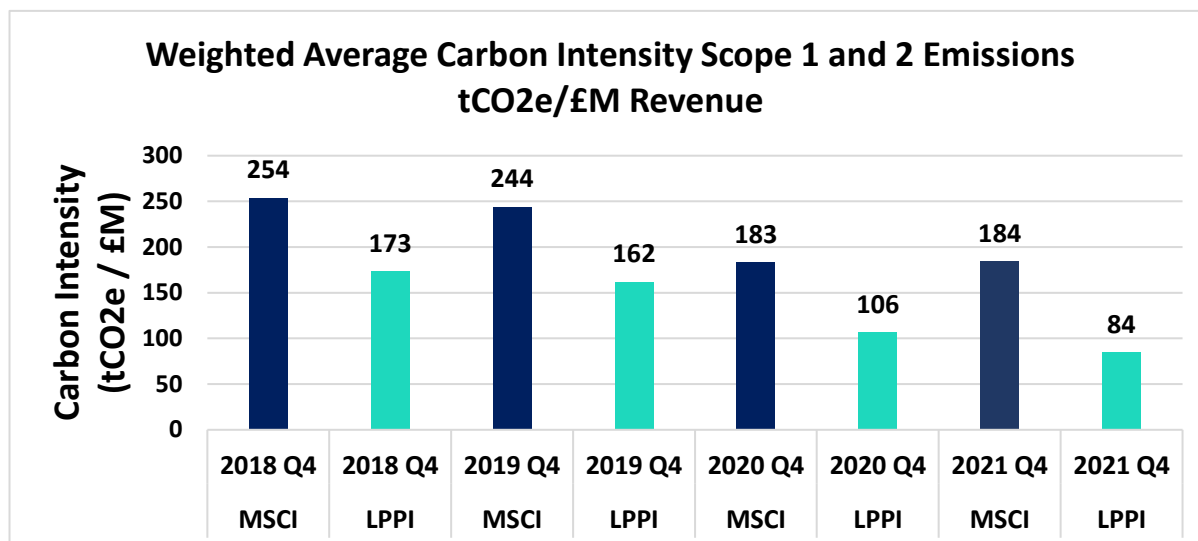
The involvement and mediation of the SAB and LAPFF are helpful given LPGA funds are facing targeted divestment lobbying whilst simultaneously awaiting details of new legislation from the UK Government “to stop public bodies from imposing their own approach or views about international relations, through preventing boycott, divestment or sanctions campaigns against foreign countries” (The Queens Speech 2021 - 11 May 2021, page 151).

### *GEF Carbon Footprint Analysis*

LPPI reviews the carbon intensity of the Global Equity Fund at 31<sup>st</sup> December each year. The annual snapshot exercise, based on available and modelled data, has confirmed a further reduction in the carbon intensity of the fund compared with the same point in 2020 and an intensity well below that of the fund’s benchmark (MSCI ACWI)<sup>R</sup>.

Graph 1 below shows the position using a revenue measure (gross carbon emissions divided by total revenues for Global Equities Fund (GEF) companies) and includes scope 1 and 2 emissions<sup>R</sup>.

Graph 1



**Note:** In calculating these numbers the following are to be considered when reconciling against other LPPI reporting:

- exclusion of cash,
- exclusion of a position in SPDR [Materials exposure] – a physical gold position, which the data provider currently is wrongly assuming as a traditional materials position from a carbon intensity point of view,
- potential rounding effects.

### LPPI

Roughly 2/3 of LPPI's drop in scope 1 + 2 portfolio carbon intensity is from Utilities and Industrials sectors. For Industrials, the portfolio as at year end consisted of companies with 50% lower scope 1 + 2 intensity than the previous year. This was due to general churn of the portfolio, where three companies that collectively made up 45% of the previous years' sector carbon intensity were removed. For Utilities, it was a reduction of exposure by 1 percentage point, dropping from 2.5% in 2020 Q4 to 1.5% 2021 Q4.

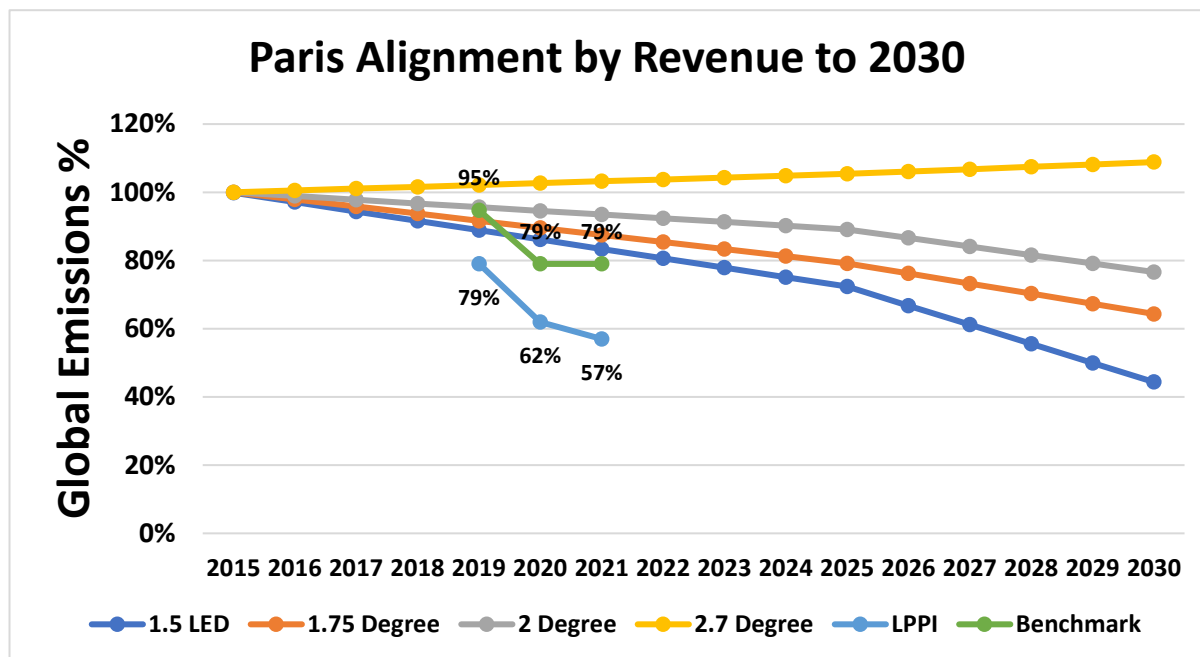
Other noteworthy drivers of the decreased portfolio carbon intensity were from Materials and Energy sectors. In both sectors there was a reduction in exposure; 0.5 percentage point drop to 1.2% overall for Materials and a 0.2 percentage point drop to 0.4% overall in Energy. The reduction of carbon intensity in Energy was due to the removal of two extractive fossil fuel companies from the portfolio, which previously made up 41% of the sector emissions.

### MSCI

Our benchmark (MSCI ACWI) had a slight increase in scope 1 + 2 portfolio carbon intensity, which was mainly from Energy and Industrials. For Energy, it was the combination of an increase in sector intensity by 5.7% (an increase of 25 tCO<sub>2</sub>e / 1M USD revenue) and a sector weight increase of 0.4 percentage points, from 3.0% to 3.4%. For Industrials, it was the increase in sector carbon intensity by 17.5% (an increase of 18.3 tCO<sub>2</sub>e / 1M USD revenue). Utilities was the most noteworthy driver to a reduction in portfolio carbon intensity, with the sector weight reducing by 0.1 percentage points, a decrease from 3.0% to 2.9%.

In prior years we have shared an additional metric (from our provider of carbon metrics - Urgentem) which plots the GEF's carbon intensity against decarbonisation pathways for different global temperature outcomes by 2050. Graph 2 shows the latest position for this metric using a revenue intensity based measure (portfolio gross carbon emissions divided by portfolio revenue). It reflects scope 1, 2 and 3 emissions<sup>R</sup>.

Graph 2



The graph observes that portfolio carbon intensity continued to fall between 2019, 2020 and 2021 for LPPI, indicating a current position beneath the trajectory for achieving the Paris Agreement goal of well below 2°C.

We caution that this complicated metric involves numerous assumptions and has material limitations we fully acknowledge.

In common with other investors, we await the development of robust market-standards for assessing portfolio alignment with the Paris Agreement, which are based on universally accepted, understandable, and decision-useful metrics.

### Climate Change Annex Update

The Climate Change Annex to LPPI's Responsible Investment Policy has been updated. Available from the [LPPI website](#), the refreshed document:

- records LPPI's commitment to the goal of Net Zero portfolio emission by 2050 in partnership with our client pension funds,
- confirms the exclusion of extractive fossil fuel companies from the LPPI Global Equities Fund (GEF) from 31 December 2021,
- reflects that climate change management is a priority theme within LPPI's Shareholder Voting Guidelines (published August 2021) and is considered in reaching voting decisions.

The decision to exclude extractive fossil fuels from the GEF is pragmatic. Our Net Zero commitment involves supporting real world decarbonisation by 2050 through encouraging all companies and sectors to transition over time. In practice, resource constraints impose limitations which will require engagement to be prioritised to financially material considerations and the likelihood for positive outcomes. Within the GEF, extractive fossil fuel companies are not a natural fit meaning small positions, conveying limited influence, but with challenging pathways to net zero.

### **TCFD Update**

In previous reports we have highlighted the phased introduction of mandatory TCFD<sup>R</sup> reporting requirements for occupational pension schemes and asset managers. As it pertains to LPPI, the FCA has now issued its final rules for the implementation of climate change disclosure within an updated ESG Factbook. This commits LPPI to publish FCA aligned entity and, where relevant, product level TCFD reports by June 2024.

However, the consultation by the Department for Levelling up, Housing and Communities (previously MHCLG) on how these regulations will be translated for the LGPS has been delayed until the first half of 2022. On publication of the consultation, LPPI and its clients will still have 12 weeks to consider the proposals and provide a response if desired.

### **LPPI's Annual Report on RI and Stewardship 2020/21**

As reported last quarter, LPPI has produced an Annual Report on Responsible Investment and Stewardship 2020/21 which offers a detailed account of our activities. Both the full report and a shorter highlights report are now available from the RI section of the [LPPI website](#).

### **For Reference**

#### **GICS - Global Industry Classification System**

The most widely used approach to categorising activities into industry sectors. The main standard in use for public markets with growing use for other asset classes. For more information on GICS and the activities that fall into each sector, please see:

[https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook\\_2018\\_v3\\_letter\\_digitalspreads.pdf](https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook_2018_v3_letter_digitalspreads.pdf)

#### **Paris Agreement**

The Agreement is a legally binding international treaty to tackle climate change and its negative impacts. The Agreement includes commitments from all countries to reduce their emissions and work together to adapt to the impacts of climate change. It entered into force on 4 November 2016.

The Agreement sets long-term goals to guide all nations to:

- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees,
- review countries' commitments every five years,

- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

<https://www.un.org/en/climatechange/paris-agreement>

### **Climate Action 100+**

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.

### **30% Club**

The 30% Club is a campaign group of business chairpersons and CEOs taking action to increase gender diversity on boards and senior management teams. It was established in the United Kingdom in 2010 with the aim of achieving a minimum of 30% female representation on the boards of FTSE 100 companies.

### **IIGCC**

Institutional Investor Group on Climate Change. LPPI is a member.

### **MSCI ACWI - MSCI All Country World Index**

A stock index designed to track broad global equity-market performance. The LPPI Global Equity Fund's benchmark.

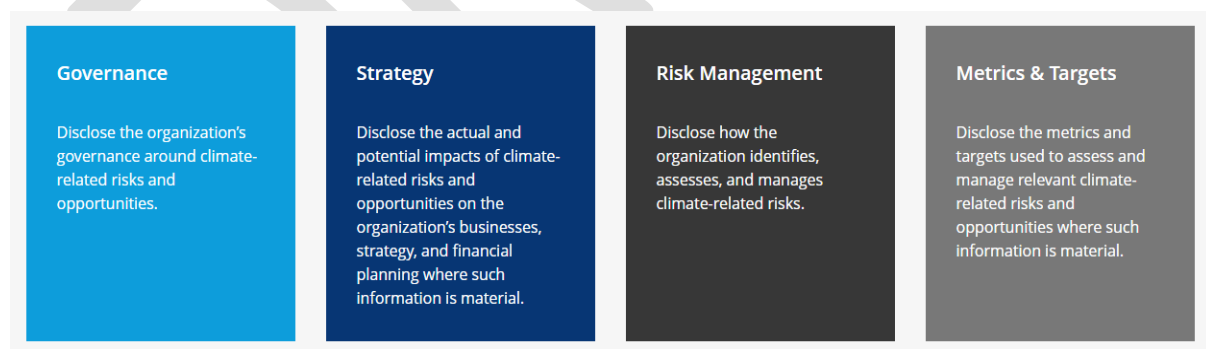
### **MSCI - Morgan Stanley Capital International**

A global index provider.

### **TCFD - Taskforce on Climate Related Financial Disclosure**

The Financial Stability Board created the Task Force on Climate-related Financial Disclosure (TCFD) to improve and increase reporting of climate-related financial information by companies and investors.

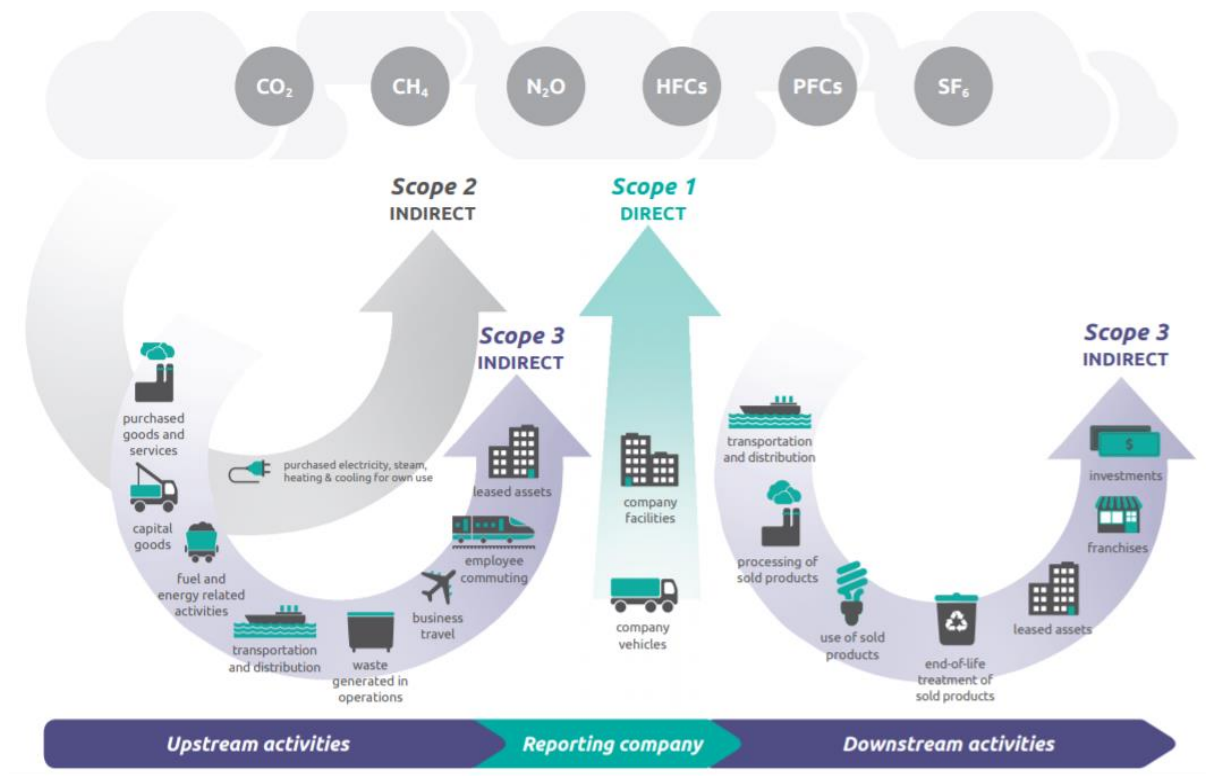
Recommendations include annual disclosure under 4 pillars:



### **TPI - Transition Pathway Initiative** <https://www.transitionpathwayinitiative.org/>

The TPI assesses the highest emitting companies globally on their preparedness for a transition to a low carbon economy. 368 companies are rated TPI 0-4\* for Management Quality based on 19 separate datapoints. TPI Management Quality scores provide an objective external measure of corporate transition readiness.

## Scope 1, 2 & 3 Emissions



Source: [GGH Protocol](#)

**Scope 1** covers direct **emissions** from owned or controlled sources.

**Scope 2** covers indirect **emissions** from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company.

**Scope 3** includes all other indirect **emissions** that occur in a company's value chain.





# Responsible Investment Dashboard Q4 2021

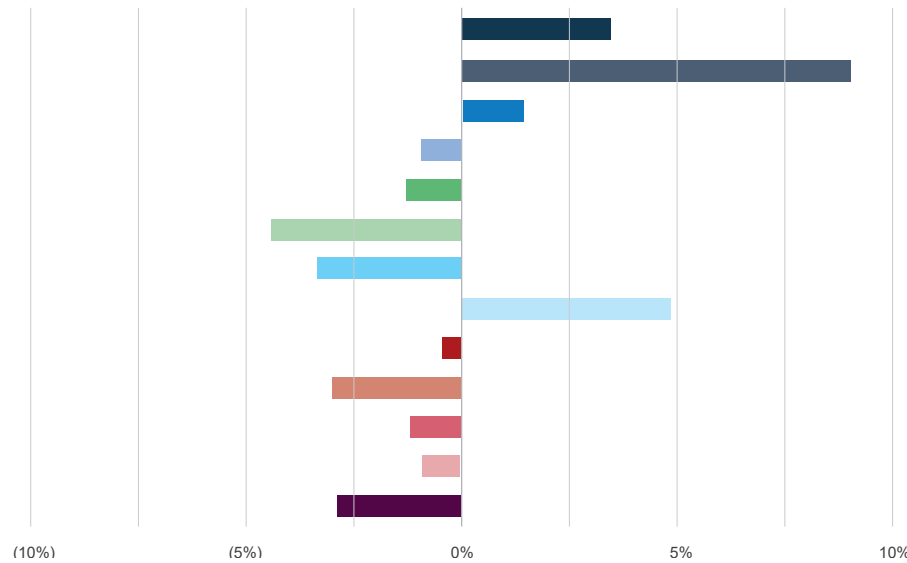
## 1. Portfolio Insights

### Listed Equities (LPPI Global Equities Fund)

Sector breakdown (%)

Information Technology	26.8
Consumer Staples	15.4
Industrials	12.1
Financials	11.9
Consumer Discretionary	10.1
Health Care	6.9
Communications Services	5.6
Cash	4.9
Real Estate	1.9
Materials	1.3
Utilities	1.3
Others	1.0
Energy	0.7

LPPI Global Equities Fund sector weights vs MSCI ACWI ND

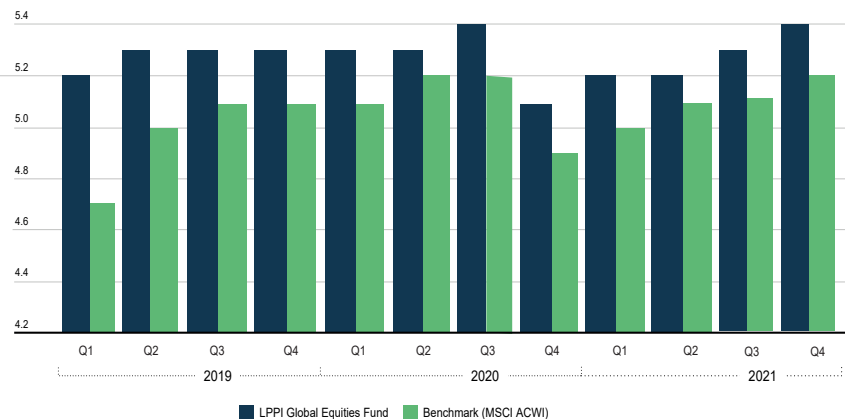


Top 10 positions

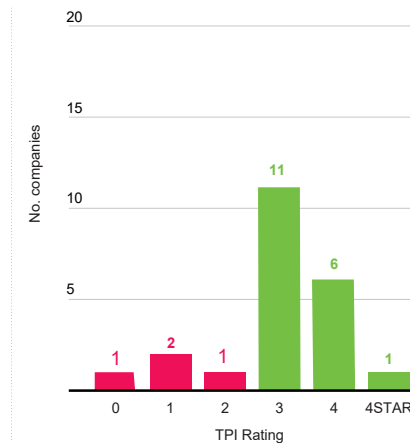
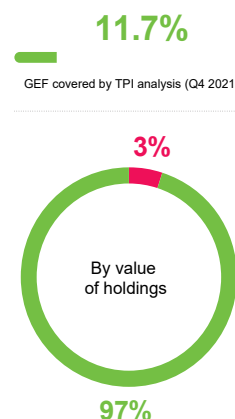
	Portfolio (%)
1. Microsoft	4.5
2. Nestle	3.4
3. Visa	2.8
4. Accenture	2.6
5. Colgate-Palmolive	2.3
6. Starbucks	2.1
7. Pepsico	2.0
8. Costco	1.6
9. Apple	1.6
10. Adobe	1.5

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Portfolio ESG Score (MSCI ESG Metrics)



Transition Pathway Initiative – Management Quality Headlines



TPI Management Quality Rankings

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

Appendix B

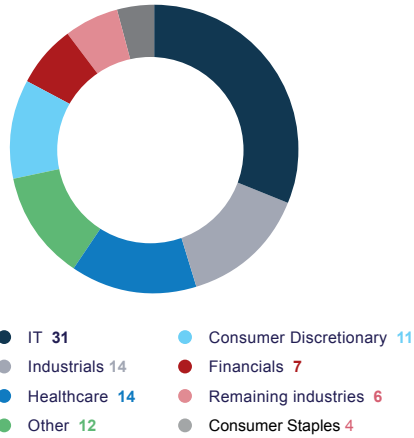
# Responsible Investment Dashboard Q4 2021

## 1. Portfolio Insights

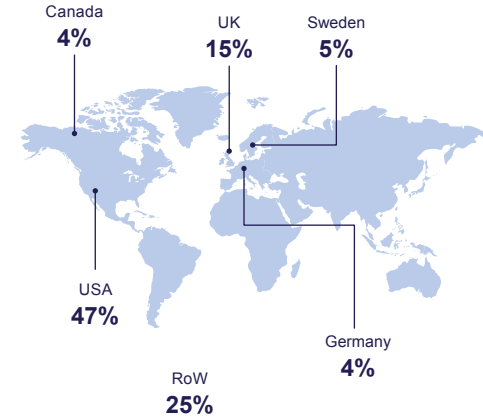
### Other asset classes

#### Private Equity

Industry Breakdown (%)



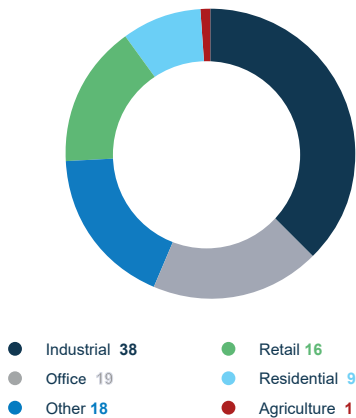
Region Breakdown (%)



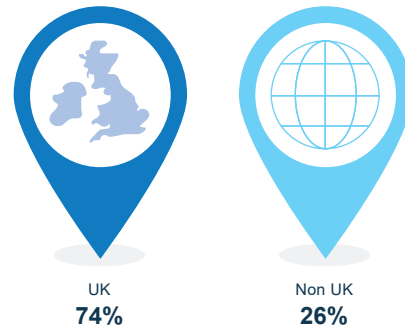
Page 100

#### Real Estate (LPP Real Estate Fund)

Sector Breakdown (NAV %)

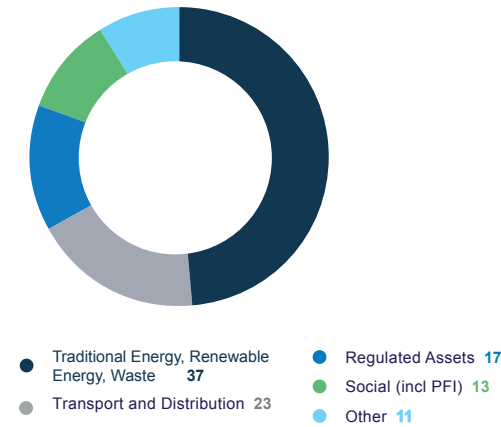


Geographical Exposure (NAV %)

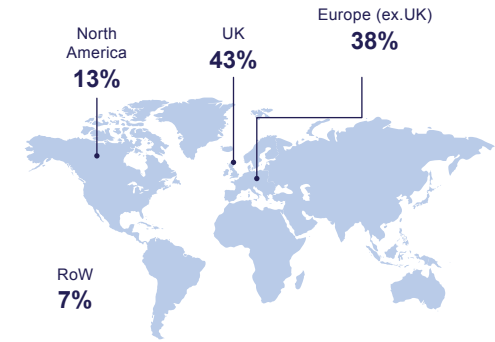


#### Infrastructure (LPP Global Infrastructure Fund)

Industry Breakdown (%)



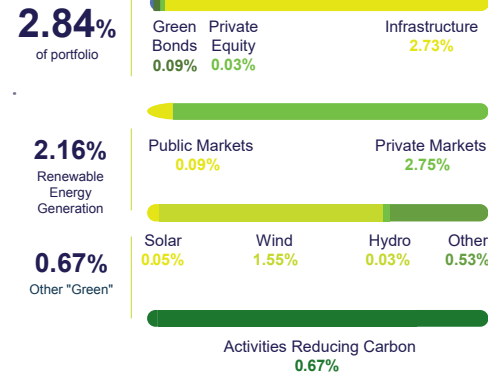
Region Breakdown (%)



#### Green & Brown Exposure

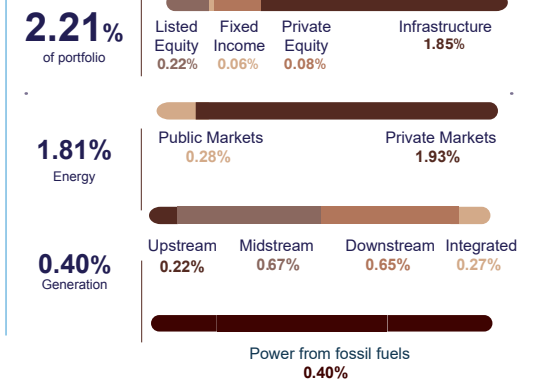
##### Green

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

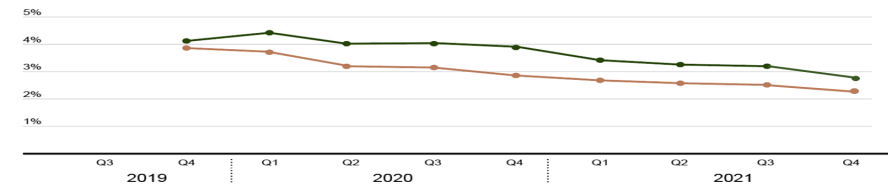


##### Brown

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



Trend



## 2. Stewardship Headlines

### Shareholder Voting

#### Shareholder Voting Statistics (LPPI Global Equity Fund)

##### Headlines



**48**

Meetings Voted



**337**

Proposals Voted



**321**

Company Proposals



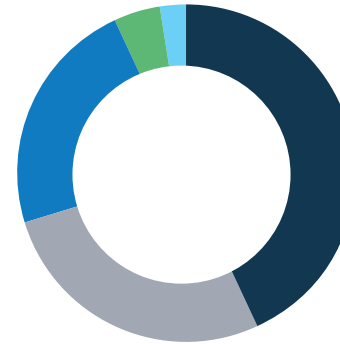
**16**

Shareholders Proposals



**38%**

Meetings with a vote against Management

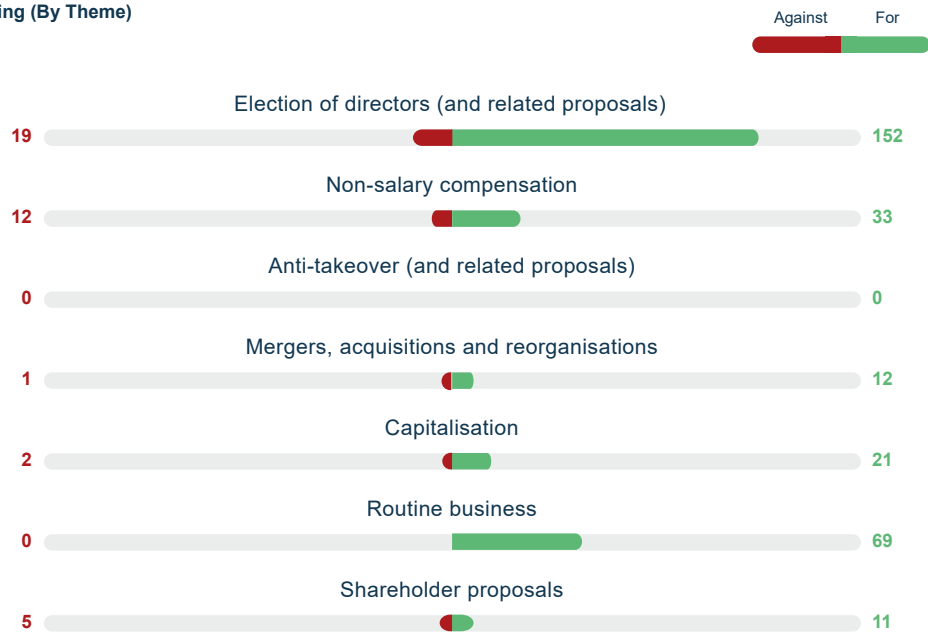


##### Votes Against Management (By theme)

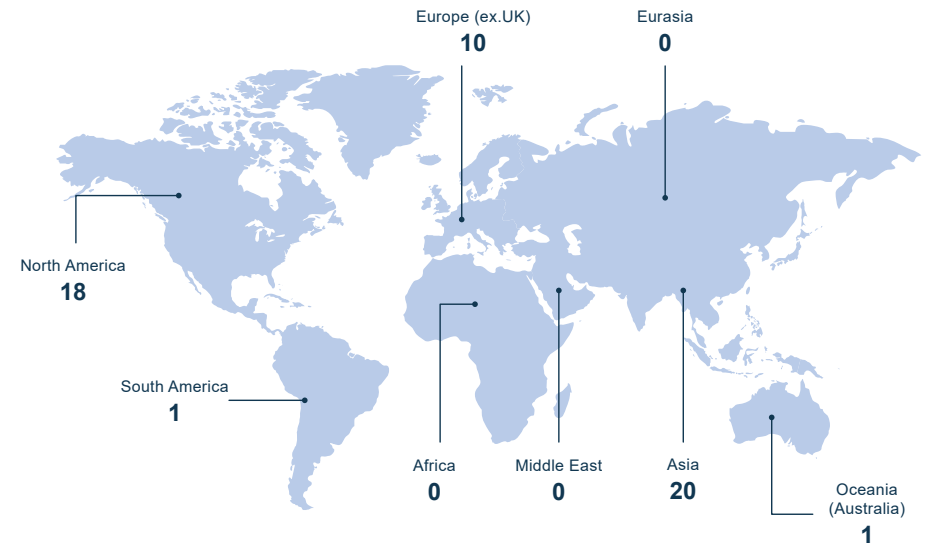
- Election of directors (and related proposals) 19
- Non-salary compensation 12
- Shareholder resolutions 10
- Capitalisation 2
- Mergers, acquisitions and reorganisations 1
- Anti-takeover (and related proposals) 0
- Routine business 0

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##### Voting (By Theme)



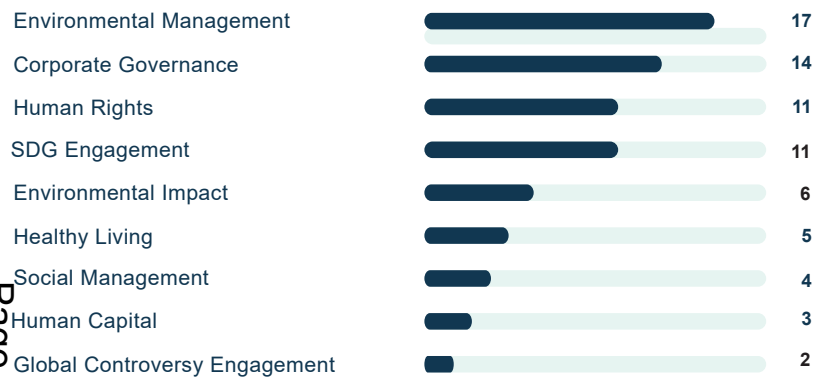
##### Voting (By Region)\*



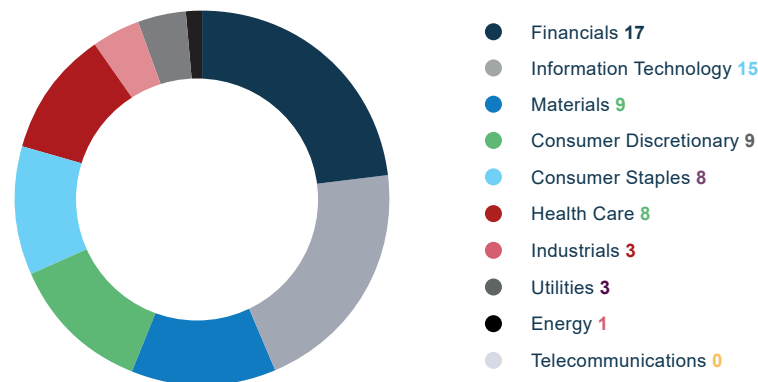
\*Total votable meetings

### Engagement (Public Markets)

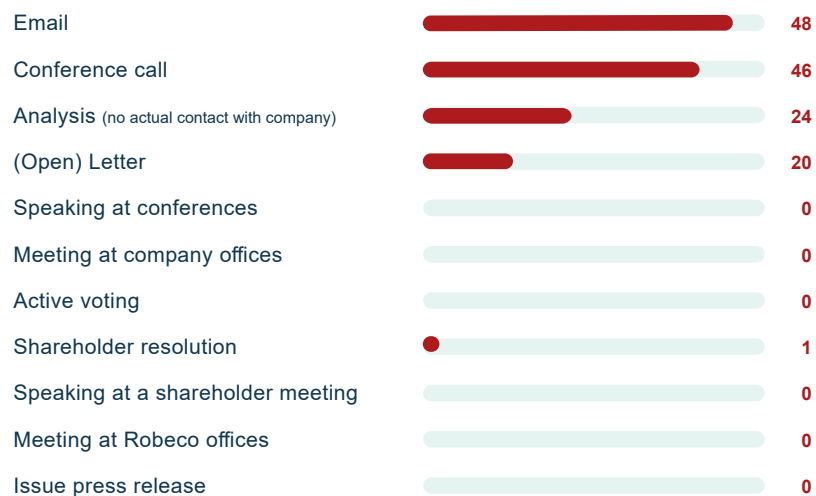
#### Activity (by Topic)



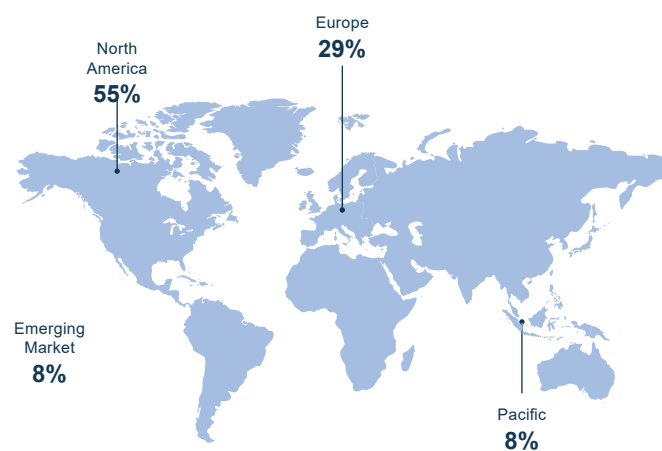
#### Activity (by Sector)



#### Activity (by Method)



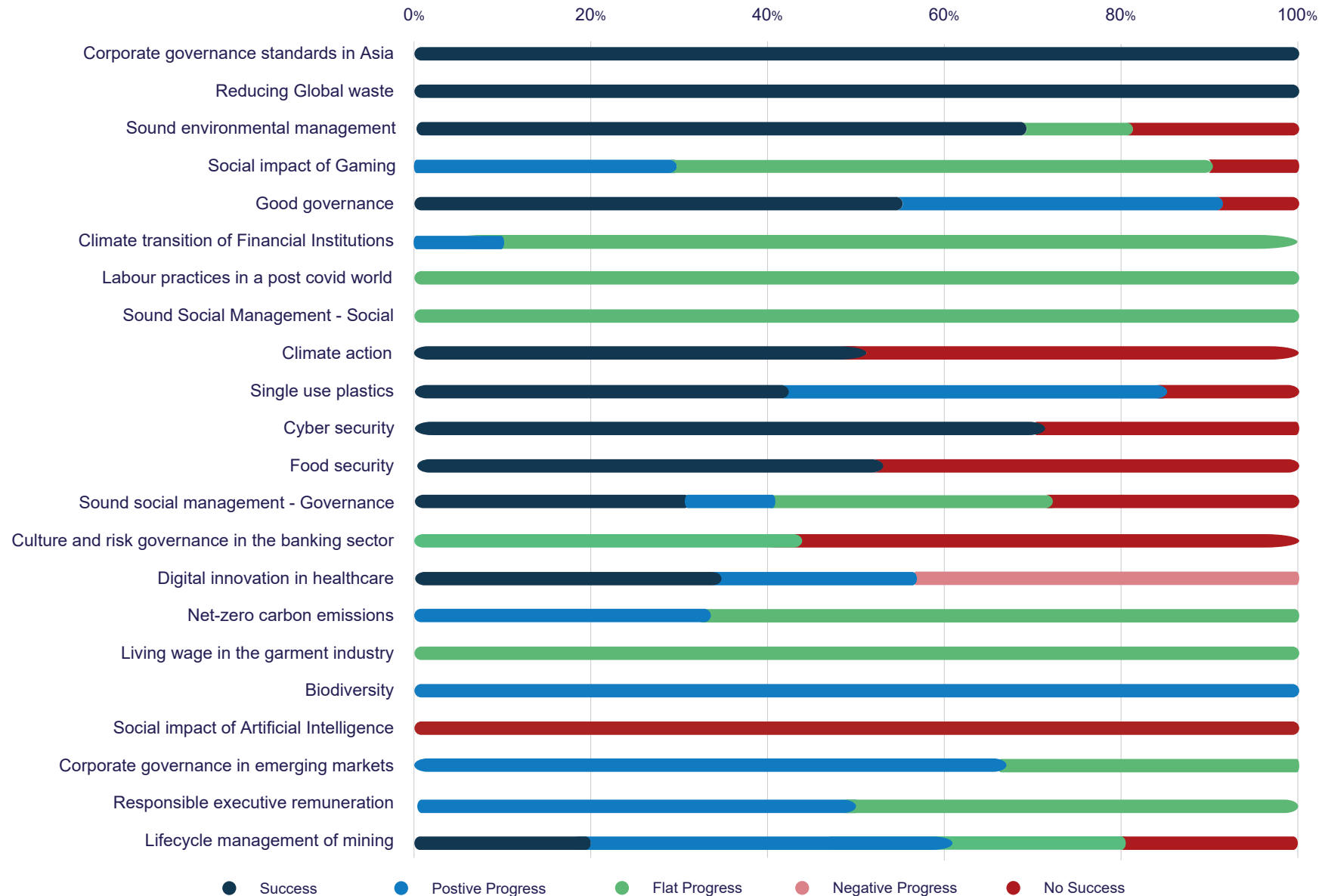
#### Activity (by Region) (%)



Source: Robeco Active Ownership Report Q4 2021

Engagement (Public Markets)

Engagement Results (by Theme)



## 3. Real World Outcomes - GEF internally-managed large cap portfolio



Costco globally operates warehouses through a membership model, offering competitive prices on a limited selection of brands and private label products across fresh and non-perishable food, apparel, pharmaceuticals, electronics, and other appliances.

The company encourages a unique corporate culture that relies, in part, on treating its employees better than the retail industry as a whole and offering them meaningful work in a variety of ways.

This translates into:

- superior levels of employee engagement/satisfaction
- higher customer service
- happier customers
- therefore, higher revenues and profits for the company



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**7% p.a.**  
employee turnover averages

Employee turnover averages c.7% p.a., compared to c.50% for the broader retail industry. **60% of employees have been at the firm for 5+ years**, 30% for 6-10 years and 10% for over 25 years.



**\$23**  
average hourly wage

The company pays an **average hourly wage of \$23**, versus an average c.\$13 equivalent in the wider retail industry – or \$17 at Walmart. In 2019 the company **increased its minimum wage to \$14-15**, on a par with Amazon and more than **double the federal minimum of \$7.25**.



**90%**  
eligible for medical cover

90% of employees are eligible for medical cover, compared to 60% for the industry, while eligible hourly staff also receive 401k contributions and twice-yearly bonuses.



**Focus on career development**

There is a clear focus on career development and policy of promoting from within, to the extent that **70% of warehouse managers began in hourly positions**, while direct warehouse experience is mandatory for head office staff.





## 3. Real World Outcomes - GEF SMID (Small and Mid) Cap

### abcam

Abcam produces high quality protein research tools and is one of the world's largest suppliers of research grade antibodies, biochemicals, proteins and peptides.

Antibodies play a vital role in biomedical research, and are seen as the gold standard for detecting, quantifying, and modifying proteins in scientific research experiments.

In doing so they help advance the global understanding of biology and causes of disease, leading to scientific breakthroughs in the development of medicines and treatments.

The global pharmaceutical industry continues to face several productivity challenges, which Abcam's products are designed to address:

- From 2010-2019, the cost of bringing a new drug to market almost doubled, while the average project length increased from 9.7 years in the 1990s to 10-15 years in the 2010s.
- Avoidable Experiment Expenditure (AEE) is a significant source of unnecessary spend and effort, with an estimated \$17bn lost annually in avoidable experiment R&D expenditure. Low quality antibodies are cited as the key reason for this, due to specificity and batch to batch variability.

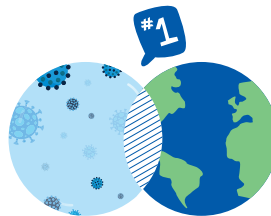


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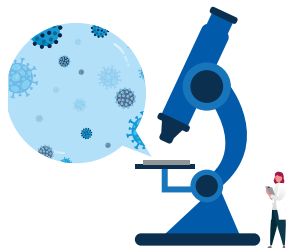
**750,000**  
research scientist  
customers

The company serves **c.750,000 research scientist customers globally** (covering an estimated 2/3rds of global life science researchers).



**#1 global company for antibodies**

The company was cited as the **number one company for research antibodies globally** in 2019 (according to life sciences data firm CiteAb), with over half of all life science papers published in the year citing use of an Abcam product.



**>450**  
validated antibodies

Abcam supplies **>450 antibodies validated** for use on third-party platforms or for diagnostic use.



**Largest antibody contributor**

The company has been **independently verified as the largest antibody contributor** to peer-reviewed publications in research into Alzheimer's disease.

## 3. Real World Outcomes - GEF internally-managed small and mid cap portfolio



Masimo is a global medical technology firm that develops, manufactures, and sells a variety of non-invasive monitoring technologies. The company's mission is to improve patient outcomes and reduce cost of care through non-invasive monitoring.

Masimo's core product, the Single Extraction Technology (SET) pulse oximetry, is the industry standard for measuring oxygen saturation levels (how quickly the body is delivering oxygen to the body's tissues) in the blood.

Oxygen saturation is a standard patient vital sign measurement, as it can provide early warning of conditions such as hyperoxemia, which can result in organ damage and even death in extreme instances. This technology is highly trusted by clinicians to safely monitor c.100m patients p.a. for use in everything from ICUs and surgical suites to long term care facilities and home use.

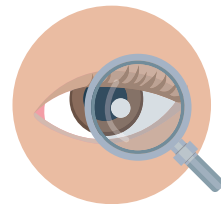


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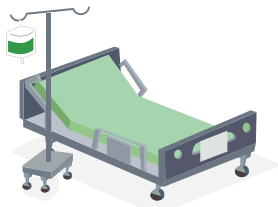
### 17/20 hospital choice

Masimo was chosen as the primary pulse oximeter technology by **17/20 hospitals listed on the US News & World Report Best Hospitals Honour Roll** (for 2017/2018).



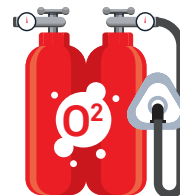
### >50% cut rates of retinopathy

In studies of premature babies, use of Masimo's SET has been shown to **cut rates of retinopathy** (disease of the retina) **by more than 50%**.



### Annual savings

Studies have shown that a typical **250 bed hospital could save between \$315k and \$2.4m annually** by using Masimo's technology, compared to rival offerings.



### Helping through COVID

It also became clear during the pandemic that oxygen saturation was a predictive measure of higher mortality amongst patients hospitalized with COVID-19, **further increasing the relevance of Masimo's products.**





### Portfolio Insights (Pages 1 - 2)

#### Sector Breakdown (%)

- Identifies the Global Equity Fund's ("GEF") sector breakdown and their proportions.

#### GEF Sector Weights

- Comparison of sector weights against their benchmark.
- The larger the bar the bigger the difference between GEF and benchmark weightings.
- Where a positive number is shown, this indicates the GEF is overweight to a sector.
- Where a negative number is shown, this indicates the GEF is underweight to a sector.

#### Top 10 Positions

- The top 10 GEF companies as a % of the asset class portfolio.

#### Portfolio ESG Score

- This is a relative indicator and not a measure of portfolio ESG risk exposure.
- Individual companies are assigned an ESG score (between 0-10). The final numbers shown in the bar chart are the weighted averages of these scores for the stocks held in the GEF vs its benchmark through time.
- This table is a comparison with the benchmark and reviews changes over time.
- LPPI utilise an established methodology (developed by MSCI) for determining the ESG score of stocks within the GEF. Further details can be found here: <https://www.msci.com/documents/1296102/21901542/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Nov+2020.pdf>
- The higher the score shown, the better the ESG credentials of the GEF / benchmark.

### Portfolio Insights (Pages 1 - 2)

#### Transition Pathway Initiative (TPI) Headlines

- TPI assess how well the largest global companies in high carbon emitting sectors are adapting their business models for a low carbon economy.
- The % of GEF covered by TPI shows the portfolio exposure to high emitting companies.
- The number/proportion of companies with top scores (TPI 3 and 4) is a measure of the quality of transition management by the high emitting companies held within the GEF.
- Detailed TPI methodology can be found through the following link: <https://www.transitionpathwayinitiative.org/methodology>

#### Private Market Asset Classes

- These metrics indicate the industry sector and regional breakdown as a % of the asset class for Private Equity, Infrastructure and Real Estate investments.

#### Green & Brown

- These metrics indicate the Pension Fund's total portfolio exposure (%) to green and brown assets. Current coverage extends to: Listed Equity, Fixed Income, Green Bonds, Private Equity, and Infrastructure.
- These are further broken down into their sectors/activities related to green and brown.

#### Green:

These are investments in renewable energy and sectors/activities assisting in renewable energy generation, low carbon tech and wider decarbonising activities.

#### Brown:

Investments in energy and power generation based on fossil fuel activities, including: extracting (upstream), transporting (midstream), refining (midstream), supplying (downstream), or some energy companies that legitimately span all aspects (integrated). Fossil fuels used to generate energy is part of electricity generation.

### Stewardship Headlines (Pages 3 - 5)

#### Shareholding Voting

- Key shareholder voting metrics for LPPI's GEF.
- The Headline section provides insight into the scope of voting activity, including how votes against management is concentrated.
- LPPI is responsible for voting on each decision taken, working in partnership with Institutional Shareholder Services to best inform views prior to taking action.
- The map of votes per region is included because different jurisdictions have different voting seasons. This provides context to the reporting of voting statistics quarter to quarter as votes take place in batches depending on the companies domicile at different points throughout the year.

#### Engagement

- Engagement is an active, long-term dialogue between investors and companies on environmental, social and governance factors, which can be executed through a variety of channels.
- This section outlines the engagement activities undertaken in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution).
- "Activity by method" summarises engagements by category / method and can include multiple inputs from the same company.
- The updated Robeco Active Ownership report summarises our engagement activities for the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %).
- Page 9 of the Robeco stewardship policy outlines further details of their process: <https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf>

### Real World Outcomes (Pages 6 - 8)

- This section provides real world ESG case studies, relevant to the Pension Fund's holdings, which rotate between asset classes each quarter.
- The focus of the real world outcomes rotates between asset classes for each quarter in the following pattern:
  - Q1 – Infrastructure
  - Q2 – Real Estate
  - Q3 – Private Equity
  - Q4 – GEF
- The case studies are an in-depth review of positive ESG practices for current investments within the portfolio over the past year.

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## Pension Fund Committee

Meeting to be held on Friday, 11 March 2022

Electoral Division affected:  
(All Divisions);

## Responsible Investment Policy - Dashboard Report

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

### Executive Summary

Further to the Pension Fund Committee meeting held on the 26<sup>th</sup> November 2021, where the revised Responsible Investment Policy was approved, the Responsible Investment Task & Finish Group were tasked with presenting any recommendations regarding substantive changes to the Dashboard report to this meeting.

### Recommendation

The Committee is asked to approve the recommended changes to the Dashboard Report, detailed in this paper.

### Background and Advice

It is a requirement under the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 that an administering authority demonstrates that it considers any factors financially material to the Fund (including environmental, social, and corporate governance factors) in its investment approach.

At the Pension Fund Committee on the 18th June 2021, it was resolved to establish a Task & Finish Group, comprising four members of the Committee (as determined by the Chair of the Committee), to review the existing RI policy and ensure it best reflects the values and beliefs of the Fund. The following four members of the Committee were selected to serve on the Group:

- County Councillor - A Schofield (Chair)
- County Councillor - M Brown
- County Councillor - G Dowding
- Co-opted member - Ms J Eastham

This Group, supported by Fund officers, Aoifinn Devitt, one of the Fund's Independent Investment Advisers, and Francis Deakin, Head of Responsible Investment at LPPI, revised the RI policy which was subsequently approved at the 26<sup>th</sup> November 2021 Pension Fund Committee.

One of the other aims of the Task & Finish Group was to:

- review the current reporting on responsible investment to the Pension Fund Committee via reports/Dashboard provided and make any recommendations for amendments or enhancements.

The agreed action from the last meeting of the Pension Fund Committee was follows:

- That the RI Task and Finish Group present any recommendations regarding substantive changes to the Dashboard report to the Committee on 11th March 2022 for consideration and approval.

The Task & Finish Group met on 4<sup>th</sup> February 2022. In discussions, the challenges of enhancing RI reporting were acknowledged including availability of clear and obvious metrics for measuring the priorities the Fund has identified and availability of portfolio information at a level of coverage sufficient to make summary metrics viable and useful. It was noted that current dashboard reporting is focused on Public Equities due to availability of company data and that other priorities would require more detailed work. It was acknowledged that care would need to be taken when determining any metrics to ensure that the value of the data produced was balanced against the resources needed to acquire it.

A summary of the agreed changes to the RI Dashboard are as follows:

Type	Changes	When
Non-substantive items	<ul style="list-style-type: none"> <li>• Explanatory sentences under 'Portfolio insights' regarding the two GEF graphics and the relationship between the figures for each. Also, the TPI percentages include where possible an indication in the graphics of the relevant trend up or down;</li> <li>• Under 'Voting activity by region' inclusion of text to explain the reason for providing this data (i.e. how the cycle of company Annual General Meetings varied across the world with most European AGMS being held in Q2);</li> <li>• The inclusion of a footnote with contextual information regarding the engagement results referred to under 'Stewardship headlines', including text to explain the reason for providing this data.</li> <li>• The inclusion of explanatory text under 'Portfolio insights' regarding the Portfolio ESG score and the Transition Pathway Initiative.</li> </ul>	March 2022 Q4 Dashboard Report.

Type	Changes	When
Substantive item 1	<p>That the following metrics, regarding corporate governance are to be included in the Dashboard:</p> <ul style="list-style-type: none"> <li>a) Board gender diversity</li> <li>b) Board independence%</li> <li>c) Say on pay support (shareholder voting on company pay proposals).</li> </ul>	June 2022 Q1 Dashboard Report.
Substantive item 2	Additional metrics to be provided as to net zero under the Climate Change priority.	End of 2022
Substantive item 3	<p>That the Head of Fund and the Head of Responsible Investment at LPPI explore potential additional metrics and present a range of options, including the use of commentary/case studies where appropriate, to a future meeting of the Pension Fund Committee. This may include the following:</p> <ul style="list-style-type: none"> <li>- relevant possible data that is available in the market for a fee</li> <li>- whether we could trail access to this data to test its utility</li> <li>- comparison of resource requirements in different possible scenarios e.g. paying for additional external data and reporting vs LPPI analysts doing it in house</li> <li>- how much we can use Robeco to gather insight into these themes for the portfolio</li> <li>- a suggested timeline for how regularly these themes should be reported on (reflecting the fact some data will not change very frequently)</li> </ul>	End of 2022 (indicative)

## Consultations

Local Pensions Partnership Investments Limited and Independent Investment Adviser.

## Implications:

This item has the following implications, as indicated:

## Risk management

It is an important component of good governance that the Fund is an engaged and responsible investor committed to actions which are in the best long-term interests of fund members and beneficiaries. The monitoring of investee companies and the promotion of good corporate governance practices can help to reduce the risk of

unexpected losses arising from poor oversight and lack of independence. Responsible investment practices underpin the fulfilment of the Fund's fiduciary responsibilities to Fund beneficiaries and are implemented in practice through the advisory and investment management services provided by Local Pensions Partnership Investments Limited.

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

Paper	Date	Contact/Tel
N/A	N/A	N/A

Reason for inclusion in Part II, if appropriate

N/A



# Agenda Item 17

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# Agenda Item 18

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# Agenda Item 19

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# Agenda Item 20

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# Agenda Item 21

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