

Lancashire County Council

Pension Fund Committee

Friday, 10th March, 2023 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 25th November 2022** (Pages 1 - 8)
To be confirmed and signed by the chair.
- 4. Budget Monitoring Q3 - 2022/23** (Pages 9 - 14)
- 5. Lancashire County Pension Fund 2023/24 Budget** (Pages 15 - 22)
- 6. Lancashire County Pension Fund Strategic Plan 2023-24** (Pages 23 - 72)
- 7. Breaches Policy Review** (Pages 73 - 102)
- 8. Feedback from members of the Committee on pension related training.** (Pages 103 - 106)
- 9. Training Plan 2023/24** (Pages 107 - 118)
- 10. Lancashire Local Pension Board Workplan 2023/24** (Pages 119 - 122)
- 11. Responsible Investment Report** (Pages 123 - 154)
- 12. 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.

13. Date of Next Meeting

The next meeting of the Committee will be held on Friday 16th June 2023 in Committee Room 'A' - The Tudor Room at County Hall, Preston, commencing at 10.30am.

14. 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)

- | | |
|---|-------------------|
| 15. Funding Strategy Statement | (Pages 155 - 242) |
| 16. Local Pensions Partnership Annual Budget 2023/24 | (Pages 243 - 334) |
| 17. Local Pensions Partnership Update | (Pages 335 - 348) |
| 18. Local Pensions Partnership Administration Update | (Pages 349 - 386) |
| 19. Investment Context Report | (Pages 387 - 398) |
| 20. Investment Performance Report | (Pages 399 - 426) |

Local Pension Partnership representatives to leave the meeting at this point.

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| 21. Investment Panel Report | (Pages 427 - 436) |
| 22. Lancashire County Pension Fund Actuarial Services - Procurement Exercise | (Pages 437 - 442) |

L Sales
Director of Corporate Services

County Hall
Preston



Lancashire County Council

Pension Fund Committee

**Minutes of the Meeting held on Friday, 25th November, 2022 at 10.30 am in
Committee Room 'A' - The Tudor Room, County Hall, Preston**

Present:

County Councillor E Pope (Chair)

County Councillors

M Brown	A Gardiner
J Burrows	J Mein*
M Clifford	A Schofield
J Couperthwaite	M Tomlinson
F De Molfetta	D Westley
R Woollam	

* Replaced County Councillor S Malik for this meeting.

Co-opted members

Councillor M Smith, Blackpool Council
Councillor D Borrow, City and Borough Councils
Ms J Eastham, Further Education/Higher Education Institutions
Mr P Crewe, Trade Unions
Ms S Roylance, Trade Unions

In attendance:

Mr S Greene, Head of Pension Fund, Lancashire County Council.
Ms A Devitt, Independent Investment Adviser.
Ms M George Independent Investment Adviser.
Mr S Basnett, Engagement manager, Grant Thornton.
Mr M Wilson FIA, Senior Associate, Mercers.
Ms L Sales, Director of Corporate Services, Lancashire County Council.
Mr M Neville, Senior Democratic Services Officer, Lancashire County Council.
Mr W Bourne, Chair of the Lancashire Local Pension Board.
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.

1. Welcome and Apologies

The Chair welcomed everyone to the meeting. Apologies were received from County Councillor M Dad.

2. Disclosure of Pecuniary and Non-Pecuniary Interests



No declarations of interest were made at this point in the meeting.

3. Minutes of the last Meeting.

The Chair reported that the Lancashire County Pension Fund Annual Report 2021/22 was being finalised and would be published on 1st December 2022. The briefing on the Local Pension Partnership Governance review requested at the previous meeting had been held on 1st November 2022.

Resolved: That the Minutes of the meeting held on 16th September 2022 are confirmed as an accurate record and signed by the Chair.

4. Lancashire County Pension Fund - External Audit Findings Report 2021/22

Mr Basnett, Engagement Manager from Grant Thornton UK LLP, reported that due to a national issue regarding infrastructure assets owned by local authorities the Auditors final opinion on the County Council and Pension Fund accounts would be presented to the Audit, Risk and Governance Committee on 30th January 2023. As the Annual Report for the Fund was due to be published by the statutory deadline of 1st December 2022 it was noted that the Annual Report of the Fund would be updated in the new year to reflect the final opinion.

Resolved:

1. That the findings of the external audit of the Lancashire County Pension Fund accounts for the year ended 31st March 2022, as set out in Appendix A to the report presented are noted.
2. That the Committee be informed of the final opinion of the external auditor once it has been reported to the Audit Risk and Governance Committee on 30th January 2023 and that the Pension Fund Annual Report 2021/22 be updated accordingly.

5. Local Pensions Partnership Annual Report and Accounts

The Committee considered a report on the Local Pensions Partnership Annual Report which included a strategic report and the financial statements of the Company.

Resolved: That the Annual Report and Accounts for the Local Pensions Partnership Limited for the year ended 31st March 2022, as set out at Appendix 'A' to the report presented, is noted.

6. Budget Monitoring Q2 - 2022/23

The Head of Fund presented a report on the income and expenditure of the Fund for the 6 months up to 30th September 2022 together with a forecast for the year ending 31st March 2023. The Chair informed the meeting that he had requested that future monitoring reports include a column showing the budget position for the relevant period end.



Resolved: That the financial results of the Fund for the 6 months up to 30th September 2022 together with the budget and forecast variances set out in the report presented are noted.

7. 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 gave positive feedback on their experiences at the PLSA Conference and internal workshops/presentations. The Chair reported that the next scheduled internal workshop for Committee members (a technical update from the Local Pensions Partnership Administration Ltd) would be held at 10.00am on 5th December 2022

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.

8. Responsible Investment Report

The Head of the Fund presented a report on responsible investment activity during the third quarter of 2022 and informed the Committee that LPPIs net zero targets had been accepted by the Institutional Investors Group on Climate Change, and an update on the UN Principles for RI results for 2021 would be included in the report to the next meeting. It was also reported that LPPI had provided a technical response to the Government consultation on climate risk disclosures in the Local Government Pension Scheme.

Resolved:

1. That the update on responsible investment activity by Local Pension Partnerships Investments Ltd (LPPI) during Q3, as set out in the report presented, is noted.
2. That a copy of the LPPI technical response to the Government consultation on climate risk disclosures in the Local Government Pension Scheme in alignment with the Taskforce on Climate-related Financial Disclosures be made available to Committee members outside of the meeting.

9. Urgent Business

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

10. Programme of meetings 2023/24

The 2023/24 programme of Committee meetings agreed by full council in October 2022 was presented and the Head of Fund proposed that the meeting on 24th November 2023 be put back to 1st December 2023 to stagger the meetings of the Committee.



Resolved:

1. That the 2023/24 programme of meetings for the Committee, as approved by full Council on 14th October 2021, is noted.
2. That the meeting scheduled for 24th November 2023 is cancelled and rearranged for 1st December 2023 giving a 2023/24 programme of meetings as follows, with all meetings to be held at County Hall, Preston, commencing at 10.30am.

16th June 2023

15th September 2023

1st December 2023

8th March 2024

11. Date of Next Meeting

The next scheduled meeting of the Committee will be held at 10.30am on 10th March 2023 in Committee Room 'C' - The Duke of Lancaster Room at County Hall, Preston. The meeting will be preceded by a 30-minute technical update for Committee members by representatives from the Local Pensions Partnership Administration Limited in the same room.

12. 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.

13. Draft Funding Strategy Statement

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 and Mr Wilson FIA, Senior Associate from Mercers, presented a report on the revised Funding Strategy Statement (FSS) which included a draft updated Admission and Termination Policy and a proposed timescale for consultation with employers and the Local Pension Board before the final FSS was presented to Committee for approval.

Resolved:

1. That the contents of the draft updated Funding Strategy Statement (FSS) and associated Admission and Termination Policy, as set out respectively at



Appendices 'A' and 'B' to the report presented, are noted, and approved for consultation.

2. That a further report on the outcome of the consultation and highlighting key themes, together with a final version of the FSS, be presented to the next meeting of the Committee for approval.

14. 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 (LPP) presented a strategic update on activity by the Group which included a summary of the performance of the pension administration service. In considering the report the Committee noted that whilst there had been some minor issues following implementation, phase 2 of Project PACE had gone well and would be reflected in future performance reports.

Resolved: That the updates on investment and pension 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.

15. Investment Context Report

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

Ms Devitt, Independent Investment Adviser to the Fund, presented a detailed report on the various macro-economic factors which influence the investment market in which the Fund operated including the recent UK government mini budget, inflation, increased energy costs and geopolitics, including China.

Resolved: That the update on the macro-economic factors that influence the investment market in which the Lancashire County Pension Fund operates is 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.

Ms George, Independent Investment Adviser to the Fund, presented a detailed report on the performance of the Fund up to the end of September 2022 and highlighted specific areas of interest such as the performance of the Fund portfolio over different periods of time, individual asset allocations, cashflow and the current



funding level. The Committee also discussed local investment and received an update on the East Cliff development in Preston.

Resolved:

1. That the performance of the Lancashire County Pension Fund up to the end of September 2022, as set out in the report presented, is noted.
2. That arrangements be made for the Chair, Head of Fund and County Councillor M Brown to meet to further discuss local investment by the Fund.

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

17. Investment Panel Report

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

The Head of Fund presented a report on the various matters that were discussed at the Investment Panel on 15th September 2022, as set out in the Minutes of that meeting. He reported that at the meeting on 24th November 2023 the Panel had reviewed cashflow and planned the review of the Investment Strategy Statement. An update on the work would be provided at the next meeting of the Committee with a revised Strategy to be presented in June 2023.

Resolved: That the Minutes of the Investment Panel held on 15th September 2022 are noted.

18. Local Pension Partnership (LPP) Governance Review

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 Chair presented an update report on the LPP governance review and the briefing held on 1st November 2022 where members of the Committee had discussed the background/context and scope of the review. Councillor Borrow reported that the briefing had been useful, and the Chair confirmed that a further briefing would be arranged for early in the new year.

Resolved: That the report be noted, and arrangements made for a further briefing on shareholder matters to be held for Committee members in February 2023.



19. Lancashire County Pension Fund - Risk Register

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

The Head of Fund presented a report on the full risk register for the Lancashire County Pension Fund and highlighted specific risks associated with the implementation of the new pensions administration system, the ongoing Russia/Ukraine conflict, and Inflation. In view of discussions earlier in the meeting it was reported that the Register would be updated to include the geopolitical risks associated with China and the potential impact on investment markets.

Resolved: That the current Lancashire County Pension Fund Risk Register, as set out in the Appendices to the report presented, is noted.

20. Lancashire Local Pension Board Recruitment

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

The Committee considered a report on the process for recruiting replacement Employer and Scheme Member representatives to fill four vacancies on the Lancashire Local Pension Board which included staggering the term of new appointments to reduce the risk of several Board members reaching the end of their term at or around the same time in the future.

Resolved: That the appointment of 2 new Employer representatives and 2 new Scheme Member representatives to the Lancashire Local Pension Board on the basis set out in the report and to be recommended to full Council for approval is noted.

L Sales
Director of Corporate Services

County Hall
Preston



Pension Fund Committee

Meeting to be held on Friday, 10 March 2023

Electoral Division affected:
N/A;

2022/23 Budget Monitoring Report

(Appendix 'A' refers)

Contact for further information:

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

Brief Summary

This report sets out the income and expenditure of the Fund for the 9-month period to 31 December 2022 and provides a forecast for the year ending 31 March 2023.

Recommendation

The Committee is asked to review the financial results for the 9 months to 31 December 2022 and note the budget and forecast variances, as set out in the report.

Detail

The budget for the financial year ending 31 March 2023 was approved by the Pension Fund Committee on the Friday 11th March 2022. 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 2023 indicates that money available for investment will be below 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 £129.3m (Budget £164.2m, revised forecast at Q3 £175.8m)

Both employer and employee contributions have increased compared to the previous forecast and are higher than anticipated in setting the budget. The increase is principally due to the settlement and payment of the backdated pay award in Q3, the pay award was higher than budgeted for and this is reflected in the forecast.

Transfers In

Actual £12.7m (Budget £13.2m, forecast at Q2 £16.0m)

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 £158.6m (Budget £209.6, forecast at Q3 £209.6m)

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 2022 investment income received has been above budget by £1.5m. We anticipate the investment income to be largely on budget for the rest of the year therefore the forecast remains at the budgeted level.

Total benefits payable

Actual £237.8m (Budget £309.5m, forecast at Q3 £316.5m)

Actual payments have slightly exceeded budget over the first 9 months of the year. It is anticipated that this will continue for the rest of the year leading to a small percentage overspend being forecasted.

Transfers out

Actual £12.5m (Budget £15.7m, forecast at Q3 £16.4m)

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 £59.7m (Budget £154.5m, forecast at Q3 £131.3m)

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 decreased which is against this projection. During the 9 months to 31 December 2022, the value of the Fund's assets has decreased from £10.8 billion to £10.6 billion, and this asset performance will result in a slight decrease 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. 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 do appear low in relation to the annual budget which is not unusual for the first three quarters with the majority of fees normally being recognised in the final quarter. However, it is recognised the performance return of the fund is not as strong as previous years and therefore it is anticipated that the performance fees will be lower than included in the budget.

Fund administration and oversight and governance fees

Actual £4.5m (Budget £6.3m, forecast at Q3 £6.3m)

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 2022. 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
N/A	N/A	N/A

Reason for inclusion in Part II, if appropriate

N/A



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

	PRIOR YEAR ACTUAL Year ended 31 March 2021 £'000	BUDGET Year ending 31 March 2023 £'000	BUDGET 9 months ended 31 December 2022 £'000	ACTUAL 9 months ended 31 December 2022 £'000	FORECAST Year ending 31 March 2023 £'000	FORECAST VARIANCE Year ending 31 March 2023 £'000	FORECAST VARIANCE Year ending 31 March 2023 % of budget	FAVOURABLE / ADVERSE
INCOME								
Contributions Receivable								
From Employers								
Future service rate contributions	(86,912)	(85,202)	(63,901)	(67,623)	(91,791)	(6,589)	(7.7%)	FAV
Deficit recovery contributions	(5,005)	(5,428)	(4,221)	(5,022)	(6,373)	(945)	(17.4%)	FAV
Pension strain / augmented pensions	(1,879)	(4,534)	(3,401)	(1,954)	(3,088)	1,446	31.9%	ADV
From Employees	(67,656)	(69,082)	(51,812)	(54,741)	(74,505)	(5,423)	(7.8%)	FAV
Total contributions receivable	(161,452)	(164,246)	(123,334)	(129,341)	(175,756)	(11,511)	(7.0%)	FAV
Transfers in	(15,860)	(13,180)	(9,885)	(12,683)	(15,978)	(2,798)	(21.2%)	FAV
Total Investment Income	(203,275)	(209,564)	(157,173)	(158,645)	(209,564)	0	0.0%	FAV
TOTAL INCOME	(380,587)	(386,990)	(290,393)	(300,669)	(401,299)	(14,309)	(3.7%)	FAV
EXPENDITURE								
Benefits Payable								
Pensions	252,862	259,774	194,830	198,897	265,196	5,423	2.1%	ADV
Lump Sum Benefits	53,442	49,731	37,298	38,903	51,336	1,605	3.2%	ADV
Total benefits payable	306,305	309,504	232,128	237,800	316,532	7,028	2.3%	ADV
Transfers out	13,422	15,673	11,755	12,511	16,429	757	4.8%	ADV
Refund of Contributions	849	872	654	682	1,046	174	19.9%	ADV
Fund administrative expenses								
<i>Administrative and processing expenses:</i>								
Total administrative expenses (includes LPP expenses)	4,128	4,368	3,276	3,146	4,460	92	2.1%	ADV
Total administrative expenses	4,128	4,368	3,276	3,146	4,460	92	2.1%	ADV
Investment management expenses								
<i>Investment management fees:</i>								
LPP directly invoiced investment management fees	790	820	615	423	571	(249)	(30.4%)	FAV
DIRECTLY INVOICED non LPP investment management fees - direct holdings	179	190	143	133	187	(3)	(1.4%)	FAV
Investment management fees on pooled investments	161,425	150,000	112,500	55,125	125,000	(25,000)	(16.7%)	FAV
Custody fees	40	75	56	39	52	(23)	(30.2%)	FAV
Commission, agents charges and withholding tax	571	2,043	1,532	1,019	2,043	0	0.0%	FAV
Property expenses	2,918	1,360	1,020	3,010	3,410	2,050	150.7%	FAV
Total investment management expenses	165,980	154,488	115,866	59,749	131,263	(23,224)	(15.0%)	FAV
Oversight and Governance expenses								
Performance measurement fees (including Panel)	120	84	63	70	90	6	7.1%	ADV
Lancashire Local Pensions Board	7	12	9	9	12	0	0.0%	ADV
Other advisory fees (including abortive fees)	70	100	75	124	140	40	40.0%	ADV
Actuarial fees	197	300	225	272	300	0	0.0%	ADV
Audit fees	27	26	20	33	37	11	42.3%	ADV
Legal & professional fees	77	130	98	97	140	10	7.7%	ADV
LCC staff recharges	930	1,067	800	698	964	(103)	(9.6%)	FAV
Write offs		150	113	6	150	0	0.0%	FAV
Bank charges	5	4	3	4	4	0	0.0%	ADV
Total oversight and governance expenses	1,375	1,873	1,405	1,313	1,837	(36)	(1.9%)	FAV
TOTAL EXPENDITURE	492,059	486,778	365,084	315,202	471,568	(15,210)	(3.1%)	FAV
MONEY TO BE AVAILABLE FOR (OR WITHDRAWN FROM) INVESTMENT BEFORE REALISED AND UNREALISED PROFITS AND LOSSES ON INVESTMENTS	111,473	99,788	74,691	14,534	70,269	(29,519)	(29.6%)	FAV

Pension Fund Committee

Meeting to be held on Friday, 10 March 2023

Electoral Division affected: N/A;

Lancashire County Pension Fund 2023/24 Budget
(Appendix 'A' refers)

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

Brief Summary

A one-year budget has been set for the Lancashire County Pension Fund for the year ending 31st March 2024.

Recommendation

The Committee is asked to approve the budget for the year ending 31st March 2024, as set out in Appendix 'A' to this report.

Detail

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 an increase in money available for investment (before accounting for changes in the market value of investments during the year) of £139.2m. 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 31st March 2024, is set out in Appendix 'A' to this report.

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

- The latest forecast for the year ending 31st March 2023 which is also included in the agenda for this meeting as well as actual experience for the financial years ending 31st March 2021 and 31st March 2022 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 2022 actuarial valuation in respect of contribution income receivable.
- The current investment strategy.
- Contractual agreements in respect of oversight, governance, and investment management fees.

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

Key assumptions supporting the budget are set out below.

INCOME

Income from members and employers

Contribution income for the year ending 31st March 2024 is based on estimated figures provided to the Fund by the actuary, Mercer, including revised employer contribution rates (following the 2022) valuation which are to be implemented from 1st April 2023. The figure also includes expected receipts from employers who chose to pay future service rate and/or deficit contributions in advance following the 2022 actuarial valuation (i.e. prepayments).

Certain large employers within the Fund were offered the option to 'prepay' contributions for the 3 years ending 31st March 2026. 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 will be 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 will result in increased contribution income being reported for 2023/24. The up-front payments are due to be received in April 2023 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.

Based upon the latest information available regarding which employers will take up the prepayment option, the element of the prepayment which is attributable to the year ending 31st March 2025 and 31st March 2026 is approximately £119.4m. This budget is based on an assumption that LCC will make a prepayment of pension contributions for the 3-year period. This has yet to be formally communicated to the Pension Fund, but discussions so far indicate that the prepayment will most likely be made.

The budgeted Fund Account attached as Appendix 'A' has been extended to reflect the net position had the contributions not been recorded on receipt. This is provided for information only at the end of the appendix. The result reports a net surplus of cash available for investment of £19.8m rather than the budget surplus of £119.4m and illustrates the impact that this accounting treatment has on the reported results of the Fund.

The estimated 23/24 pay award has been applied to employee contributions at 5% 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 than the forecast full year for 2022/23.

Deficit recovery contributions are lower than in prior years due to the improved funding position resulting in fewer employers being in a deficit.

The income in respect of pension strain and transfers in have been based on the average cost from January 2020 to November 2022.

Investment income

The budget for 23/24 has used the March 22/23 forecast, adjusting 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 10.1%.

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 November 2022.

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. Regulatory changes for estimated costs of McCloud and Pensions Dashboard account for 5.7% of recoverable costs;
2. the cost of additional temporary headcount recruited to provide operational resilience for the migration to UPM was assumed to drop out in 22/23 will continue into 23/24
3. Inflation is significantly higher than anticipated.

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 and the creation of the pensions dashboard therefore the Fund budget includes £120k 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. These invoices are calculated based on the market value of those non-pooled investments and the budget of £0.5m reflects that the majority of the Fund's investments are now held in pooled arrangements. The budget is consistent with the level of invoicing through the third quarter of 2022/23 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 directly invoice the Fund for the management of pooled investments but instead these fees are recovered through a deduction from the distributions paid to the Fund.

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 2021/2022 fees for the management and transaction elements increased by 5% for assumed growth in 22/23 and for another 5% in 23/24.

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.

Investment performance for 2022/23 has not been as strong as it has been in prior years therefore as performance fees are reported by managers in arrears some fees related to performance in 2022/23 will crystallise in the 2023/24 budget. Bearing in mind the long-term growth expectation from LPPI of 5%, performance fees are anticipated to be somewhere between 2021/22 and what has been seen in 2022/23 so far. These factors have been considered in setting the budget to ensure that it is prudent.

The property expenses have been increased for an adjustment in the accounting treatment, this has grossed up the property income and expenditure by approximately £1m each. Increased costs due to more vacant units in the properties are also anticipated and there were some additional costs in 22/23 that are not considered to be recurring.

Oversight and governance expenses

The Performance management budget has been based on the 22/23 forecast, adjusted to reflect the annual inflationary increase in allowances paid to the Fund's independent investment advisors.

The Local Pensions Board budget has been increased slightly on 22/23 due to the anticipated appointment of a new chair 100% payable by the Fund from October 2022.

The actuarial fees budget has been decreased to reflect decreased actuarial work after the completion of the 2022 Actuarial Valuation.

The fee for external audit is currently uncertain but given the increased scrutiny on public sector accounts, a modest increase on the 22/23 budget has been included.

The increase in the budgeted staff recharge from Lancashire County Council reflects assumed salary increase of 5%.

NET POSITION

This budget sets out an increase in money available for investment (before accounting for changes in the market value of investments during the year) of £139.2m.

This budgeted surplus is primarily due to some large employers opting to take up the option to prepay the full 3-year employer contributions in line with generally accepted accounting practice and as agreed with the Fund's external auditors Grant Thornton.

Consultations

Local Pensions Partnership Administration Limited
Local Pensions Partnership Investment Limited
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 2024**

	ACTUAL 9 months ended 31 December 2022 £'000	BUDGET Year ending 31 March 2023 £'000	FORECAST Year ending 31 March 2023 £'000	BUDGET Year ending 31 March 2024 £'000
INCOME				
Contributions Receivable				
<u>From Employers</u>				
Future service rate contributions	(67,623)	(85,202)	(91,791)	(319,400)
Deficit recovery contributions	(5,022)	(5,428)	(6,373)	(2,400)
Pension strain / augmented pensions	(1,954)	(4,534)	(3,088)	(4,059)
<u>From Employees</u>	(54,741)	(69,082)	(74,505)	(78,230)
Total contributions receivable	(129,341)	(164,246)	(175,756)	(404,088)
Transfers in	(12,683)	(13,180)	(15,978)	(15,436)
Total Investment Income	(158,645)	(209,564)	(209,564)	(220,043)
<u>TOTAL INCOME</u>	(300,669)	(386,990)	(401,299)	(639,567)
EXPENDITURE				
Benefits Payable				
Pensions	198,897	259,774	265,196	291,981
Lump Sum Benefits	38,903	49,731	51,336	53,781
Total benefits payable	237,800	309,504	316,532	345,762
Transfers out	12,511	15,673	16,429	16,104
Refund of Contributions	682	872	1,046	892
Fund administrative expenses				
<u>Administrative and processing expenses:</u>				
Total administrative expenses (includes LPP expenses)	3,146	4,368	4,460	5,300
Total administrative expenses	3,146	4,368	4,460	5,300
Investment management expenses				
<u>Investment management fees:</u>				
LPP directly invoiced investment management fees	423	820	571	500
DIRECTLY INVOICED non LPP investment management fees - direct holdings	133	190	187	190
Investment management fees on pooled investments:	55,125	150,000	125,000	125,000
Management & Transaction fees				73,500
Performance fees				51,500
Custody fees	39	75	52	60
Commission, agents charges and withholding tax	1,019	2,043	2,043	1,749
Property expenses	3,010	1,360	3,410	3,000
Total investment management expenses	61,339	154,488	132,853	130,499

Oversight and Governance expenses				
Performance measurement fees (including Panel)	70	84	90	84
Lancashire Local Pensions Board	9	12	12	15
Other advisory fees (including abortive fees)	124	100	140	100
Actuarial fees	272	300	300	220
Audit fees	33	26	37	40
Legal & professional fees	97	130	140	130
LCC staff recharges	698	1,067	964	1,121
Writes offs	6	150	150	100
Bank charges	4	4	4	6
Total oversight and governance expenses	1,313	1,873	1,837	1,816
<u>TOTAL EXPENDITURE</u>	316,792	486,778	473,158	500,373
<u>MONEY TO BE AVAILABLE FOR (OR WITHDRAWN FROM) INVESTMENT BEFORE REALISED AND UNREALISED PROFITS AND LOSSES ON INVESTMENTS</u>	16,124	99,788	71,859	(139,194)

Memo: Impact of prepaid contributions

2024/25 & 2025/26 Future service rate contributions expected to be received in 2023/24

EXPENDITURE IN EXCESS OF INCOME
BEFORE REALISED AND UNREALISED
PROFITS AND LOSSES ON INVESTMENTS

	119,429
	(19,765)

Pension Fund Committee

Meeting to be held on Friday, 10 March 2023

Electoral Division affected: N/A;

Lancashire County Pension Fund Strategic Plan 2023-24
(Appendices 'A' and 'B' refer)

Contact for further information:

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

Brief Summary

The Strategic Plan defines the key objectives of the Fund and is broken down into activity the Fund will undertake over the next 12 months.

The management of the Fund is broken down into five areas, namely:

- Governance
- Funding and Investment
- Administration
- Communication
- Shareholder

The 2023/24 plan is attached at Appendix 'A' and the annual update on the 2022 plan is attached at Appendix 'B' to this report.

Recommendation

The Committee is asked to approve the draft Lancashire County Pension Fund Strategic Plan for 2023-24 and note the 12 month update attached at Appendices 'A' and 'B' respectively to this report.

Detail

It is considered good governance for pension funds to develop a clear planning and risk management framework. The Lancashire County Pension Fund has produced a strategic plan for the next 12 months.

This year the Fund is taking a more focused approach on activity that is to be undertaken over the next 12 months which will allow more defined actions for the Pension Fund Officers.

The proposed plan for 2023-24 is framed around five 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 maintain 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. In addition, be a responsible asset owner and preserve the long-term resilience of the Fund
- **Administration** - Processes for maintaining member contribution records and for the accurate and timely calculation and processing of benefits.
- **Communication** - Processes for communicating both with scheme members and employers and promoting the benefits of participation in the scheme.
- **Shareholder** – To ensure that LPP and its subsidiaries are positioned to successfully deliver administration and investment services and to operate appropriate governance structures, processes and controls on the LPP board.

The Strategic Plan at Appendix 'A' shows a summary of activity and actions around each project. Subject to approval of the plan, next steps will include:

- The scope of each project will be defined and a project plan established;
- A 'plan on a page' will be developed which will outline activity under each project over the next 12 months;
- KPI's/metrics will be defined around the detailed planning of each individual project; and
- Activity will focus on projects according to priority and resourcing. A number of the projects identified in appendix A are new requirements that the Fund would not need to have undertaken three or five years ago. Accordingly resourcing of the projects is under consideration

A progress update will be provided to the Pension Fund Committee at optimum point identified by the Fund officers throughout the next 12 months.

Consultations

Head of Fund
LCPF Officers
Independent Investment Advisers
Fund Actuary
Local Pensions Partnership Administration Limited
Local Pensions Partnership Investments Limited



Implications:

This item has the following implications, as indicated:

Risk management

The Strategic Plan will assist in management of risks faced by 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 County Pension Fund Strategic Plan 2023/24

10th March 2023

lancashirecountypensionfund.org.uk

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Introduction

The Lancashire County Pension Fund (LCPF/the Fund) is the means of pension saving and the provider of retirement security for approximately 183,000 Fund members and over 300 employers across the County. With assets of approximately £11bn 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 – it sets out details of what we plan to do to achieve our objectives in five areas over the next year.

A Strategic Plan will be reviewed by the Pension Fund Committee each year and progress will be reported on this plan at a future Pension Fund Committee meeting during 2023/24, with some details included in the 2023/24 Annual Report. This will provide the Pension Fund Committee with oversight of progress made.

We need to set ourselves clear objectives and plan our work to achieve them. This will allow the Officers a clear vision of objectives over the next 12 months and a detailed plan can be developed to achieve these objectives together with appropriate allocation of resources.

The Fund works closely in conjunction with a number of service providers including Local Pensions Partnership Administration Limited (LPPA) who deliver pension services to employers and Fund members on our behalf, Local Pensions Partnership Investment Limited (LPPI) who provide investment services to the Fund and Mercer who provide actuarial services to the Fund. All providers are key to the Fund successfully implementing this strategic plan.

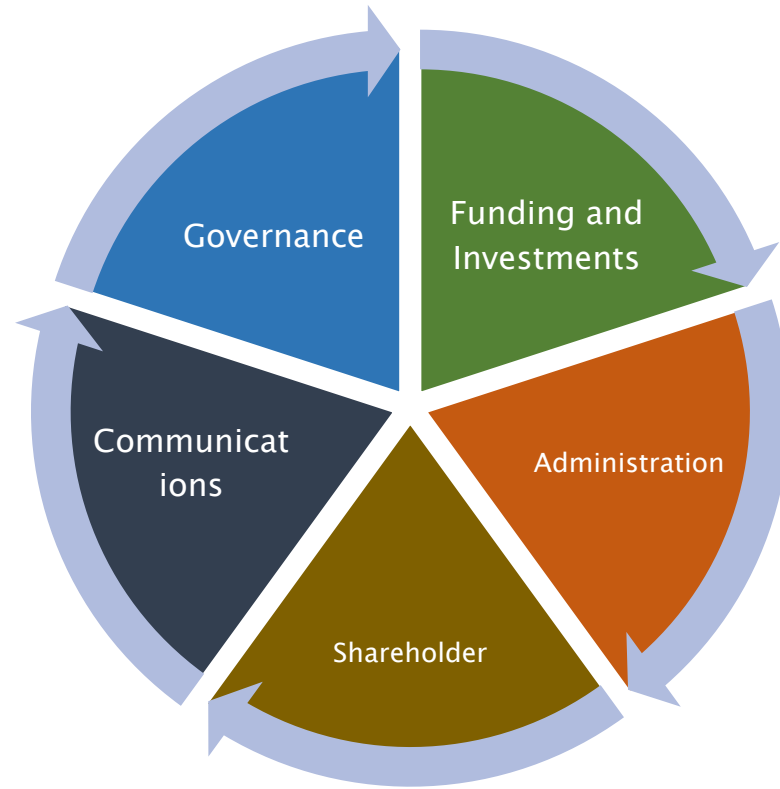
The Strategic Plan for 2023/24 is a focused plan which identifies activity that the Fund will aim to undertake over the next 12 months.

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.

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 12 months to achieve objectives.

Core Purpose



Shareholder Responsibility (Pension Fund Committee)

Lancashire County Pension Fund has an additional role as a Shareholder of Local Pensions Partnership Limited to approve and discuss certain shareholder matters.

In this strategic plan for the Fund, we have included an additional key initiative as Shareholder duties fall under the responsibility of the Pension Fund Committee.

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 12 months 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.

Reviews of the LCPF 2023/24 Strategic Plan

The Fund Strategic Plan will support the Fund Officers to prioritise projects throughout the next year. Some projects outlined in the plan will require decisions for approval from the Pension Fund Committee and input and oversight from the Local Pension Board. At appropriate points throughout the plan the officers will provide progress reports to the above Governance forums and where required request approval from Pension Fund Committee. The Local Pension Board workplan is aligned with the Strategic Plan to ensure projects are reviewed at relevant points.

Summary of LCPF 2023/24 Strategic Plan

Approach to Prioritising (Key)

Must	Critical activities for core responsibilities. If not done, there will be an immediate and detrimental impact to the Fund and/or members
Should	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
Could	Desirable but not necessary, or optional. We could do this if the resources are available and it would have a positive impact, but it is not essential to fulfil the responsibilities to the Fund
Would/Won't	Would Like To Do or Will not do. A 'nice to have' in an ideal world – This is on our wish list but is the lowest priority

Ref	Project	Outcome	New ¹	Priority	Timeframe
Governance					

¹ Additional requirements on Fund resourcing compared to activity undertaken 3/5 years ago

1	General Code of Practice (GCoP) Fund compliance with requirements of GCoP ² – enhanced requirements under this code compared with the existing code, for example cyber security	✓	Must	31 st July 2023
2	Task Force on Climate Related Financial Disclosures (TCFD) Fund compliance with requirements of TCFD ³ – requirement for adequate Fund governance/reporting. Actuarial requirements to report climate scenario analysis	✓	Must	31 st March 2024
3	Good Governance Project⁴ Fund compliance with requirement of SAB Good Governance. Minimum governance requirements, some of which will be enhancements compared to current position	✓	Must	31 st March 2024
4	Cyber Security Fund compliance with cyber requirements and best practice. To date reliance on providers. Now tPR require accountability with the Fund	✓	Must	31 st March 2024
6	Fund Resourcing Review Improved Resourcing of Fund Team with a Workforce Plan. Identification of resourcing gaps within the Fund team and recruit to any gaps		Should	30 th September 2023
5	Committee & Board Managing high turnover of LPB members and Chair during 23/24. Better engagement by the PFC ahead of it being mandated		Should	31 st March 2024
7	Thought Leadership	✓	Should	31 st March 2024

² GCoP – The Pension Regulators new code which deals with governance and administration of pension schemes and will replace the Code of Practice 14

³ TCFD – Framework to promote better disclosure of climate-related risks and more informed investment decisions

⁴ Scheme Advisory Boards Good Governance Project aims to support in improving the Funds Governance Structure and Practices

	Respond to Consultations in matters that may be of impact to the Fund. Number of consultations increasing. To date reliance on LPP to respond. Fund to increase role			
Funding and Investment				
8	Investment Strategy Statement (ISS) Updated ISS in light of 2022 valuation developments and strategic asset allocation		Must	30 th June 2023
9	Procurement Activity – Actuarial Services Contract/Custodian Contract – Implementation of new actuarial services and custodian contracts that supports the Fund objectives		Must	30 th September 2023/31 st March 2024
10	Accounts and Audit Assurance on key aspects of Fund management/ Annual Report		Must	30 th November 2023
11	IIA performance & objectives Set strategic objectives for IIAs in accordance with regulatory requirements	✓	Must	31 st December 2023
12	Treasury Management Updated policy together with regular reporting to Investment Panel		Should	30 th September 2023
13	Responsible Investment Reporting Improved reporting requirements for Responsible Investments		Should	31 st December 2023
14	Funding and Valuation Employer covenant assessment – clear understanding of risk exposure for the Fund in respect of employers with no taxpayer backing or guarantee	✓	Should	31 st March 2024
15	Local Investments Proactive approach, review strategic position, implementing actual opportunities. Accountability at Fund level and implementation by Knight Frank Investment Management, LPPI other	✓	Could	TBC
Administration				

16	McCloud Fund compliance with requirements of McCloud resolution	✓	Must	31 st March 2024
17	Dashboard Fund compliance with requirements of Pensions Dashboard implementation	✓	Must	31 st March 2024
18	Pensions Administration Strategy Improved Pensions Administration Strategy		Must	31 st March 2024
19	Overpayments Reconciliation Reduced overpayment balance on the fund accounts		Should	30 th September 2023
20	Supplier Management Clearly defined oversight of Pension Fund suppliers	✓	Should	31 st March 2024
21	Service Based review Service and cost benefits of UPM system are realised and are in alignment with Fund objectives.	✓	Should	31 st March 2024
22	LCPF Policy Reviews and Employer Discretions Workplan produced to undertake review of Fund and employer discretions		Should	31 st March 2024
Communications				
23	Communications Strategy Developed Communications Strategy for the Fund.	✓	Must	31 st March 2024
24	Employer Engagement Improved employer relationship management with key decision makers at scheme employers. Related to 14		Could	TBC
Shareholder				

25	LPP Governance Review Implementation of revised SHA. Implemented new governance arrangements of LPP Board. Enhanced role of pensions team given move to ownership by LCPF	✓	Should	31 st December 2023
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Annex 1 - Governance

Governance is about having the right decision makers, structures and processes to enable effective and timely decisions including robust management of potential risks to the 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 develop and review strategies and policies to ensure high-quality and effective governance;
- To ensure that the Pension Fund is effectively managed, and the Local Pension Board and Pension Fund Committee are provided with the necessary information and training for effective decision making;
- To deliver a high-quality governance service focusing on compliance with regulatory requirements and embrace best practice where appropriate;
- To effectively manage the risk framework in collaboration with internal and external stakeholders.

Ref	Project	Actions	Governance	Timeframe
1	General Code of Practice (GCoP) Fund compliance with requirements of GCoP – enhanced requirements under this code compared with the existing code, for example cyber security	<ul style="list-style-type: none"> • Finalise impact assessment • Secure board approval for areas of improvement • Work towards compliance by prioritising mandatory modules and in particular any areas of non-conformance 	<ul style="list-style-type: none"> • Local Pension Board 	31 st July 2023

2	Task Force on Climate Related Financial Disclosures (TCFD) – Fund compliance with requirements of TCFD – requirement for adequate Fund governance /reporting. Actuarial requirements to report climate scenario analysis	<ul style="list-style-type: none"> • Undertake impact assessment on TCFD requirements for the Fund • Analyse draft regulations covering governance and reporting requirements. • Determine Fund responsibilities and LPPI activities • Climate change scenario analysis • Compliance with TCFD reporting requirements by December 2024 	<ul style="list-style-type: none"> • Pension Fund Committee 	31 st March 2024
3	Good Governance Project – Fund compliance with requirement of SAB Good Governance. Minimum governance requirements, some of which will be enhancements compared to current position	<ul style="list-style-type: none"> • Comprehensive gap analysis of the good governance project requirements compared to existing Fund practice, with identification of actions • Develop a timeline to work towards full compliance following receiving draft regulations around April 2023 	<ul style="list-style-type: none"> • Pension Fund Committee/ Local Pension Board 	31 st March 2024
4	Cyber Security – Fund compliance with cyber requirements and best practice. To date reliance on providers. Now tPR	<ul style="list-style-type: none"> • Obtain updated assessment of Fund's resilience from Aon • Identify gaps in resilience and produce action plan of key priorities • Review risk score and focus on addressing controls required to mitigate risks 	<ul style="list-style-type: none"> • Pension Fund Committee/Local Pension Board 	31 st March 2024

	require accountability with the Fund			
5	Fund Resourcing Review – Improved Resourcing of Fund Team with a Workforce Plan. Identification of resourcing gaps within the Fund team and recruit to any gaps.	<ul style="list-style-type: none"> Identify current and future resource challenges for the Fund Develop Fund team structure with recommendations of any new roles Recruit new roles to the Fund Team based on new structure if required 	<ul style="list-style-type: none"> Pension Fund Committee 	31 st December 2023
6	Committee and Board – Managing high turnover of LPB members and Chair during 23/24. Better engagement by the PFC ahead of it being mandated.	<ul style="list-style-type: none"> Fund Officers to provide support from pre-allocation/appointment of the Committee/Board members and during membership Analyse individual training needs as well as Fund requirements and develop annual training plan Develop Fund training strategy setting out approach to delivery, assessment and recording of training (Good Governance Requirement) 	<ul style="list-style-type: none"> Pension Fund Committee/Local Pension Board 	31 st March 2024
7	Thought Leadership Respond to Consultations in matters that may be of impact to the Fund.	<ul style="list-style-type: none"> Impact assess emerging consultations during 2023/24 to determine if a Fund response is required 	<ul style="list-style-type: none"> Pension Fund Committee/Local Pension Board 	31 st March 2024

	Number of consultations increasing. To date reliance on LPP to respond. Fund to increase role	<ul style="list-style-type: none"> • Draft response and seek input from key stakeholders, including Pension Fund Committee • Develop Officer knowledge of current consultation matters via conferences, etc 		
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Annex 2 – Funding and Investment

Funding is the process of ensuring that the Fund has sufficient assets to provide benefits as they fall due

Our objectives in this area are:

- To achieve optimal investment performance and ensure that assets are sufficient to meet the Fund's liabilities;
- To achieve, as far as possible, stable and affordable employer contribution rates;
- To be a responsible asset owner to preserve the long-term resilience of the Fund.

Ref	Project	Actions	Governance	Timeframe
8	Investment Strategy Statement (ISS) – Updated ISS in light of 2022 valuation developments	<ul style="list-style-type: none"> • Review the Fund's Long Term investment strategy to support maintaining a 100% funding level • Publish an updated investment strategy statement • Undertake a review of the strategic asset allocation which will form part of the ISS 	<ul style="list-style-type: none"> • Pension Fund Committee 	30 th June 2023
9	Procurement Activity – Actuarial Services Contract/Custodian	<ul style="list-style-type: none"> • Seek approval from Pension Fund Committee in relation to the Procurement process for recruiting the Fund Actuary and Custodian 	<ul style="list-style-type: none"> • Pension Fund Committee 	30 th September 2023/31 st March 2024

	Contract – Implementation of new actuarial services and custodian contracts that supports the Fund objectives	<ul style="list-style-type: none"> • Tender for the new Actuarial Service Provider/Custodian • Undertake review of tender responses and appoint appropriate actuary/custodian 		
10	Accounts and Audit – Assurance on key aspects of Fund management/ Annual Report.	<ul style="list-style-type: none"> • Improve engagement between the Fund Team and Internal Audit to work together on scope of audits, agreed actions and timescales • Review requirements of impending new CIPFA guidance on Pension Fund annual reports • Implement new CIPFA requirements from implementation date 	<ul style="list-style-type: none"> • Pension Fund Committee 	30 th November 2023
11	IIA performance & Objectives – Set strategic objectives for IIAs in accordance with	<ul style="list-style-type: none"> • Review and redevelop strategic objectives for the Independent Investment Advisors⁵ • Submit new objectives to the Financial Conduct Authority 	<ul style="list-style-type: none"> • Pension Fund Committee 	31 st December 2023

⁵ This refers to the key requirements of the Competition and Markets Authority (CMA) Order on the provision of investment consultancy and fiduciary management services to pension scheme trustees.

	regulatory requirements			
12	Treasury Management – updated policy together with regular reporting to Investment Panel	<ul style="list-style-type: none"> • Review and revise the Funds existing Treasury Management Policy • Review processes to ensure adequate monitoring of cash-flow for the Fund • Develop regular reporting in relation to Treasury Management to Investment Panel 	<ul style="list-style-type: none"> • Pension Fund Committee 	30 th September 2023
13	Responsible Investment Reporting Improved reporting requirements for Responsible Investments	<ul style="list-style-type: none"> • Collaborate with LPPI to agree metrics for Responsible Investment Reporting to ensure it meets the requirements set out in the Responsible Investment Policy • Review reporting via the Responsible Investment Dashboard and implement updated dashboard. 	<ul style="list-style-type: none"> • Pension Fund Committee 	31 st December 2023
14	Funding and Valuation – Employer covenant assessment – clear understanding of risk exposure for the Fund in respect of employers with no	<ul style="list-style-type: none"> • Inter-valuation periodic reviews of changing employer base and any other employer requests • Implementation of risk mitigations where required • Potentially consider investment approaches outlined in Funding Strategy Statement consultation responses 	<ul style="list-style-type: none"> • Pension Fund Committee 	31 st March 2024

	taxpayer backing or guarantee			
15	Local Investment	<ul style="list-style-type: none"> TBC 	<ul style="list-style-type: none"> Pension Fund Committee 	TBC

Annex 3 – Administration

Administration is the process through which the information required to maintain members' pension records, collect contributions due, give members good quality information in order to make appropriate decisions on their benefits, 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.

Ref	Project	Actions	Governance	Timeframe
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16	McCloud – Fund compliance with requirements of McCloud resolution	<ul style="list-style-type: none"> • Collaborate with LPPA in reviewing project plan for McCloud resolution • Understand LPPAs process in undertaking the McCloud resolution • Track progress of LPPA activity for this project and ensure successful delivery 	<ul style="list-style-type: none"> • Pension Fund Committee/Local Pension Board 	31 st March 2024
17	Dashboard – Fund compliance with requirements of Pensions Dashboard implementation	<ul style="list-style-type: none"> • Identify activity required for various staging dates of Dashboard • Review project plan from LPPA • Understand LPPA solution for the Dashboard • Discuss impact of contractual arrangements in the event of non-conformance. • Track activity from LPPA regarding progress and ensure successful project delivery 	<ul style="list-style-type: none"> • Pension Fund Committee/Local Pension Board 	31 st March 2024
18	Pensions Administration Strategy (PAS) – Improved Pensions Administration Strategy	<ul style="list-style-type: none"> • Review and update current PAS. • Engage with Employers and LPPA as appropriate • Consider action for employer non-compliance and LPPA role in supporting the Fund in managing compliance 	<ul style="list-style-type: none"> • Pension Fund Committee/Local Pension Board 	31 st March 2024
19	Overpayments Reconciliation – Reduced	<ul style="list-style-type: none"> • Analysis of historic overpayments on Pension Fund accounts to get detailed understanding overpayments 	<ul style="list-style-type: none"> • Pension Fund Committee 	30 th September 2023

	overpayment balance on the fund accounts	<ul style="list-style-type: none"> • Attempt to recover overpayments where feasible. 		
20	Supplier Management – Clearly defined oversight of Pension Fund suppliers	<ul style="list-style-type: none"> • Identify role of the Fund in supplier management • Review current contracts, identify any gaps and revise if required • Evidence based Quality Assurance of service received 	<ul style="list-style-type: none"> • Pension Fund Committee/Local Pension Board 	31 st March 2024
21	Service Based Review – service in alignment with Fund objectives ⁶	<ul style="list-style-type: none"> • Compare areas for improvement identified following Aon assessment of Administration with LPPA service improvement plan. • Monitor SLA performance and ensure it is in line with administration services agreement. 	<ul style="list-style-type: none"> • Pension Fund Committee/Local Pension Board 	31 st March 2024
22	LCPF Policy Reviews and Employer Discretions – Workplan produced to undertake review of Fund and employer discretions	<ul style="list-style-type: none"> • Develop a workplan which incorporates bitesize reviews of the LCPF Discretions Policy • Engage with LPPA to undertake a thorough review of employer discretions 	<ul style="list-style-type: none"> • Pension Fund Committee/Local Pension Board 	31 st March 2024

⁶ LPPA is undertaking a UPM Benefits Realisation activity that may have relevance/dependency to this initiative

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:

- Ensure transparency and openness with all stakeholders including the Local Pension Board and Pension Committee ensuring robust and evidence-based communications;
- To ensure employers are aware of their responsibilities to their employees and the Fund;
- To ensure Fund communications comply with statutory requirements and promote the overall performance of the Fund;
- Provide simple and relevant communications including promotion of the benefits of the Fund to members and their employers;
- Communicate with all stakeholders in an appropriate way, treating everyone fairly and taking advantage of different communication channels.

Ref	Project	Actions	Governance	Timeframe
23	Communication strategy – Develop Communications Strategy for the Fund	<ul style="list-style-type: none"> • Understanding communication needs/objectives of members and employer and develop/implement strategy • 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. • Consider different approaches to communications with members and employer • Defined roles and responsibilities with LPPA 	<ul style="list-style-type: none"> • Pension Fund Committee/Local Pension Board 	31 st March 2024
24	Employer Engagement – improved relationship management with key decision makers at scheme employers	<ul style="list-style-type: none"> • Develop a post valuation employer engagement plan targeting senior officers. • Develop a programme of events for employer engagement 	<ul style="list-style-type: none"> • Pension Fund Committee/Local Pension Board 	TBC

Annex 5 – Shareholder

Pensions administration and investment functions are delivered on behalf of the Fund by Local Pensions Partnership Limited (LPP) and its subsidiary companies. This company is part-owned by Lancashire County Council as administering authority with associated ownership and governance duties.

Our objectives in this area are:

- To ensure that LPP and its subsidiaries are positioned to successfully deliver administration and investment services that support the Fund's objectives;
- To operate appropriate governance structures, processes and controls within LPP including shareholder representation on the LPP Board;
- To provide clear, long-term target outcomes for the LPP Board and management and ensure delivery against these outcomes.

Ref	Project	Actions	Governance	Timeframe
25	LPP Governance Review – implementation of new Shareholder focused governance arrangement of LPP	<ul style="list-style-type: none"> • Implementation of recommendations from LPP Governance review • Implement and review revised governance setup for new model • Revise shareholder agreement and articles of association 	<ul style="list-style-type: none"> • Pension Fund Committee 	31 st December 2023

		<ul style="list-style-type: none"> • Develop new reporting format for LPP Board meetings 		
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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 employer and 4 scheme member representatives 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.

SAB – The Scheme Advisory Board is a statutory body who seek to encourage best practice, transparency and co-ordinates standards and technical issues across the LGPS



LCPF Strategic Plan 2022-25 Progress Update

10th March 2023

lancashirecountypensionfund.org.uk

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Summary of 2022/25 Strategic Plan – Progress Update

Key to Priority

	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

Key to Progress

<i>Complete</i>
<i>Ongoing</i>
<i>No Started</i>

Governance

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

Funding and Investment

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

Administration

Ref	Initiative	Outcome	Timeframe	Priority	Progress
13	McCloud and other technical changes	Implementation of changes to statutory regulations	31st March 2023		
14	Service Based Review (Administration)	Ensure that periodic reviews are undertaken by the Fund on services provided by LPPA resulting in good service delivery.	31st March 2023		
15	Employer Engagement	Compliance with all statutory regulations	31st March 2024		
16	LPPA Relationship Management	LPPA quality and performance scores are high, and the service is operating effectively.	31st March 2024		

17	Pensions Dashboard	Collaborate with LPPA and employers to ensure that data is ready for implementation of the Pensions Dashboard.	31st March 2024		
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Communication

Ref	Initiative	Outcome	Timeframe	Priority	Progress
18	Cyber Security and Scams	Reduced risk of Cyber incidents occurring, and appropriately manage any incidents that arise	31st March 2023		
19	Communication Strategy	LCPF develop communication strategy to meet the needs of all its stakeholder	31st March 2024		

Annex 1 – Governance – Activity undertaken

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	Progress Update
Pension Fund Committee and Local Pension Board – Officers support of the Pension Fund Committee and Local Pension Board with training and development	<ul style="list-style-type: none"> • Development of training strategy and programme • Communications with committee and board members as well as members • Ensure initial induction training programme especially for members who do not have detailed pensions experience • Recruitment planning for LPB Members and Chair 	31 st March 2023	<ul style="list-style-type: none"> • Comprehensive training programme delivered throughout the year for all committee and board members. • Regular comms sent out to PFC and LPB to maximise engagement in workshops and meeting. • In-house induction sessions delivered to new members of the Pension Fund Committee. Offer for attendance at external sessions. • Successful recruitment exercise undertaken to recruit new members to the LPB with induction sessions scheduled and chair contract extended to ensure smooth transition.
Resourcing – Ensure sufficient and adequate resources to manage the Pension Fund	<ul style="list-style-type: none"> • Ensure the resilience of the LCPF team to support robust succession planning • Actuarial services tender exercise as current contract expires in 2023 	31 st March 2023	<ul style="list-style-type: none"> • Fund is in the process of undertaking a review of resourcing through a third party. • The actuarial tender exercise is expected to start early in the new financial year as current contract is until September 2023

	<ul style="list-style-type: none"> • Develop resilience in the Employer risk function, including a review of resourcing requirements in this and other areas. 		
<p>Good Governance – Ensure compliance with the Pension Regulator's (TPR) Code of Practice No. 14 and subsequent revisions specifically the General Code of Practice (GCoP)</p>	<ul style="list-style-type: none"> • Impact assessment to the new single code of practice • Assessment of cyber security and Business Continuity and Additional Voluntary Contributions modules • Present a compliance report to the Local Pension Board based on the new General code of practice (Jan 2023) 	31 st March 2023	<ul style="list-style-type: none"> • The Fund has reviewed the requirements of the new GCoP and undertaken a GAP analysis. The main area for the Fund to focus on is Cyber Security. • The Fund has undertaken an assessment of its cyber rating through Aon and subsequently requested compliance statements from the Funds service providers. These are currently under review and an action plan has been developed to proceed with ensuring the fund and its providers have adequate controls around cyber security. • The LPB this year agreed due to the transition to the GCoP due imminently for the Fund to delay its compliance report until later in the year.
<p>Risk Management – Improved risk</p>	<ul style="list-style-type: none"> • Revise the Fund's risk management framework to ensure appropriate ongoing 	31 st March 2024	<ul style="list-style-type: none"> • The Fund reviewed its risk management framework and was noted by Local Pension

management framework and appropriate risks	<p>assessment of existing and new risks.</p> <ul style="list-style-type: none"> • 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 		<p>Board and subsequently approved at the June 2022 PFC.</p> <ul style="list-style-type: none"> • The fund introduced emerging risks to identify current issues and ensure that they are monitored in the short term. • Regular risk reporting was provided to each meeting of the Local Pension Board and two meetings of the Pension Fund Committee
Responsible Investment – Ensure appropriate and effective implementation of Responsible Investment	<ul style="list-style-type: none"> • Oversee the LPPI implementation of the Responsible Investment Policy, including the enhancements to the Responsible Investment Dashboard. • Implementation of Taskforce on Climate Related Disclosure (TCFD) requirements. 	31 st March 2024	<ul style="list-style-type: none"> • The new Responsible Investment Policy was approved by PFC in November 2021. The Fund are in discussions with LPPI around metrics that are available for our new priorities. • The TCFD requirements haven't yet been finalised by the government and Funds are awaiting official guidance on what this will look like.
Shareholder Review – Review of governance arrangements and shareholder agreement	<ul style="list-style-type: none"> • To review the appropriateness of the current governance arrangements as shareholders of LPP Group • Revision of the existing Shareholder Agreement 	31 st March 2023	<ul style="list-style-type: none"> • A detailed review of LPP Governance was undertaken by Oliver Wyman and recommendations were agreed in July 2022 • Shareholders agreed to a revised LPP Board structure which took effect on 1st January 2023 • Objectives/outcomes for LPP and its subsidiaries were agreed and communicated to

	<ul style="list-style-type: none"> • Consideration of Government pooling consultation 		<p>LPP, with further engagement to establish metrics</p> <ul style="list-style-type: none"> • The LPP Governance Review is still an ongoing project which will be fully delivered in 2023/24. The Committee have been provided with updates on the progress on the project at briefings. • As part of the project the current shareholder agreement will be revised with focus on the reserved matters. • The government are yet to release their requirements around pooling and haven't yet consulted with the Funds or pool operators.
<p>Good Governance – Implemented Good Governance project outcomes</p>	<ul style="list-style-type: none"> • Impact assessment of good governance requirements • Implement any resulting governance enhancements required/preferred 	<p>31st March 2024</p>	<ul style="list-style-type: none"> • The SAB are still reviewing the guidance for Fund on the outcomes of the Good Governance Project which is expected to be implemented in 2023/24. • This has been rolled over into the Strategic Plan 2023/24

Annex 2 – Funding and Investment – Activity Undertaken

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	Progress Update
Valuation 2022 – Assess financial health of the Lancashire County Pension Fund and determine local employer contribution rates.	<ul style="list-style-type: none"> • Employer engagement and data readiness – engage on data requirements and valuation outcomes (including employer contribution rates). Ensure data is accurate and complete • Actuarial Assumption analysis and setting, valuation calculation and results, interim valuation • Determine the optimal level of contributions going forward • Review all Fund policies and update the Funding Strategy Statement 	31 st March 2023	<ul style="list-style-type: none"> • The valuation will complete by 31st March 2023. The Fund officers engaged with LPPA to ensure that data is up-to-date and was ready for processing for the valuation. • The actuarial assumptions have been set out and consulted with the employers. A review of responses has taken place. • The actuary identified the optimum level of contributions going forward and held 1-2-1 meetings with employers that requested one. • FSS has been developed and a draft was presented at November PFC with a final version to be presented at March PFC.

<p>Investment Strategy – Ensure that the Investment Strategy is up to date and appropriate</p>	<ul style="list-style-type: none"> • To review the Investment Strategy and implement any changes in conjunction with 2022 Valuation • Determine the optimal level of investment risk going forward 	<p>31st March 2024</p>	<ul style="list-style-type: none"> • The review of the Funds investment strategy has commenced however detailed activity will start taking place once the FSS has been finalised. It is expected to be delivered by the Head of Fund and IIAs in June 2023.
<p>Investment – Ensure effective cash-flow management to meet pension fund payments in the future</p>	<ul style="list-style-type: none"> • Investment Panel to monitor cash-flow. • Investment Panel to ensure it holds assets to ensure sufficient investment income and liquidity in the Fund. • Ensure treasury management policy is operating effectively in practice. 	<p>31st March 2024</p>	<ul style="list-style-type: none"> • Regular monitoring of cash-flow was undertaken by the Investment Panel and LCC Treasury Management team throughout 2022 • A review the risk appetite statement which defines the thresholds for cash flow monitoring has been undertaken by the Investment Panel and will be reported to the PFC in June 2023. • An initial review of The Treasury Management Policy is expected to be undertaken as part of the Investment Panel meeting in March 2023.
<p>Employer Risk – Fully transitioned employer</p>	<ul style="list-style-type: none"> • Analysis of the employer population focusing on 	<p>31st March 2025</p>	<ul style="list-style-type: none"> • The Fund has developed a new Employer risk policy to ensure

<p>risk service from LPPA to LCPF and management framework</p>	<p>different covenants, funding positions, risk appetites to determine priority employer groups/target employers</p> <ul style="list-style-type: none"> • Implement measures to mitigate employer risk including bonds and security, newly introduced employer flexibilities, deficit recovery periods and alternative discount rates • LCPF to develop an effective employer risk framework and communicate effectively to employers. 		<p>employers are treated proportionately.</p> <ul style="list-style-type: none"> • The Employer Risk Policy and FSS has taken more prudent investment assumptions for non-tax payer backed employers and allows employers autonomy on whether they wish to put security in place and move to standard discount rates. • The consultation on the Employer Risk policy and FSS has now been concluded and individual employers have held meetings where requested.
<p>Service Based Review (Investment) – 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"> • Implement action points from the Investment SBR, including review of the Asset Management Agreement (AMA) 	<p>31st March 2023</p>	<ul style="list-style-type: none"> • Investment Service Based review concluded and was presented to the Pension Fund Committee in March 2022 • A limited number of actions are to be undertaken, mainly regarding the review of the AMA

Annex 3 – Administration – Activity Undertaken

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	Progress Update
<p>McCloud and other technical changes – Implementation of changes to statutory regulations</p>	<ul style="list-style-type: none"> • Ensure revised transfer requirements have been adequately implemented • Implementation of the regulations following the McCloud judgement. • Respond to DLUHC consultation on pooling, TCFD, and levelling up due Summer 2022 	<p>31st March 2023</p>	<ul style="list-style-type: none"> • LPPA have implemented a transfer out policy taking into account the latest guidance. LPPA are working with the fund to ensure the policy is effective. • The McCloud judgement has been further delayed until 2023/24. The fund will work with LPPA to monitor progress throughout implementation. LPPA are progressing system developments related to McCloud • The Fund is awaiting the latest pooling guidance therefore no activity has yet been undertaken.

<p>Service Based Review (Administration) – Ensure that periodic reviews are undertaken by the Fund on services provided by LPPA resulting in good service delivery.</p>	<ul style="list-style-type: none"> 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 	<p>31st March 2023</p>	<ul style="list-style-type: none"> This review has been postponed due to implementation of PACE and Oracle Fusion. The fund however reported to LPPA on the Aon service-based review and LPPA will use this as an input into their benefits realisation project taking place 2023/24
<p>Employer Engagement – Compliance with all statutory regulations</p>	<ul style="list-style-type: none"> Develop mechanisms in collaboration with LPPA, for Fund Employers to improve their compliance and participation levels to drive improvements to member experience. Develop training/improvement plans – in collaboration with LPPA – for fund employers particularly in areas where performance needs to improve 	<p>31st March 2024</p>	<ul style="list-style-type: none"> The Fund have worked with LPPA to increase employer engagement in relation with data submissions. A plan of action has been developed to address these matters and was presented at the January 2023 LPB. The Fund has extensively engaged with employers on the 2022 valuation, including group presentations and 1-2-2 sessions with individual employers LPPA have developed and delivered multiple training sessions throughout the year to ensure employers are familiar with the new

			reporting processes following implementation of UPM.
<p>LPPA Relationship Management – LPPA quality and performance scores are high, and the service is operating effectively.</p>	<ul style="list-style-type: none"> • Ensure PACE project is successfully implemented ensuring anticipated benefits are delivered. • Effective service review meetings based on improved reporting and data insights. • Develop appropriate assurance processes to ensure LPPA have updated systems/processes 	31 st March 2024	<ul style="list-style-type: none"> • The Fund officers have heavily collaborated with LPPA to ensure that the transition to UPM has been successful. • The LCC Audit Team will be looking to undertake an Audit of pensions processing. This was anticipated to be undertaken earlier however due to PACE implementation have had to delay starting the audit.
<p>Pensions Dashboard – Collaborate with LPPA and employers to ensure that data is ready for implementation of the Pensions Dashboard.</p>	<ul style="list-style-type: none"> • Data quality and availability to be key considerations as we move closer to the launch of the Pensions Dashboard • Employer engagement to ensure clear on data required and impacts of inaccurate/gaps in data 	31 st March 2024	<ul style="list-style-type: none"> • Pensions Dashboard project has been put back for LGPS funds with a revised go-live date of September 2024. LPPA will be starting activity on this project in early 2023.

Annex 3 – Communication – Activity Undertaken

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	Progress Update
Cyber Security and Scams – Reduced risk of Cyber incidents occurring, and appropriately manage any incidents that arise	<ul style="list-style-type: none"> • Review of Cyber risk and management • Self-assessment to identify areas of focus, using cyber scorecard • Assessing key systems and service providers 	31 st March 2023	<ul style="list-style-type: none"> • The Fund has started its activity around Cyber Security requirements and undertaken the Aon scorecard to measure its controls. • A workshop was held with members of the LPB and PFC on this matter • The fund has engaged with its service providers and developed an

	<ul style="list-style-type: none"> 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 		<p>action plan to ensure that the Funds controls around cyber security are resilient.</p> <ul style="list-style-type: none"> The Fund still await the final guidance from the single code of practice.
<p>Communication Strategy – LCPF develop communication strategy to meet the needs of all its stakeholders.</p>	<ul style="list-style-type: none"> Understanding communication needs/objectives of members and employer and develop/implement strategy 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. 	<p>31st March 2024</p>	<ul style="list-style-type: none"> Fund Officers have outlined a project plan with actions that we are due to undertake to deliver a communications strategy. Fund has engaged with LPPA who deliver most of the Fund communications.

Pension Fund Committee

Meeting to be held on Friday, 10 March 2023

Electoral Division affected:
N/A;

Lancashire County Pension Fund - Breaches Policy Review

Appendices 'A' and 'B' refer

Contact for further information:

Catherine Hunt, Senior Governance Officer, 01772 533757,
catherine.hunt2@lancashire.gov.uk

Brief Summary

Under the Pensions Act 2004, the Fund must report breaches of the law relating to the administration of the Pension Fund to the Pension Regulator and where data breaches occur to the Information Commissioner.

The Fund's current Breaches Policy (Appendix A) has been reviewed to simplify and improve the presentation and clarify the roles and responsibilities of key stakeholders. It also reflects the introduction of new eForms for use by stakeholders when reporting breaches to the Fund.

Recommendation

The Pension Fund Committee is asked to approve the revised Breaches Policy as set out at Appendix 'B' to this report.

Detail

Breaches can occur in relation to a wide variety of tasks associated with a pension fund. In the main, breaches are normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

The Breaches Policy forms part of the internal controls for the purpose of ensuring that the Fund is administered and managed in accordance with the scheme rules and within the requirements of the law.

The policy has been redrafted and the revised policy (Appendix B) aims to –

- clarify the legal and regulatory guidance to consider when reporting a breach;
- provide guidance on whether a breach is likely to be of material significance;

- set out a clear pathway for recording and reporting a breach;
- include two eForms for reporting breaches which replace the existing reporting documentation;
- outline the role and responsibilities of key stakeholders;
- clearly describe how a breach of material significance is to be reported to the Pension Regulator or Information Commissioner.

The revised policy has been developed in consultation with the Lancashire Local Pension Board and the County Council's Information Governance Team. At the end of March 2023, the policy will be updated to reflect the appointment of the Director of Law & Governance following the retirement of the current Director of Corporate Services.

The Pension Fund Committee is asked to approve the revised Breaches policy in their role as Scheme Manager and to exercise their responsibility for the management of the Fund which includes administration of benefits.

Consultations

Lancashire Local Pension Board
 LCC Legal Services
 LCC Information Governance Manager
 Head of Risk & Compliance, Local Pensions Partnership Administration Ltd (LPPA)

Implications:

This item has the following implications, as indicated:

Risk management

This Breaches Policy gives a framework for appropriate consideration and decision making where breaches of the law arise. Having a robust policy in place will ensure that occurrences are effectively managed, and decisions are reasonable and consistent.

Local Government (Access to Information) Act 1985

List of Background Papers

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

Lancashire Local Pension Board Reporting Breaches Policy and Procedure

1. Introduction

- 1.1 This document sets out the policy and procedures to be followed by certain persons involved with the Lancashire County Pension Fund, the Local Government Pension Scheme managed and administered by Lancashire County Council, in relation to reporting breaches of the law to the Pensions Regulator.
- 1.2 Breaches can occur in relation to a wide variety of the tasks normally associated with the administrative function of a scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.
- 1.3 This document applies to all Members of the Lancashire Local Pension Board.

2. Requirements

- 2.1 This section clarifies the full extent of the legal requirements and to whom they apply.

2.2 Pensions Act 2004

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- A trustee or manager of an occupational or personal pension scheme;
- A member of the pension board of a public service pension scheme;
- A person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
- The employer in relation to an occupational pension scheme;
- A professional adviser in relation to such a scheme; and
- A person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme

to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

- (a) A legal duty relating to the administration of the scheme has not been or is not being complied with, and;
- (b) The failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However, the duty to report does not override 'legal privilege'. This

means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2.3 **The Pension Regulator's Code of Practice 14**

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice 14 including in the following areas:

- Implementing adequate procedures.
- Judging whether a breach must be reported.
- Submitting a report to The Pensions Regulator.
- Whistleblowing protection and confidentiality.

2.4 **Application to the Lancashire County Pension Fund**

This procedure has been developed to reflect the guidance contained in The Pension Regulator's Code of Practice 14 in relation to the Lancashire County Pension Fund and this document sets out how the Board will strive to achieve best practice through use of a formal reporting breaches procedure.

3 **The Lancashire County Pension Fund Reporting Breaches Procedure**

The following procedure details how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Lancashire County Pension Fund. It aims to ensure individuals responsible are able to meet their legal obligations, avoiding placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3.1 **Clarification of the law**

Individuals may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are shown below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (Disclosure Regulations):
www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pension Schemes Act 2013:
www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)

- The Pensions Regulator's Code of Practice 14:
<http://www.thepensionsregulator.gov.uk/codes/code-governanceadministration-publicservice-pension-schemes.aspx>

In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

Further guidance and assistance can be provided by the Director of Legal and Democratic Services provided that requesting this assistance will not result in alerting those responsible for any serious offence (where the breach is in relation to such an offence). This is highly unlikely given that the Director of Legal and Democratic Services, whilst an officer of the County Council, is largely independent from the Fund and its day to day operations. Where there is any doubt reporters should contact The Pensions Regulator direct. See Paragraph 3.8 below.

3.2 **Clarification when a breach is suspected**

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected the individual should carry out further checks to confirm the breach has occurred. Where the individual does not know the facts or events, they should raise their concerns as soon as possible with the Head of Fund. However there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases The Pensions Regulator should be contacted without delay.

3.3 **Determining whether the breach is likely to be of material significance**

To decide whether a breach is likely to be of material significance an individual should consider the following, both separately and collectively:

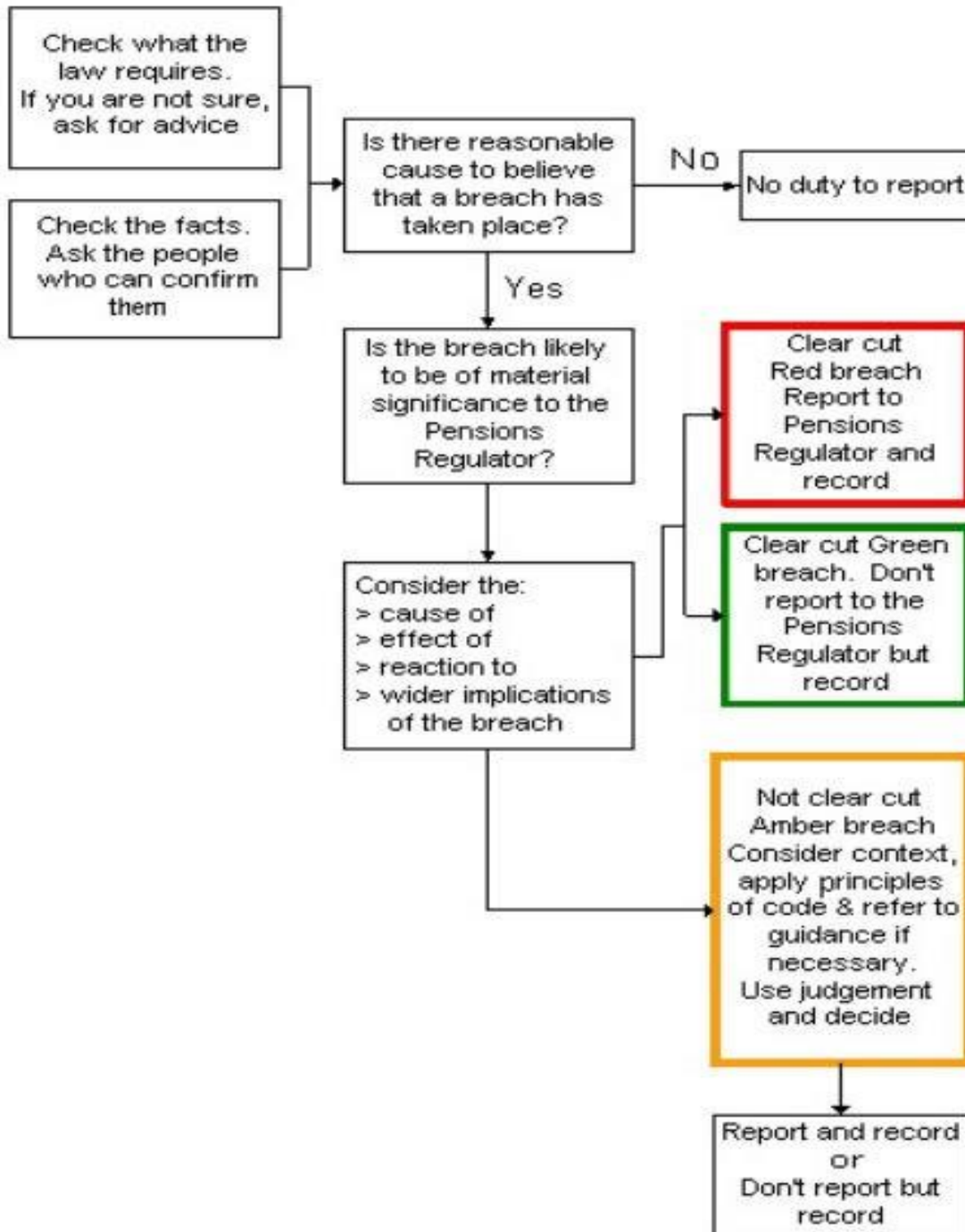
- Cause of the breach (what made it happen);
- Effect of the breach (the consequence(s) of the breach);
- Reaction to the breach; and
- Wider implications of the breach.

Further details on the above four considerations are provided at Annex 'A'.

The individual should use the traffic light framework described at Annex 'B' to help assess the material significance of each breach and to formally support and document their decision.

3.4 The chart below sets out the process for considering whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported.

Decision-tree: deciding whether to report



3.5 Referral to a level of seniority for a decision to be made on whether to report

Lancashire County Council has a designated Monitoring Officer (the Director of Governance, Finance and Public Services) to ensure the County Council acts

and operates within the law. They are considered to have appropriate experience to help investigate whether there is reasonable cause to believe a breach has occurred, to check the law and facts of the case, to maintain records of all breaches and to assist in any reporting to The Pensions Regulator, where appropriate. Regardless of whether a reporter seeks advice from the Monitoring Officer, all suspected/actual breaches should be reported to the Head of Fund at the earliest opportunity to ensure the matter is resolved as a matter of urgency. The proforma set out at Annex 'D' should be used. Individuals must bear in mind, however, that the involvement of the Monitoring Officer is to help clarify the potential reporter's thought process and to ensure this procedure is followed. The reporter remains responsible for the final decision as to whether a matter should be reported to The Pensions Regulator.

The Head of Fund should ensure that the reporter is kept updated on the progress of any investigation. If a decision is taken not to report the breach, and the reporter is not satisfied with that outcome, the reporter retains the option to report the breach direct to the Regulator.

A suspected breach should not be referred to any individual if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter to The Pensions Regulator setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator before the submission may be appropriate, particularly in more serious breaches.

3.6 Dealing with complex cases

The Director of Legal and Democratic Services may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LG Group - <http://www.lgpsregs.org/>). If timescales allow, legal advice or other professional advice can be sought and the case can be discussed at the next Local Pension Board meeting.

3.7. Timescales for reporting

The Pensions Act and Pension Regulators Code of Practice 14 require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on “reasonable cause to believe” and on “material significance” should be consistent with the speed implied by ‘as soon as reasonably practicable’. In particular, the time taken should reflect the seriousness of the suspected breach.

3.8 **Early identification of very serious breaches**

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

3.9 **Recording all breaches even if they are not reported**

The record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). The Head of Fund will maintain a record of all breaches identified by individuals and reporters should therefore provide copies of reports to the Head of Fund who will also provide a copy to the Director of Legal and Democratic Services. The Head of Fund will also maintain a record of unreported breaches. These should also be provided as soon as reasonably practicable and certainly no later than within 20 working days of the decision made not to report. These will be recorded alongside all reported breaches. The record of all breaches (reported or otherwise) will be reported by the Head of Fund to the next available meeting of both the Pension Fund Committee, and the Local Pension Board.

3.10 **Reporting a breach**

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- Full scheme name (Lancashire County Pension Fund);
- Description of breach(es);
- Any relevant dates;
- Name, position and contact details;
- Role in connection to the scheme; and
- Employer name or name of scheme manager (the latter is Lancashire County Council).

If possible, reporters should also indicate:

- The reason why the breach is thought to be of material significance to The Pensions Regulator;
- Scheme address (Lancashire County Pension Fund, PO Box 100, County Hall, Preston, PR1 0LD)
- Scheme manager contact details, i.e. Lancashire County Council
- Pension scheme registry number (10034132); and
- Whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

3.11 Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

3.12 Reporting to Pension Fund Committee and Local Pension Board

The Head of Fund will ensure that a report is presented to each meeting of the Pension Fund Committee and the Local Pension Board setting out:

- All breaches, including those reported to The Pensions Regulator and those unreported, with the associated dates;
- In relation to each breach, details of what action was taken and the result of any action (where not confidential);
- Any future actions for the prevention of the breach in question being repeated; and
- Highlighting new breaches which have arisen in the last year/since the previous meeting.

This information will also be provided upon request by any other individual or organisation (excluding sensitive/confidential cases or ongoing cases where discussion may influence the proceedings). Information to be included in such reports is set out at Annex 'C'.

3.13 Review

This Reporting Breaches Procedure will be kept under review and updated as considered appropriate by the Head of Fund, in consultation with the Director of Governance, Finance and Public Services. It may be amended as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

Annex 'A'

Determining whether a breach is likely to be of material significance

To decide whether a breach is likely to be of material significance, individuals should consider the following elements, both separately and collectively:

- Cause of the breach (what made it happen);
- Effect of the breach (the consequence(s) of the breach);
- Reaction to the breach; and
- Wider implications of the breach.

The cause of the breach

Examples of causes which are likely to be of concern to The Pensions Regulator are provided below:

- Acting, or failing to act, in deliberate contravention of the law;
- Dishonesty;
- Incomplete or inaccurate advice;
- Poor administration, i.e. failure to implement adequate administration procedures;
- Poor governance; or
- Slow or inappropriate decision-making practices.

When deciding whether a cause is likely to be of material significance individuals should also consider:

- Whether the breach has been caused by an isolated incident such as a power outage, fire, flood or a genuine one-off mistake.
- Whether there have been any other breaches (reported to The Pensions Regulator or not) which when taken together may become materially significant.

The effect of the breach

Examples of the possible effects (with possible causes) of breaches which are considered likely to be of material significance to The Pensions Regulator in the context of the LGPS are given below:

- Board Members not having enough knowledge and understanding, resulting in Local Pension Boards not fulfilling their roles, the scheme not being properly governed and administered and/or scheme managers breaching other legal requirements.
- Conflicts of Interest of Board Members, resulting in them being prejudiced in the way in which they carry out their role and/or the ineffective governance and administration of the scheme and/or scheme managers breaching legal requirements.
- Poor internal controls, leading to schemes not being run in accordance with their scheme regulations and other legal requirements, risks not being properly

identified and managed and/or the right money not being paid to or by the scheme at the right time.

- Inaccurate or incomplete information about benefits and scheme information provided to members, resulting in members not being able to effectively plan or make decisions about their retirement.
- Poor member records held, resulting in member benefits being calculated incorrectly and/or not being paid to the right person at the right time.
- Misappropriation of assets, resulting in scheme assets not being safeguarded.
- Other breaches which result in the scheme being poorly governed, managed or administered.

The reaction to the breach

A breach is likely to be of concern and material significance to The Pensions Regulator where a breach has been identified and those involved:

- Do not take prompt and effective action to remedy the breach and identify and tackle its cause in order to minimise risk of recurrence;
- Are not pursuing corrective action to a proper conclusion; or
- Fail to notify affected scheme members where it would have been appropriate to do so.

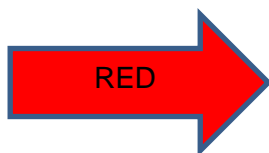
The wider implications of the breach

Reporters should also consider the wider implications when deciding whether a breach must be reported. The breach is likely to be of material significance to The Pensions Regulator where the fact that a breach has occurred makes it more likely that further breaches will occur within the Fund or, if due to maladministration by a third party, further breaches will occur in other pension schemes.

Annex 'B'

Traffic light framework for deciding whether or not to report

It is recommended that those responsible for reporting use the traffic light framework when deciding whether to report to The Pensions Regulator. This is illustrated below:



Where the cause, effect, reaction and wider implications of a breach, when considered together, are likely to be of material significance.

These must be reported to The Pensions Regulator.

Example: Several members' benefits have been calculated incorrectly. The errors have not been recognised and no action has been taken to identify and tackle the cause or to correct the errors.



Where the cause, effect, reaction and wider implications of a breach, when considered together, may be of material significance. They might consist of several failures of administration that, although not significant in themselves, have a cumulative significance because steps have not been taken to put things right. You will need to exercise your own judgement to determine whether the breach is likely to be of material significance and should be reported.

Example: Several members' benefits have been calculated incorrectly. The errors have been corrected, with no financial detriment to the members. However the breach was caused by a system error which may have wider implications for other public service schemes using the same system.



Where the cause, effect, reaction and wider implications of a breach, when considered together, are not likely to be of material significance. These should be recorded but do not need to be reported.

Example: A member's benefits have been calculated incorrectly. This was an isolated incident, which has been promptly identified and corrected, with no financial detriment to the member. Procedures have been put in place to mitigate against this happening again.

All breaches should be recorded even if the decision is not to report.

When using the traffic light framework individuals should consider the content of the red, amber and green sections for each of the cause, effect, reaction and wider implications of the breach, before you consider the four together. Some useful examples of this is framework is provided by The Pensions Regulator at the following link:

[http:// www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx](http://www.thepensionsregulator.gov.uk/codes/code-related-report-breaches.aspx)

Annex 'C' - Proforma for Reporting a Suspected Breach

**Lancashire Local Pension Board
Reporting a Suspected Breach**

Please ensure that you read the Reporting Breaches Policy and Procedure before completing this form

Name of Reporter:	
Position/Designation:	
Telephone Number:	
E-mail:	
Description of the Suspected Breach:	
Do you believe that the breach is of material significance to The Pensions Regulator?	

Please give your reason(s):	
Have you reported the Suspected breach to The Pensions Regulator?	

Please submit your completed form (preferably by e-mail) to:

The Head of Fund
Lancashire County Pension Fund
PO Box 100, County Hall,
Preston, PR1 0LD

abigail.leech@lancashire.gov.uk



Breaches Policy

March 2023

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1. Introduction

- 1.1 This document sets out the policy and procedures to be followed by certain persons involved with the Lancashire County Pension Fund (part of the Local Government Pension Scheme managed and administered by Lancashire County Council), in relation to identifying and reporting breaches of the law to the Pensions Regulator or Information Commissioner's Office (ICO).
- 1.2 Breaches can occur in relation to a wide variety of tasks normally associated with the administrative function of the scheme such as keeping records, internal controls, calculating benefits and making investment or investment-related decisions.

Definition of a breach – where a legal duty relating to the administration of the scheme has not been or is not being complied with.

- 1.3 This document applies to the Lancashire County Pension Fund.

2. Purpose of the Breaches Policy & Procedure

This document has been developed to reflect guidance contained in the Pension Regulator's Code of Practice 14 and to reflect the duty on all organisations to report certain personal data breaches in line with the UK General Data Protection Regulations. The document sets out how the Lancashire County Pension Fund will strive to achieve best practice through use of a formal reporting breaches procedure.

- 2.1 The purpose of the policy is –

- to ensure that those with a responsibility to report breaches understand their legal obligations, and
- to outline how the Fund will strive to achieve best practice through use of a formal reporting breaches procedure.

- 2.2 The purpose of the procedure is –

- to provide details on how individuals responsible for reporting and whistleblowing can identify, assess and report (or record if not reported) a breach of law relating to the Lancashire County Pension Fund.
- to ensure individuals responsible can meet their legal obligations, avoid placing any reliance on others to report. The procedure will also assist in providing an early warning of possible malpractice and reduce risk.

3. Legal Requirements

- 3.1 This section clarifies the full extent of the legal requirements and to whom they apply.

- 3.2 **Pensions Act 2004**

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement on the following persons:

- A trustee or manager of an occupational or personal pension scheme¹;
- A member of the pension board of a public service pension scheme;
- A person who is otherwise involved in the administration of such a scheme an occupational or personal pension scheme;
- The employer in relation to an occupational pension scheme;
- A professional adviser in relation to such a scheme; and
- A person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:
 - (a) A legal duty in relating to the administration of the scheme has not been or is not being complied with, and;
 - (b) The failure to comply is likely to be of material significance to The Pensions Regulator.

The Act states that a person can be subject to a civil penalty, if he or she fails to comply with this requirement without a reasonable excuse. As per the Pensions Regulators Code of Practice 14, the duty to report breaches under the Act overrides any other duties the individuals listed above may have. However, the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

3.3 The Pension Regulator's Code of Practice 14

Practical guidance in relation to this legal requirement is included in The Pension Regulator's Code of Practice 14, published on the Pension Regulators website on 1st April 2015 and covers the following areas:

- Implementing adequate procedures.
- Judging whether a breach must be reported.
- Submitting a report to The Pensions Regulator.
- Whistleblowing protection and confidentiality.

3.4 The UK General Data Protection Regulation (UK GDPR)

These regulations apply to the processing of personal data. There are a number of data protection principles as follows -

1. Processed lawfully, fairly and in a transparent manner (we must have a legal basis for processing and tell the data subject what we are doing with their data via a privacy notice)
2. Processed for specified, explicit and legitimate purposes (we can't collect it for one reason and use it for another)
3. Adequate, relevant and limited to the purposes for which we collected it (we can't collect more than we need)
4. Accurate and up to data (we have to ensure data quality)
5. Not kept longer than is necessary (we need to set data retention periods)
6. Processed in a manner that ensures security (we need to use technical and organisational controls to ensure the security of personal data)

Art. 4 (12) UK GDPR defines a 'personal data breach' as:

"a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data transmitted, stored or otherwise processed"

¹ The Pension Regulator generally takes this to be the 'Scheme Manager'. The Pension Fund Committee fulfils the role of Scheme Manager

4. Types of breaches

There are two types of breaches outlined below-

- 4.1 **Data breaches**- where a breach of security leads to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data. This includes breaches that are the result of both accidental or deliberate causes. It also means that a breach is more than just about losing personal data.

A personal data breach can be broadly defined as a security incident that has affected the confidentiality, integrity or availability of personal data.

- 4.2 **TPR's Code of Practice breaches** can occur for a wide variety of tasks normally associated with the administrative function of the scheme including but not limited to: -

Scheme Record keeping

Failure of employers to provide timely and accurate data for the scheme manager to fulfil their legal obligations such as when an employee joins or leaves the scheme, changes their circumstances or transfers employment between scheme employers.

Performance of scheme employers is monitored against the standards set out in the Pension Administration Strategy Statement (PASS).

Maintaining contributions

Contribution breaches occur when an employer fails to make a timely payment or consistently pays an incorrect amount. The latter will usually occur when an employer has failed to submit a remittance advice and an incorrect amount has therefore been collected. Consistently is considered to be on four separate occasions.

Collection of contributions is monitored on a monthly basis and payment failures are categorised and managed as follows -

Incident – an incorrect amount is collected/no remittance provided (first, second or third occasion). These are dealt with in line with stage 2 of the Fund's 'Contribution Escalation Policy'.

Breach – an incorrect amount collected on four or more occasions, **or** any payment is late. These are dealt with in line with stages 3 and 4 of the Fund's 'Contribution Escalation Policy'

Provision of information to members

Failure to disclose information about benefits and scheme administration to relevant parties including provision of annual benefit statements to scheme members or other information as outlined under the Disclosure of Information Regulations 2013.

5. Roles and responsibilities

The table below outlines the key parties involved in reporting and managing of breaches. Individuals can report breaches to the Pensions Regulator or ICO directly. However, there is a process that allows the Fund to actively manage the monitoring and reporting of breaches which is outlined in this document.

<p>Local Pensions Partnership Investment Limited (LPPI) and Local Pensions Partnership Administration Limited (LPPA)²</p>	<ul style="list-style-type: none"> • comply with all obligations under Data Protection Laws, and in the event of any security breach, they are required to report the matter to the Administering Authority immediately upon becoming aware of the breach • must comply with the requirements of the Pension Regulator's Code of Practice and any contractual agreements • report any breaches to the LCPF Governance team or LCC's Information Governance Team
<p>LCPF Finance</p>	<ul style="list-style-type: none"> • ensure employer contributions are collected each month from scheme employers • report any contribution breaches to the LCPF Governance team • manage any contribution incidents
<p>LCC Information Governance Team</p>	<ul style="list-style-type: none"> • manage information security incidents in line with <u>LCC's Information Security Incident Management Policy</u>³ • investigate and manage all Fund related data breaches, liaising with the Fund as required. • forward a copy of the eForm notification directly to the Fund mailbox (LCPFBreaches@lancashire.gov.uk) • provide technical advice and support to the Fund as required about their legal obligations and to ensure that any processing of personal data by the council is lawful
<p>LCPF Governance Team</p>	<ul style="list-style-type: none"> • monitor data breaches and work with the Information Governance team as required to support their investigations. • Investigate all code of practice breaches. All breaches will be reported as necessary to the Head of Fund. • ensure that the reporter is kept updated on the progress of any investigation. If a decision is taken

² LPPA and LPPI provide pensions administration services and pooled investment services to the Pension Fund. LPPI also manage all non-pooled investments.

³ Applies to all Lancashire County Pension Fund Members and employees and all LPP employees working in Local Pensions Partnership.

	not to report the breach, and the reporter is not satisfied with that outcome, the reporter retains the option to report the breach direct to the Pension Regulator or Information Commissioner.
Head of Fund	<ul style="list-style-type: none"> • make the final decision regarding reporting of a breach to either the Pension Regulator or Information Commissioner's Office • consult with LCC's Senior Information Risk Owner (SIRO) or Data Protection Officer regarding their decision to report any data breaches.
Pension Fund Committee Members, Local Pension Board Members and Fund Officers	<ul style="list-style-type: none"> • responsibility to report breaches
Director of Corporate Services	<ul style="list-style-type: none"> • see section 7.1

A suspected breach should not be referred to any individual if doing so will alert any person responsible for a possible serious offence to the investigation (as highlighted in section 2). If that is the case, the individual should report the matter directly to The Pensions Regulator or Information Commissioner as appropriate, setting out the reasons for reporting, including any uncertainty – a telephone call to the Regulator or Information Commissioner before the submission may be appropriate, particularly in more serious breaches.

6. Notification of a breach to the Fund

All suspected/actual breaches should be reported to the Fund at the earliest opportunity to ensure the matter is resolved as a matter of urgency.

6.1 Any data breaches should be reported to the Information Governance Team through the completion of an eform on the LCC website – '[Information Security Incident Reporting Form](#)'. These will be investigated by LCC's Information Governance team and reported to the LCPF Governance team for monitoring purposes. In practice, LPPA will mainly report data breaches. However, it is possible that other parties could report.

6.2 Any breaches relating to the TPR's Code of Practice, including contribution breaches should be reported to the LCPF Governance team through completion of '[LCPF Breaches Reporting eForm](#)' on the LCC website and will be received directly for investigation by the LCPF Governance team. In practice, LPPA will mainly report Code of Practice breaches and LCPF Finance will report contribution breaches.

6.3 However, it is possible that other parties could report.

The 'reporter' must provide the date of the incident, a description of the suspected breach, the potential impact on operations or the individual and whether they believe the breach is of material significance.

7. Procedure for reporting breaches

This section outlines the procedure to follow when a breach is reported to the Fund or Information Governance Team including the process for reporting to the Pension Regulator or Information Commissioner (ICO). This is summarised in appendix B.

7.1 Check there is reasonable cause to report a breach

Individuals need to have reasonable cause to believe that a breach has occurred, not just a suspicion. Where a breach is suspected, the individual may need to refer to regulations and guidance when considering whether or not to report a possible breach. Some of the key provisions are listed below:

- Section 70(1) and 70(2) of the Pensions Act 2004:
www.legislation.gov.uk/ukpga/2004/35/contents
- Employment Rights Act 1996:
www.legislation.gov.uk/ukpga/1996/18/contents
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013
www.legislation.gov.uk/uksi/2013/2734/contents/made
- Public Service Pensions Act 2013: www.legislation.gov.uk/ukpga/2013/25/contents
- Local Government Pension Scheme Regulations (various):
<http://www.lgpsregs.org/timelineregs/Default.html> (pre 2014 schemes)
<http://www.lgpsregs.org/index.php/regs-legislation> (2014 scheme)
- The Pensions Regulator's Code of Practice 14:
[Code 14 Public service pension code of practice | The Pensions Regulator](http://www.pensionsregulator.gov.uk/code-of-practice-14)

In particular, individuals should refer to the section on 'Reporting breaches of the law', and for information about reporting late payments of employee or employer contributions, the section of the code on 'Maintaining contributions'.

- The UK General Data Protection Regulations (GDPR):
[Guide to the UK General Data Protection Regulation \(UK GDPR\) | ICO](http://www.ico.gov.uk/for-the-general-public/gdpr/gdpr-guide)

Further guidance and assistance can be provided by the Director of Corporate Services in carrying out any immediate or necessary checks, provided that in carrying out such checks those implicated in any potential breach are not alerted. This is highly unlikely given that the Director of Corporate Services, whilst an officer of the County Council, is largely independent from the Fund and its day-to-day operations. Where there is any doubt reporters should contact The Pensions Regulator or Information Commissioner direct. See Paragraph 3.8 below.

The Director of Corporate Services may be able to provide guidance on particularly complex cases. Information may also be available from national resources such as the Scheme Advisory Board or the LGPC Secretariat (part of the LGA Group - <http://www.lgpsregs.org/>). If timescales allow, legal advice or other professional advice can be sought, and the case can be discussed at the next Local Pension Board meeting.

Where the individual does not know the facts or events, they should raise their concerns as soon as possible with the LCPF Governance Team. However, there are some instances where it would not be appropriate to make further checks, for example, if the individual has become aware of theft, suspected fraud or another serious offence and they are also aware that by making further checks there is a risk of either alerting those involved or hampering the actions of the police or a regulatory authority. In these cases, The Pensions Regulator should be contacted without delay.

7.2 Determine whether the breach is of material significance

As per the Code of Practice 14 guidance, the determination of whether a breach is likely to be of material significance should be considered and an individual should consider the following, both separately and collectively:

- Cause of the breach (what made it happen);
- Effect of the breach (the consequence(s) of the breach);

- Reaction to the breach; and
- Wider implications of the breach.

A decision tree from the Pension Regulators website helps to set out the process for considering whether or not a breach has taken place and whether it is materially significant and therefore requires to be reported. This can be found at 'Appendix A'. More detailed guidance can be accessed from the link below:

[Pensions Regulator – Complying with the duty to report breaches of the law](#)

In respect of a data breach, you should consider the likelihood and severity of the risk to people's rights and freedoms, following the breach.

7.3 Take swift action

The Pensions Act and Pension Regulators Code of Practice 14 require that if an individual decides to report a breach, the report must be made in writing as soon as reasonably practicable. Individuals should not rely on waiting for others to report and nor is it necessary for a reporter to gather all the evidence which The Pensions Regulator may require before taking action. A delay in reporting may exacerbate or increase the risk of the breach. The time taken to reach the judgements on "reasonable cause to believe" and on "material significance" should be consistent with the speed implied by 'as soon as reasonably practicable'. In particular, the time taken should reflect the seriousness of the suspected breach.

In cases of immediate risk to the scheme, for instance, where there is any indication of dishonesty, The Pensions Regulator does not expect reporters to seek an explanation or to assess the effectiveness of proposed remedies. They should only make such immediate checks as are necessary. The more serious the potential breach and its consequences, the more urgently reporters should make these necessary checks. In cases of potential dishonesty, the reporter should avoid, where possible, checks which might alert those implicated. In serious cases, reporters should use the quickest means possible to alert The Pensions Regulator to the breach.

In respect of personal data breaches these should be reported to the Information Commissioner without undue delay (if it meets the threshold for reporting) and within 72 hours.

7.4 Report a Code of Practice breach to the Pension Regulator

Reports must be submitted in writing via The Pensions Regulator's online system at www.tpr.gov.uk/exchange, or by post, email or fax, and should be marked urgent if appropriate. If necessary, a written report can be preceded by a telephone call. Reporters should ensure they receive an acknowledgement for any report they send to The Pensions Regulator. The Pensions Regulator will acknowledge receipt of all reports within five working days and may contact reporters to request further information. Reporters will not usually be informed of any actions taken by The Pensions Regulator due to restrictions on the disclosure of information.

As a minimum, individuals reporting should provide:

- Full scheme name (Lancashire County Pension Fund);
- Description of breach(es);
- Any relevant dates;
- Name, position and contact details;
- Role in connection to the scheme; and
- Employer name or name of scheme manager (the latter is Lancashire County Council).

If possible, reporters should also indicate:

- The reason why the breach is thought to be of material significance to The Pensions Regulator,
- Scheme address (Lancashire County Pension Fund, PO Box 100, County Hall, Preston, PR1 0LD)

- Scheme manager contact details, i.e. Lancashire County Council
- Pension scheme registry number (10034132); and
- Whether the breach has been reported before.

The reporter should provide further information or reports of further breaches if this may help The Pensions Regulator in the exercise of its functions. The Pensions Regulator may make contact to request further information.

Confidentiality

If requested, The Pensions Regulator will do its best to protect a reporter's identity and will not disclose information except where it is lawfully required to do so. If an individual's employer decides not to report and the individual employed by them disagrees with this and decides to report a breach themselves, they may have protection under the Employment Rights Act 1996 if they make an individual report in good faith.

7.5 Report a data breach to the Information Commissioner (ICO)

You do not need to report every breach to the Information Commissioner and should consider the likelihood and severity of the risk to people's rights and freedoms, following the breach. If a risk is likely, you must notify the Information Commissioner; if a risk is unlikely, you don't have to report it. However, if you decide you don't need to report the breach, you need to be able to justify this decision, and document it.

A personal data breach should be reported to the Information Commissioner without undue delay (if it meets the threshold for reporting) and within 72 hours. Further guidance regarding how to respond to a personal data breach can be found here [72 hours - how to respond to a personal data breach | ICO](#)

Reports can be made by calling the Information Commissioner helpline on 0303 123 1113 or by completing an on-line Form. Further guidance can be found on the following webpage:

[UK GDPR data breach reporting \(DPA 2018\) | ICO](#)

You will be required to provide details of what has happened, when and how you found out about the breach, the people that have or may have been affected, what you're doing in response and contact details in the event the ICO need more information.

8. Recording of breaches

An automated report of all breaches that have been notified via eForms will be provided to the Fund team on a regular basis. In addition, LPPA summarise any breaches occurring via administration activities in their monthly Risk and Compliance report.

A record of the breaches will be retained by the Fund including details of breaches that don't require reporting to the Pension Regulator or Information Commissioner.

The record of past breaches may be relevant in deciding whether to report a future breach (for example it may reveal a systemic issue).

9. Reporting to Local Pension Board and Pension Fund Committee

The LCPF Governance Team will ensure that a report is presented to each meeting of the Local Pension Board setting out:

- All breaches, including those reported to the Pensions Regulator or Information Commissioner and those unreported, with the associated dates.

- In relation to each breach, details of what action was taken and the result of any action (where not confidential).
- Any future actions for the prevention of the breach in question being repeated.

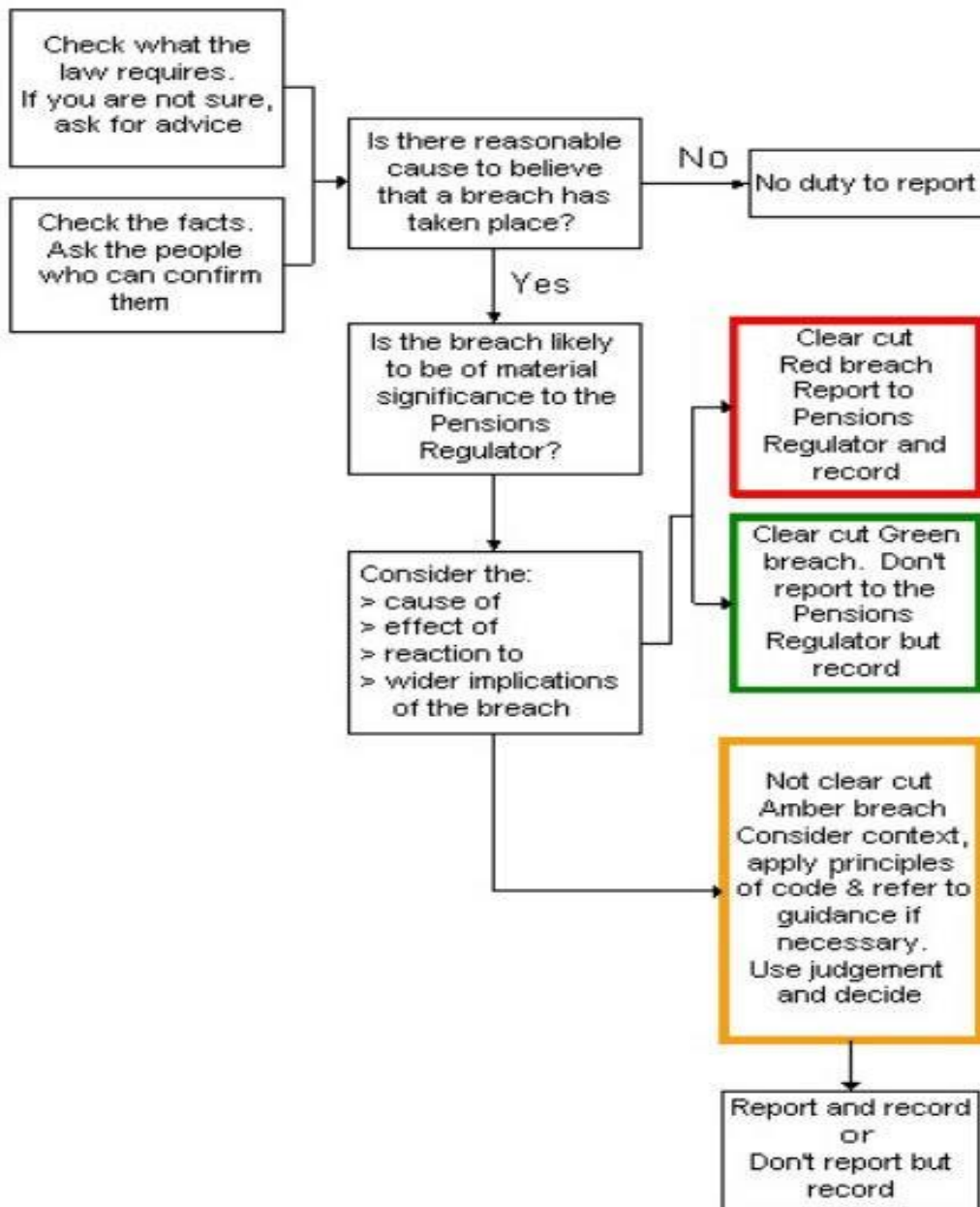
The LCPF Governance Team will ensure that a summary report is presented each year to the Pension Fund Committee on breaches. In addition, if a breach is deemed reportable to the Pensions Regulator or Information Commissioner, the Pension Fund Committee will be informed of this at its nearest quarterly meeting.

10 Review

This policy and procedure will be kept under review and updated as considered appropriate by the LCPF Governance Team, in consultation with the Head of Fund and Director of Corporate Services. It may be amended as a result of legal or regulatory changes, evolving best practice and ongoing review of the effectiveness of the procedure.

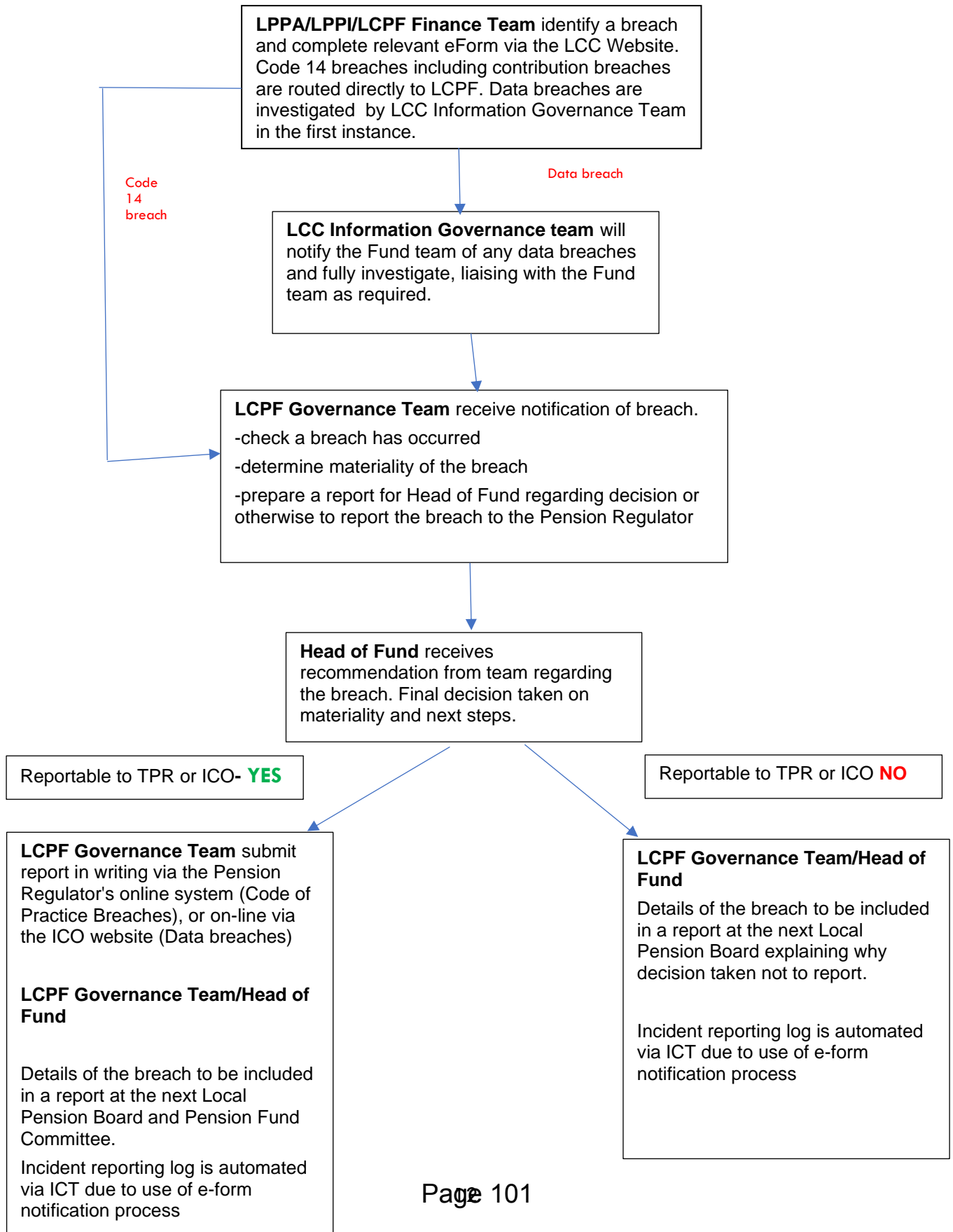
Appendix 'A'

Decision-tree: deciding whether to report



Appendix 'B'

Lancashire County Pension Fund Reporting Breaches Procedure Flowchart



Pension Fund Committee

Meeting to be held on Friday, 10 March 2023

Electoral Division affected: None;

Feedback from members of the Committee on pension related training.

Contact for further information:

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

Brief Summary

An update on pension related training which members of the Committee have participated in since the last meeting.

Recommendation

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

Detail

The Training Plan 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 events.

5th December 2022 Internal Workshop – Technical Update from Local Pensions Partnership Administration. Participants - County Councillors M Clifford, J Couperthwaite, A Gardiner, E Pope, A Schofield, M Tomlinson, and D Westley and Co-opted Members Councillor D Borrow, Ms J Eastham, P Crewe, and Ms S Roylance

16th January 2023 Internal Workshop – Communications Strategy and Local Pensions Partnership Administration Communications update.

Participants - County Councillors M Clifford, J Couperthwaite, C Edwards and E Pope together with Co-opted Members Ms J Eastham, P Crewe, and Ms S Roylance.

19th/20th January 2023 Local Government Pension Scheme Governance Committee, Cardiff. County Councillor E Pope participated remotely (substitute for Co-opted member - Councillor D Borrow who was unable to attend).

24th February 2023 – briefing for pension Fund Committee members on the LPP Governance Review. Participants - County Councillors J Burrows, M Clifford, J Couperthwaite, F De Molfetta, C Edwards, E Pope, and R Woollam together with Co-opted Members Councillor D Borrow, P Crewe, and Ms S Roylance.

27th February 2023 Internal Workshop – Local Pensions Partnership Budget
Participants - County Councillors M Brown, M Clifford, F De Molfetta, E Pope, A Schofield, D Westley, and R Woollam together with Co-opted Members Councillor D Borrow, Ms J Eastham, P Crewe, and Ms S Roylance.

24th March 2023 Internal Workshop – Legal Update.
Attendance will be reported at the meeting.

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

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

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

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

Financial

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

The cost of attendance at training events, together with associated travel and subsistence costs, are 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 Conferences and Events approved by the Head of Fund under the Scheme of Delegation to Heads of Service	12 th January 2023	Mike Neville (01772) 533431
Attendance sheet for internal pension related workshops/briefings.	5 th December 2022 16 th January 2023 24 th and 27 th February 2023 24 th March 2023	Mike Neville (01772) 533431
Reason for inclusion in Part II, if appropriate		
N/A		

Pension Fund Committee

Meeting to be held on Friday, 10 March 2023

Electoral Division affected: N/A;

Training Plan 2023/24

(Appendix 'A' and 'B' refers)

Contact for further information:

Catherine Hunt, Senior Governance Officer,
catherine.hunt2@lancashire.gov.uk

Brief Summary

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

Various training options are made 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 2023/24 as set out at Appendix 'A'.

Detail

A training plan has been developed for 2023/24 based on regulations and best practice, training needs questionnaires feedback and suggestions from the Chair of the Local Pension Board following his annual review of the Boards performance. In addition, consideration has been given to the National Knowledge Assessment by Hymans.

Regulations and best practice

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 legislation. Knowledge requirements falling on Board members are defined statutorily under section 248a of the Pensions Act 2004 and are personal to individuals. Learning requirements for Committees are less stringently defined in legislation and fall collegiately on Committees as collective bodies rather than on individual members.

Though their learning obligations under legislation are different, both Committee and Board members share significant common ground in terms of the sphere of knowledge and understanding they need to be conversant with.

The Chartered Institute of Public Finance and Accountancy (CIPFA) supplements this with best practice requirements. It 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 and there is a separate technical knowledge and skills framework for Local Pension Board members which is CIPFA Local Pension Boards (2015) which has 8 core areas. Both frameworks cover the following areas:

1. Pensions Legislation;
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 significant crossover in the knowledge requirements from each of the frameworks and an amalgamated 'Training needs' questionnaire is issued by the pensions team to Committee and Board members on an annual basis.

Training Needs Analysis

The training needs questionnaire was sent to all Committee and Board members in January 2023 as well as the prior year and a total of 12 responses from Committee members and 12 Board member responses were received. In general, across both years, the Board/ Committee, scores are consistently good for legislation, governance, funding, administration, investment, and finance. However, scores were consistently lower for financial services and Procurement, Contract Management and Relationship Management. Further highlights are shown below.

The highest scoring areas for the Pension Fund Committee were –

- Pensions Financial Strategy, Management Accounting, Report and Audit Standards, and
- Funding Strategy and Valuation.

The lowest scoring areas for the Pension Fund Committee were -

- Pension Services Procurement, Contract Management and Relationship Management, and
- Pensions Legislation and Guidance.

The highest scoring areas for the Local Pension Board were –

- Pensions Governance, and
- Pension Legislation and Guidance

The lowest scoring areas for the Local Pension Board were –

- Financial Services and Products, and
- Pension Services Procurement, Contract Management and Relationship Management.

Following feedback and to aid greater participation in future, it is intended to review the questionnaire ahead of next year's training needs assessment.

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 this year, are:

- Breaches reporting,
- Audit and assurance framework,
- Investment vocabulary, jargon-busting and attributes of main asset classes,
- Pensions Dashboard

These have been incorporated in the 2023/24 training plan.

Pension Committee Training Requirements

To address the potentially limited understanding of procurement processes, a pre-committee briefing will be arranged to enhance understanding in this area before deciding on the Fund's new actuarial services provider later this year.

Hymans National Knowledge Assessment

Hymans offer a tool to test the knowledge and understanding of board and committee members which provides broader insight on knowledge and understanding across several other Pension Funds within the local government pensions sector. This is useful information in developing the training plan.

Results of this year's assessment in which 16 local authorities participated have recently been reported. There was a 73% participation rate with two funds achieving 100% participation.

The highest scoring areas were –

- Pensions Governance
- Actuarial Methods, Standards and Practices.

The lowest scoring areas were –

- Investment, Performance and Risk Management, and
- Pensions Accounting and Audit Standards.

As part of the assessment, the top subject areas where participants would most value training are –

- Committee Role and Pensions Legislation
- Investment Performance and Risk Management
- Pensions Governance
- TPRs Code of Practice
- Good Governance

These results help to inform the development of the training plan but do not completely align with the training needs analysis results.

The report recommended that Funds take the following actions –

1. Put in place training plans;
2. Record and monitor training and development and maintain a training log;
3. Assess tools available to support with training delivery;
4. Consider ways of engaging and vary training delivery e.g. face to face, on-demand learning opportunities, briefing notes, newsletters;
5. Ensure the Fund's training strategy is up to date and appropriate.

Recommendations 1 and 2 are already adopted by the Fund and work is ongoing to address action points 3, 4 and 5.

LCPF Training Plan 2023/24

The new training plan for 2023/24 can be seen at Appendix A, which sets out various training opportunities for the year including:

- Regular workshops (hybrid sessions which are recorded and available for members to access on-demand via the online Pensions Library);
- Quarterly briefings prior to Pension Fund Committee meetings;
- Quarterly Q&A sessions for new Local Pension Board members;
- External training courses and conferences;
- Online Training and webinars:
 - TPR Public Service Toolkit;
 - PLSA webinars relevant to the LGPS.

In addition, a 4-year cycle of training workshops has been developed (Appendix 'B'), although it should be noted that topics may deviate depending on the training needs of members or the impact of regulatory or industry requirements at that time.

The Pension Fund Committee is asked to approve the planned training available during 2023/24.

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	Catherine Hunt 01772 533757
CIPFA – Technical Knowledge & Skills Framework for Local Pension Boards	2015	Catherine Hunt 01772 533757
CIPFA – Knowledge and Skills Framework – LGPS Committee Members and LGPS Officers	2021	Catherine Hunt 01772 533757
The Pension Regulator – Code of Practice No 14 (Governance and Administration of Public Service Pension Schemes)	2015	Catherine Hunt 01772 533757

Reason for inclusion in Part II, if appropriate

N/A

LCPF Training Plan for 2023/24

Internal Training Workshop Schedule for Pension Committee and Local Pension Board

Date	Time	Subject	Provider
24 March 2023	1pm	Legal Update including Breaches Reporting	Eversheds
22 May 2023	1pm	'Investment Strategy Statement and Risk Appetite Statement', plus Investment Vocabulary	Independent Investment Advisors
5 June 2023	10-11.30am	LPPA Pensions Administration Update	LPPA
3 July 2023	1-2.30pm	Cyber Security Workshop (LCC/LCPF/LPPA/LPPI)	Tbc
4 Sept 2023	1-2.30pm	'LCPF Accounts & Annual Report' plus 'Audit Assurance Framework'	Tbc
2 Oct 2023	10-11.30am	Responsible Investment and TCFD reporting	LPPI
8 Nov 2023	1-2.30pm	LPP Technical Update (including impact of new regulatory changes and progress on Pensions Dashboard Project and McCloud)	LPPA
11 Dec 2023	1-2.30pm	General Code of Practice and Good Governance	Tbc
16 Jan 2024	10-11.30am	Comms Strategy & LPP Comms Update	LCPF/LPPA
26 Feb 2024	10-11.30am	LPP Budget	LPP
27 Mar 2024	1-2.30pm	Financial Services and Products	Tbc

Dates and times may change, and subject areas may deviate depending on training needs at that time.

Other training opportunities include Q&A sessions for new Local Pension Board members, Pension Fund Committee briefings, external conferences, webinars and access to on-line training tools. Please read on for more information.

Local Pension Board Q&A sessions:

New LPB Members only

Date	Time	Venue	Subject
4 th April 2023	11am	Committee Room B (followed by lunch 1-2pm)	Induction Briefing, Meet and Greet and Q&A
10 th July 2023	2-3pm	On-line event	Q&A session- new Board members only
October 2023	tbc		Q&A session (dependent on feedback)
January 2024	tbc		Q&A session (dependent on feedback)

Pre-Committee Briefings

Pension Committee only

Date	Time	Subject
16 th June 2023	10-10.30am	LPPA Service Level Agreement measures
15 th September 2023	10-10.30am	Procurement
1 st December 2023	10-10.30am	Pension Board Update – new Chair
8 th March 2024	10-10.30am	tbc

External Training Opportunities

Conferences 2023-24:

Conference	Dates
PLSA Annual Conference	17-19 October 2023 (Manchester)
PLSA Local Authority Conference	26-28 June 2023 (Gloucestershire)
LAPF Strategic Investment Forum	4-6 July 2023 (Hertfordshire)
LGA Annual Conference & Exhibition	4-6 July 2023 (Bournemouth)
LGC Investment Summit	30-31 March 2023(Cheshire)
LAPFF Annual Conference	Dec 2023 TBC (Bournemouth)
CIPFA Local Pensions Board Conference	18 May 2023 (Birmingham)

On-line webinars 2023-24:

The following external events are recommended by the pensions team. Further information on dates of the events below will be provided as they become available, as well as any other suitable events.

Training	Dates
PLSA Webinar Get Ready for Pensions Dashboard https://www.plsa.co.uk/Events-Webinars	20 th April 2023
CIPFA in partnership with Isio: training and support programme for Local Pension Board members in the Local Government Pension Scheme (LGPS).	Range of learning resources and events for pension board members over 12 months period Tbc
Local Government Association: LGPS Fundamentals Training for newly Elected Members. Provides members of pension committees and local pension boards with the knowledge and skills to enable them to carry out their duties effectively.	Tbc (usually Oct- Dec)
Hymans: Webinars and conferences covering topical issues facing and shaping the industry	The 2023 programme is currently being planned. Check here for their events Events - Hymans Robertson

On-line Training Tools:

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/>

Appendix B

4- Year Training Topics

The following table provides a list of topics to be covered in workshops for the Local Pension Board over a 4-year period. The plan may deviate depending on the changing needs of the board or as issues that arise over the period.

	Y1 (2023-24)	Yr 2 (2024-25)	Yr 3 (2025-26)	Yr 4 (2026-27)
Legal Update (including Breaches of the Law)	Y	Y	Y	Y
'Investment Strategy Statement and Risk Appetite Statement' (including explanation of asset classes and investment vocabulary)	Y	Y	Y	Y
LPPA Pensions Admin Update (including project updates)	Y	Y	Y	Y
Cyber Security	Y	Y	Y	Y
LCPF Accounts & Annual Report / Audit & Assurance Framework	Y	Y	Y	Y
Responsible Investment including Climate Change	Y	Y	Y	Y
LPP Technical Update	Y	Y	Y	Y
LPP & LCPF Comms Update	Y	Y	Y	Y
LPP Budget (Adrian Taylor)	Y	Y	Y	Y
General Code of Practice/ Good Governance	Y			
Employer Risk & Engagement			Y	
Valuation - Part 1			Y	
Valuation - Part 2				Y
Risk Management Framework		Y		

Pension Fund Committee

Meeting to be held on Friday, 10 March 2023

Electoral Division affected:
N/A;

Lancashire County Pension Fund Local Pension Board Work Plan 2023/24
(Appendix 'A' refers)

Contact for further information:

Junaid Laly, (01772) 532767, Special Projects Pension Lead,
Junaid.Laly2@lancashire.gov.uk

Brief Summary

The 2023/24 work plan for the Lancashire Local Pension Board is attached to this report at Appendix 'A' for the information of the Committee.

Recommendation

That the 2023/24 work plan for the Lancashire Local Pension Board, as set out at Appendix 'A'; to this report is noted.

Detail

The role of the Local Pension Board is to assist Lancashire County Council as the Administering Authority in its role as Scheme Manager (as delegated to the Pension Fund Committee):

- i. to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS;
- ii. to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- iii. in such other matters as the LGPS regulations may specify.

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 2023/24 has been produced through considering regular activity that falls under the remit of the Local Pension Board along with consideration of activity proposed in the 2023/24 Pension Fund Strategic Plan.

The work plan is a tool which allows the Fund officers to prioritise reporting activity to the Local Pension Board and is used to ensure that that the Board delivers its purpose as set out in the terms of reference.

The Workplan has been developed by the Fund officers with consultation with the Chair of the Local Pension Board.

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 2023/24

24-Jan-23	04-Apr-23	11-Jul-23	17-Oct-23	23-Jan-24
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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 General Code of Practice			Y		Y
Update of Constitution, Membership and Terms of Reference of the LLPB			Y		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 update report	Y	Y	Y	Y	Y
Annual report on the results of the pension regulator's survey				Y	
Cyber Security Update	Y		Y		Y
SAB Good Governance Project					Y
Updated Risk Management Framework					

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

Pensions Administration					
Contributions monitoring, complaints and breaches	Y	Y	Y	Y	Y

Lancashire Pension Fund Policies					
Actuarial Valuation					
Policy - Funding Strategy Statement	Y				
Policy - Pension Administration Strategy Statement				Y	
Policy - Admissions & Termination Statement	Y				
Policy - Communications Strategy					Y
Policy - Employer Discretions					Y
Policy - Governance Compliance Statement			Y		
Policy - LCPF Cyber Strategy					
Policy - LCPF Discretions					Y
Policy - Risk Management Framework					
Policy - Responsible Investments					
Policy - Training Strategy					Y
Policy - Breaches	Y				

Lancashire Local Pension Board – 2023/24 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	2023/24	2024/25	2025/26	2026/2027	2027/2028
Actuarial Valuation			Y		
Policy - Funding Strategy Statement			Y		
Policy - Pension Administration Strategy	Y				
Policy - Admissions & Termination Policy		Y			
Policy - Communications Strategy	Y		Y		
Policy - Employer Discretions	Y				
Policy - Governance Compliance Statement	Y	Y	Y	Y	Y
Policy - LCPF Cyber Security Strategy		Y			
Policy - LCPF Discretions	Y				
Policy - Risk Management Framework			Y		
Policy - Responsible Investment		Y			
Policy - Training Strategy	Y				
Policy - Breaches Policy			Y		

Pension Fund Committee

Meeting to be held on Friday, 10 March 2023

Electoral Division affected: N/A;

Responsible Investment Report

Appendices 'A' and 'B' refer

Contact for further information:

Catherine Hunt, Senior Governance Officer, 01772 533757

catherine.hunt2@lancashire.gov.uk

Brief 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 2022 (October to December).

Recommendation

The Committee is asked to note the report.

Detail

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 at Appendix 'B' is the dashboard style report together with the qualitative overview of LPPI stewardship activities for the fourth quarter of 2022 (October-December).

Other matters of note for the Committee:

Key Points from LPPI Responsible Investment Report Q4 2022

Compared with Q3 2022, the following Climate Change metrics are as follows:



- Brown exposure has increased from 2.52% to 2.72% of the portfolio. The biggest contributor to the increased exposure is mostly from the Global Equities Fund (GEF) and the strong performance of brown positions held in the GEF due to elevated oil and gas prices.
- There has been an increase in green activities from 4.21% to 4.60%. Contributors to the increase in green activities are the private equity asset class which includes some further companies within the existing funds that have not previously been identified as green. Also, infrastructure has seen a positive mark-to-market increase, demonstrating the strong performance of green positions in this portfolio.
- LPPI has applied to join a new engagement programme from the Institutional Investor Group on Climate Change (IIGCC) which supports collaborative engagement with carbon intensive companies that sit outside the top 166 largest emitters in the Climate Action 100+ universe.
- PRI results for the 2020/21 reporting cycle were recently reported in which LPPI achieved over 70% in each module and scored significantly higher than the peer group average.
- Following formal submission to the IIGCC's Net Zero Asset Manager's Initiative in October, LPPI have now released its Net Zero Roadmap.
- Robeco Active Ownership has consulted with clients and have agreed three new engagement themes for 2023. The themes are:
 - Forced Labour and Modern Slavery;
 - Just Transition;
 - Tackling Tax Transparency.
- Robeco also plan to expand coverage of the climate change and biodiversity themes given the long-term, systemic nature of these topics.

After receiving the Responsible Investment report, LPPI have confirmed that they have successfully maintained their status as a signatory to the UK Stewardship Code.

Local Authority Pension Fund Forum (LAPFF)

At the Local Authority Pension Fund Forum (LAPFF) business meeting held on 25 January 2023, the anniversary of the Brumadinho Tailings Dam collapse in 2019 which killed 272 people, the hybrid meeting commenced with a minute's silence in memory of the victims. This tragedy followed a dam collapse in November 2015 which killed 19 people and created the largest environmental disaster in Brazil's history.

In 2022, LAPFF visited Brazil to investigate tailings dam safety, and a report regarding the findings has now been produced. It was agreed that the report will be published pending any company feedback that needs to be included.

LAPFF confirmed their continuing engagement with electric vehicle manufacturers to gain more understanding of how they are addressing the risks associated with sourcing the minerals they need to produce batteries for their vehicles. They met with Renault, General Motors, and Mercedes to look at the work they're doing regarding risk management and impressing upon them the benefits of transparent reporting and enhanced due diligence.

LAPFF are taking part in a government taskforce on social factors which is running for a year to consider social risks and opportunities by occupational pension schemes. It is expected to culminate in a report with recommendations around the importance of social factors in responsible investment.

Dates of future LAPF meetings and papers from the last meeting can be made available on request.

In addition, the LAPFF conference took place in December 2022 with representation from the Fund. There was a heavy focus on human rights and climate, including discussion on the following areas:

- the dam disasters referred to above;
- asset managers experiences of working to implement sustainability in their operations;
- the growing importance of the 'S' in ESG;
- An LGPS panel on 'levelling up';
- government and societal responses to the pandemic; and
- a synopsis of the state of affairs globally.

Taskforce on Climate-related Financial Disclosures (TCFD) Consultation

In November 2022, LPPI responded to a consultation on governance and reporting of climate change risks for LGPS funds. LPPI has been reporting voluntarily under TCFD and already made a net zero commitment which reflects the integration of climate change considerations into their business model. Although, LPPI is supportive of the direction of travel with regards mandating an approach for LGPS funds to report against climate metrics, there will be some practical challenges to overcome which were shared as part of their consultation response. LPPI have commenced their own internal project to implement the FCAs TCFD reporting requirements, including any requirements arising from the consultation. Also, an initiative within the strategic plan is due to be undertaken by the Fund in the future.

LAPFF also responded to the consultation welcoming the move for TCFD reporting. They stressed the importance of a just transition and called for further consultation on any guidance that might be issued to funds.

It is anticipated that DLUHC will issue the guidance which implements applicable requirements by April 2023.

Responsible Investment Policy

As this report was prepared, discussions have taken place with LPPI regarding investment in the controversial weapons industry. LPPI have a commitment to avoid funding these activities by not investing in companies which are known producers of controversial weapons. This is also a social consideration for the fund as outlined in the Responsible Investment policy. The Fund will consider whether this policy needs to be expanded further on this point.

Public Campaign Queries

The Fund have not received any queries in the last quarter.

Consultations

Local Pensions Partnership Investments Limited.

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 resulting 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.

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
Robecco Active Ownership Report Q4- 2022	01/10/2022 to 31/12/2022	Catherine Hunt 01772 533757

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

**Lancashire County Pension Fund (LCPF) Responsible
Investment Report – Q4 2022**

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 2022 plus insights on current and emerging issues for client pension funds.

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

Key takeaways for the period:

- In Q4 2022 LPPI voted on 98% of company proposals, supporting 77% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 2.72% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 4.60% of the portfolio.
- LPPI has applied to join the Net Zero Engagement Initiative (NZEI), a new engagement programme from the Institutional Investor Group on Climate Change (IIGCC^R). It seeks to support collaborative engagement with carbon intensive companies that sit outside the top 166 largest emitters in the Climate Action 100+^R universe.
- The PRI^R recently released the results for the 2020/21 reporting cycle, with LPPI achieving over 70% in each module and scoring significantly higher than the peer group average.
- LPPI has recently released its Net Zero Roadmap, which follows our formal submission to the IIGCC's Net Zero Asset Managers Initiative^R in October.

2. RI Dashboard – Portfolio Characteristics

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

Asset class metrics (*Dashboard pages 1 & 2*) offer insights on the composition of the portfolio and its general characteristics. See the summary for Q4 2022 outlined below.

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

Listed Equities (Dashboard p1)

Sector Breakdown

Categorised by GICS^R the largest sectoral exposures for the GEF are Information Tech. (26%), Consumer Staples (15%), and Financials (14%).

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

Top 10 Positions

The top 10 companies (10 largest positions) make up 22% of the total LPPI GEF.

In Q4 2022 Nestle moved up 1 position and is now the largest holding in the GEF. Visa and Microsoft remain in the top three, although Visa is now up 1 position and Microsoft is down 2 positions. Alphabet and Diageo have moved down 1 and 4 positions respectively, whereas, Accenture and Starbucks have moved up 1 and 4 positions respectively. Pepsico remained the same, whilst Intuit and Apple were replaced by LVMH and Colgate, which makes up the last positions in the top 10.

Portfolio ESG Score

The GEF's Portfolio ESG score has increased from 5.74 to 5.76 between Q3 and Q4 (dashboard chart is rounded). In the same period the equivalent score for the benchmark had not changed at 5.5.

Transition Pathway Initiative (TPI)

Monitoring against TPI^R 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 remained the same at 11%, between Q3 and Q4.

The number of GEF companies in scope of TPI scoring has increased by 1 since Q3 2022, changing from 30 to 31. This increase is a result of the new external manager Ballie Gifford, bringing 2 new companies from the TPI universe into scope, whilst elsewhere one in-scope company has left the portfolio.

Of the 31 companies in TPI scope:

- 92% (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 down from 94% in Q3 2022, which is a general reflection of the additional companies bringing down the ratio.
- 8 companies are scored below TPI 3 and are under monitoring.

Governance Insights

These metrics provide insights on governance issues for the GEF using data from ISS DataDesk (Institutional Shareholder Services) our provider of shareholder voting services.

Women on the board: A measure of gender diversity confirming the average proportion of female board members for companies in the GEF (where data is available).

In Q4 2022, an average of 29% of board members were female in the GEF, which is unchanged from Q3. There was a coverage of 84% data availability (up from 83% in Q3), which was a result of several companies not being in scope of the ISS database.

Board independence: The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence as a route to an appropriate breadth of ideas, skills and experiences being drawn upon.

In Q4 2022, on average 68% of board members were independent in the GEF, which is down from 69% in Q3. There was a coverage of 84% data availability (unchanged from Q3), which was a result of several companies not being in scope of the ISS database.

Say-on-pay: The average level of investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

In Q4 2022, an average of 88% were in support for say on pay (unchanged from Q3), which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was a coverage of 69% data availability (down from 72% in Q3), which was a result of several companies not being in scope of the ISS database.

Other asset classes (Dashboard p2)

Private Equity

The geographical exposure continued to have a strong United States presence, increasing from 50% in Q3 to 53% in Q4 2022. The largest sectoral exposure continued to be Information Technology, although reducing slightly from 31% in Q3 to 29% in Q4 2022.

Infrastructure

The geographical exposures to UK based infrastructure slightly decreased, moving from 52% exposure in Q3 to 48% in Q4. The largest sectoral exposure remained in Traditional Energy, Renewable Energy, Waste, which makes up 40% of the portfolio.

Real Estate

The geographical exposures continued to be largely deployed in the UK, slightly reducing from 73% in Q3 to 72% in Q4 2022. The largest sectoral exposure continued to be Industrial assets, making up 44% 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 2022, Brown exposure has increased from 2.52% to 2.72%. The biggest contributor to the increased exposure is from the GEF. This is a reflection of a mark-to-market increase, demonstrating the strong performance of Brown positions held in the GEF due to elevated oil and gas prices. This has increased the GEF's Brown exposure from 0.32% in Q3 to 0.48% of the portfolio in Q4. Other contributing factors have been from the Infrastructure asset class, where there has been a small mark-to-market increase in the performance of Brown positions held in portfolio.

Compared with Q3 2022, Green activities have increased from 4.21% to 4.60% of the portfolio. The biggest contributors to the increased exposure are the Infrastructure and Private Equity assets classes. The Private Equity figures reflect a full re-evaluation based on the current categorisation process, as we have done in other asset classes. This added some further companies within existing funds that have not previously been identified as Green, predominantly in the decarbonising and clean tech fund categories. This change increased Private Equity's Green exposure from 0.02% in Q3 to 0.13% of the portfolio in Q4. Infrastructure's contribution reflects a positive mark-to-market increase, demonstrating the strong performance of Green positions held in the portfolio. This has increased Infrastructure's Green exposure from 4.15% in Q3 to 4.45% of the portfolio in Q4.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 85% of total Green exposure, and 97% 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 Responsible Investment approach to Local Pensions Partnership Investments Ltd (LPPI). Ongoing stewardship activities by LPPI include portfolio and manager monitoring and the exercise of ownership responsibilities via shareholder voting, and engagement.

Shareholder Voting - LPPI Global Equities 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 2022 encompassed 40 meetings and 321 resolutions voted. LPPI voted at 98% of meetings where GEF shares entitled participation. The shortfall reflects the application of Do Not Vote to one Russian position that was not fully liquidated before trading restrictions were introduced.

Company Proposals

LPPI supported 77% of company proposals in the period.

Voting against management captured:

- the election of directors: 35% of votes against (addressing individual director issues, overall board independence, and over-boarding).
- compensation: 11% of votes against (addressing inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards).

Case Study – Director Related

LPPI voted against 23 director-related resolutions across nine companies. This was 13% of all director-related votes.

LPPI voted against three resolutions across two companies due to a lack of Board independence. Results: 5.7% - 17.8% Against.

LPPI voted against five directors across four companies due to the lack of diversity on the Board. Results (where disclosed): 0.2%-17.8% Against.

Case Study – Compensation

LPPI voted against seven compensation resolutions at seven companies. This was approximately 18% of compensation-related votes.

At Oracle Corporation (USA: Systems Software), LPPI voted against the say on pay. This was driven by poor disclosure, the use of entirely discretionary bonuses for some named executive officers, and modification to in-progress equity awards. Following multiple years of low support for the say on pay, ISS judged shareholder outreach to be insufficient and recommended voting against all incumbent board members as an escalation. LPPI shared concerns around the lack of responsiveness, but thought it was most appropriate to withhold support for members of the Remuneration Committee for this topic. Say on pay result: 33.1% Against. Remuneration Committee member results: 27.3% - 30.5% Against.

At Copart (USA: Diversified Support Services), LPPI voted against the say on pay. This was driven by a combination of poor disclosure, an overreliance on subjective metrics in the annual bonus, and a large front loaded equity award in the long-term incentive plan (LTIP) that was linked to metrics that reward short-term share price peaks. Result: 38.0% against.

At RPM International (USA: Specialty Chemicals), LPPI voted against the say on pay. This was driven by poor disclosure of performance metrics. Result: 33.4% Against.

Shareholder Proposals

LPPI supported 11 out of 14 (79%) shareholder resolutions over the quarter. Eight were management supported and related to routine corporate governance items at Chinese companies.

Microsoft Corporation (USA: Systems Software) faced six shareholder resolutions. LPPI voted against three. All were considered to be of low quality (e.g. requesting a report on the costs of diversity and inclusion initiatives to be published 18 days after the AGM, micro-managing retirement funds available to employees, and seeking disclosure which Microsoft has already produced). Results: 88.8% - 98.7% Against.

LPPI supported two resolutions seeking greater information regarding the risk association of government-related defence contracts. LPPI also supported a resolution seeking tax disclosure in line with the Global Reporting Initiative's Tax Standard. Results: 10.5% - 23.0% For.

Climate Voting (NEW)

This new section will capture climate-related votes arising from the updated Shareholder Voting Guidelines (SHVGs). It will also draw out coverage of any CA100+ linked shareholder resolutions.

During Q4 2022, no voting action on climate relating to the SHVGs or CA100+ linked resolutions occurred.

Case Study – Manager Engagement

In Q4 2022, LPPI's Infrastructure team engaged with an external manager on specific initiatives as part of ongoing portfolio monitoring. The first initiative was a review of their latest UN PRI^R assessment score and areas for improvement to meet the criteria required for future assessments. This review was a collaborative process to exchange thoughts on key components of ESG processes such as resourcing, asset management and carbon reporting. The second initiative involved a deep-dive review of the same external manager, related to the latest investment in a conventional power asset in the US. This review sought to

understand key ESG risks and opportunities of this investment, namely balancing the exposure to fossil fuel (natural gas) against supporting the energy transition of several coal-reliant US states. Further, in Q4 2022 the LPPI Infrastructure team met with the manager's private markets ESG team in person, which provided the opportunity to discuss ESG initiatives such as physical climate risk assessment tools and integration of ESG initiatives in business plans.

4. Robeco Summary

Engagement (Public Markets): Robeco (Dashboard page 4)

This section of the dashboard outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution). Robeco currently engages with 32 companies in the GEF, accounting for 24.6% of the total GEF portfolio.

Engagement (Public Markets): Robeco (Dashboard page 5)

Engagement progress by theme, also shown on page 2 in the Robeco Active Ownership report, summarises their engagement activity for our portfolio over the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %). The data outlined in our dashboard is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Robeco's New Themes

Each year in Q4, Robeco clients submit engagement priorities to inform new themes to be created for the year ahead. These suggestions are aggregated and presented at the annual client panel for further discussion. The three new engagement themes selected for 2023 are below and will be rolled out across the year. Modern slavery and tax were LPPI-identified priorities which we were pleased to see incorporated. In addition to the new themes, Robeco confirmed that they will also expand coverage of the climate change and biodiversity themes given the long-term, systemic nature of these topics.

Forced Labour and Modern Slavery

Background

Over 50 million people globally are trapped in modern slavery. Roughly 28 million people are victims of forced labour, and half of those are in the Asia-Pacific region. Governments and regulators are paying growing attention to modern slavery risks, and investors have a responsibility to respect human rights, as outlined in the UN Guiding Principles on Business and Human Rights.

Engagement focus

Robeco's engagement will focus on companies predominantly linked to the Asia-Pacific region operating in sectors highly exposed to forced labour risks, such as Consumer Discretionary, Consumer Staples, Technology and Healthcare.

Just Transition

Background

The 'Just Transition' as a concept is about greening the economy in a way that is as fair and inclusive as possible to everyone impacted. Robeco believe that emerging markets are where the battle against climate change will be won or lost, as issues of transition are most acute across Africa and Asia.

Engagement focus

The engagement will focus on companies in emerging markets that are enabling and/or contributing to the just energy transition.

Tackling Tax Transparency

Background

Taxation is increasingly a topic for debate for regulators and progressively seen as a key ESG topic. Due to recent regulatory developments, Robeco believe that 2023 is a good time to start engaging on this topic.

Engagement focus

This theme will focus on improving the transparency of companies over their tax status, and what they actually pay to the governments of the countries in which they operate.

Robeco Active Ownership Report: Content Overview

The below information is a summary of Robeco Active Ownership report, from page 3 onwards, which covers case study insights from across the workload that they have chosen to give an update on this quarter. All information represents Robeco's findings for their entire assets under engagement. Although it is still relevant to LPPI, it is not specific to the companies that are under engagement for LPPI. These insights can refer to companies inside and outside our portfolio, depending on our specific exposure to the given theme being highlighted.

Social Impact of Artificial Intelligence

As Robeco close their Social Impact of Artificial Intelligence (AI) engagement theme, they reflect on some of the key trends, opportunities and challenges around this technology. From 2019 to 2022, Robeco engaged with 10 companies on behalf of all clients from across the Information and Communication Technology (ICT) sector with the aim of promoting best practices in the development and responsible use of AI.

Robeco concluded their Social Impact of AI engagement program and successfully closed 40% of engagement cases across all assets under engagement. They learned that companies are gradually aligning internal practices to principles of responsible AI, and many address topics like inclusiveness, fairness, and transparency. However, ethical principles on their own do not ensure the responsible development and deployment of AI. Businesses require robust governance mechanisms to effectively implement their principles. Robeco observed that transparency around AI governance and implementation remained low, as most companies' public disclosures lacked clarity about how such principles translate into practice.

The alignment of AI technologies with ethical values and principles will be critical to promote and protect human rights in society. Even though much work has been done in this area, the implementation of AI principles and management of AI risks remains a critical area for improvement.

Social Impact of Gaming

In Q1 2021 Robeco started engaging the global video gaming industry on its social impact. They selected six of the largest listed gaming companies located in the US, South Korea and China, with objectives that address the social impacts felt both behind and in front of the screen. For the consumers playing the games, companies are expected to develop strategies that prevent harassment occurring between players. Each studio has developed and integrated preventative tools on a game-by-game basis, though Robeco have encouraged companies to learn from each other and create a more general application of harassment-prevention tools.

Research into disruptive player behaviour has also been conducted by the industry, but has yet to be leveraged in game design. This integration will be encouraged by Robeco in the coming months. Other elements of player behaviour that warrant attention are the money and time spent within games. At least half of the companies have implemented a ban on spending abilities for accounts below an early-teen age group, however, age restrictions and time restraints are largely implemented through the consoles and must be set by parents.

Depictions of violence within games has had less attention from the industry but is acknowledged as material by the companies. However, Robeco have yet to see examples of clear policies that guide what imagery is appropriate outside of regulation, and it is widely seen to be a creative rather than a risk-aligned decision. In-game diversity has had attention in the US-based studios but has had less traction in other markets. Companies have highlighted extended character appearance options that allow for diverse avatars, however, this is considered a creative decision that is determined by project teams and is influenced by the diversity levels of the teams themselves.

Since the launch of the engagement, the issue of diversity and inclusion on the work floor has only continued to rise in prominence within the gaming sector. Allegations of toxic workplace cultures, enabling sexual harassment and discrimination, continued into 2021, triggering legal and employee action. Western companies have appointed leads for diversity, installing training and development programs, while remaining defensive of the view that allegations are the result of systemic issues. Companies in other regions however approach diversity primarily from the gender perspective, and are less responsive to the issue overall.

All companies under engagement now publish annual ESG reports, when at the beginning of the engagement, three had yet to do so. The reports highlight initiatives that relate to many of Robeco's objectives, and largely conform to frameworks that include metrics that they deem important for transparency, in particular those that are related to the workforce.

Biodiversity

Nature is critical to meeting the UN Sustainable Development Goals (SDGs) and limiting global warming to 1.5 degrees. In an active effort to live up to their clients' environmental and social responsibilities, in 2020 Robeco set up an integrated and multi-layered engagement approach to address biodiversity loss.

Addressing biodiversity loss requires urgent action from both governments and companies. Investor action on biodiversity has been limited, with data barriers and capacity limitations keeping them from integrating biodiversity into their investments, engagement and voting decisions at scale. Robeco has set out to create a holistic, multi-layered and scalable engagement approach towards biodiversity. As such, they are not only engaging the various relevant stakeholders, but also exploring how stewardship efforts can be scaled through collaborative engagements. Robeco's engagement initially started off with a focus on biodiversity loss linked to deforestation among companies exposed to high-risk commodities. However, as of Q4 2022, it has now expanded to other drivers of biodiversity loss, from pollution to overfishing.

Robeco expect companies to assess their biodiversity impacts and dependencies, and set a biodiversity strategy. They also expect companies to report key impact indicators following recognised reporting frameworks such as Taskforce for Nature-Related Financial Disclosures. The theme will, among others, cover companies engaged as part of the new RobecoSAM Biodiversity Equities Fund, which directs financial flows towards biodiversity solutions providers.

Seeking further collaborative engagement opportunities, Robeco have recently signed the Business for Nature statement calling for mandatory corporate reporting for nature by 2030, as well as joining the letter campaign and ESG data provider engagement by the Finance Sector Deforestation Action. Robeco has also recently been part of the core investor group that launched the Nature Action 100 initiative during the UN Biodiversity Conference in Montreal in December 2022.

Shifting to the sovereign level, Robeco continues to be actively involved in the Investor Policy Dialogue on Deforestation (IPDD) initiative since it was formally set up in July 2020. Currently, the coalition is comprised by 65 institutional investors from 19 countries, with USD 10 trillion in assets under management. Robeco considers sovereign engagement as a necessary and powerful step to encourage governments that are significantly exposed to deforestation risk to implement relevant policies and contribute to a positive change.

Corporate Governance Standards in Asia

Robeco have two broad streams of engagement in Asia. Firstly, focusing on working with regulators and policy stakeholders in Japan, South Korea, and to a lesser extent in China, to ensure an improved and level playing field for ESG issues. Secondly, working constructively with companies in Japan and South Korea to improve their disclosure, communication and financial performance.

Their policy engagement included a virtual meeting with Japan's Ministry of Economy, Trade and Industry. Raising issues on the disclosure timing of annual reports, and noting the importance to investors that these be released prior to the annual general meetings. They also became co-signatories of a letter to Japan's Financial Services Agency and the Tokyo Stock Exchange on two pathways to address the low rate of female participation, looking to change the listing rules via Japan's Corporate Governance Code.

The markets of Japan and South Korea have large valuation discounts compared to other developed markets in Europe and the US. These discounts have widened in the year to date with the strong relative appreciation of the US dollar. The companies under engagement were also trading at valuation discounts compared to their global industry peers, which Robeco attribute partly to broad governance issues in Japan and South Korea, but also to the lack of robust financial strategies and inefficient balance sheets.

Robeco believe in two key principles for good corporate governance: transparency and accountability. They ask companies to improve transparency by publishing narrative reporting on their corporate strategy and having a distinct financial strategy. There is much to celebrate given the increased emphasis on reporting on material environmental and social (E&S) issues, including setting targets on greenhouse gas emissions reductions. However, there are still significant opportunities for companies to improve reporting of their financial strategy and to give robust explanations on specific targets that would support their business strategy.

5. 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 2022.

IIGCC's Net Zero Engagement Initiative

LPPI applied to join the Net Zero Engagement Initiative (NZEI), a new engagement programme from the Institutional Investor Group on Climate Change (IIGCC^R). It seeks to support collaborative engagement with carbon intensive companies that sit outside the top 166 largest emitters in the Climate Action 100+^R universe. The NZEI seeks to capture smaller companies which represent the long tail of greenhouse gas emissions with the view of supporting investors in meeting their Net Zero Investment Framework engagement targets (used by LPPI). Further information and the commencement of engagement is scheduled for Q1 2023.

Principles for Responsible Investment (PRI) Consultation

As a PRI^R signatory, LPPI participated in a dialogue and submitted a response to a formal consultation on the future direction of PRI which closed on 27th Jan 2023.

The consultation, PRI in a Changing World, was issued on the conclusion of a programme of signatory workshops in key markets which explored the context, started the conversation, and introduced key themes. LPPI's Head of Responsible Investment attended the UK event at PRI Head Office in London in November 2022.

The consultation posed questions in the following seven areas:

1. What does responsible investment mean today?
2. Expectations about signatory progression
3. The role of responsible investors in the financial system, and in influencing policy change; and barriers to signatory action on sustainability outcomes.
4. The PRI's response to signatory needs – globally and locally – and the challenges signatories face
5. The PRI's strategy setting approach and governance
6. The PRI's mission statement
7. Signatories' engagement and satisfaction with the PRI

The questions reflect that in the period since PRI launched in 2006 there has been a significant shift in market practice and expectations. These need acknowledging and reflecting in the PRI's strategy, planning, and resourcing and in requirements placed on signatories going forward.

LPPI's response to the consultation (by confidential online questionnaire) communicated the value we place on a robust external good practice standard for stewardship incorporating ESG integration. We voiced support for a clearer set of signatory requirements that builds-in an expectation of progression over time and a focus on disclosure being proportionate and useful rather than exhaustive. Increasing pressure is arising from the expansion of stewardship-focussed reporting introduced by regulation which extends compulsory disclosures without co-ordination with other reporting regimes. Disclosure standards are similar but not aligned, reporting periods and deadlines overlap, and there is insufficient dispensation for equivalency despite the same activities being the subject of multiple disclosure requirements. The consultation will provide direct insights which can tighten the PRI's focus on how to accommodate the asset owner and asset manager context in planning how to support signatories achieving stewardship good practice and demonstrating this to their stakeholders.

Asset Owner Diversity Charter (AODC)

As a signatory to the AODC, LPPI has committed to encouraging our managers to fill in the AODC questionnaire once a year. To make this process more efficient, the AODC have begun an initiative with CAMRADATA, a data analysis firm, to provide a centralised database where each manager can submit their responses once, which all signatories to the Charter can then access. LPPI identified 18 of our largest managers across the portfolio to target in a first round of requests. Together with CAMRADATA we sent out the latest version of the questionnaire, requesting each manager to complete it. So far, we have received responses from all but one of our managers and all but 4 of these used the new CAMRADATA platform and template. Outside of this priority group, 6 of our managers have already completed the questionnaire on the database. Our response rates were shared with the AODC team who are working on compiling these and other insights from the data itself into a 'year in review' progress report for the initiative. The report will include case studies to support ongoing engagement on this important topic and be published in the coming months.

6. Other News and Insights

PRI Results

Module	LPPI Scores	PRI Median Scores
Investment and Stewardship Policy	4* (87%)	3* (60%)
Direct – Listed Equity – Active Fundamental Incorporation	5* (96%)	4* (71%)
Direct – Listed Equity – Active Quantitative – Voting	4* (72%)	3* (54%)
Direct – Listed Equity – Active Quantitative – Voting	4* (72%)	3* (61%)
Indirect – Listed Equity - Active	4* (87%)	4* (67%)
Indirect – Real Estate	5* (91%)	3* (62%)

The PRI^R recently released the results for the 2020/21 reporting cycle, with LPPI achieving over 70% in each module and scoring significantly higher than the peer group average. With the reporting and scoring framework undergoing a number of changes from the previous reporting cycle, we are pleased to have maintained such high scores across the board. LPPI has scored above the median threshold for all assessed modules against both immediate asset owner (10-50B) and asset manager (10-50B) benchmarks (Europe) and against all PRI signatories (Global).

Since the PRI submission, our philosophy, tools and frameworks around ESG integration have moved on substantially. We continue to improve ESG integration across our asset class teams and will be looking to showcase these improvements in the next PRI submission.

PRI Advance Launch

The PRI has officially launched Advance, the engagement programme which aims to support institutional investors to collaborate and take action on human rights and social issues. At launch, LPPI was one of 220 investors endorsing the initiative, representing \$30tn in assets under management.

DLUHC Consultation: LGPS governance and reporting of climate change risk

The Department for Levelling Up, Housing and Communities issued its long-awaited [consultation](#) on proposed requirements for climate change governance and reporting by LGPS pension funds on 1st September 2022. This ran until 24th November 2022 and DLUHC are currently analysing responses.

The consultation sought views on proposals to require LGPS administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD^R). The consultation was comprehensive and sought responses to 12 questions.

LPPI's detailed consultation response incorporated insights on the proposed requirements from the perspective of asset manager and pooled investment provider as well as from the

context of our clients as administering authorities. As an assistance to those planning their own submissions, LPPI's consultation response was shared privately with our client funds in early November.

Key points raised in LPPI's response included

- The importance of partnership between administering authorities and their pools in making a decisive start despite incomplete data and imperfect tools
- The ambitious timetable and scope for the first reporting year to be a pilot which surfaces shared learning
- The gap between what is ideal and what can be achieved in practice currently given gaps in data, tools and established approaches for modelling climate-related risks for complex portfolios
- Limitations in what the provider market has developed at this point to support implementation for a diversified portfolio of assets
- The importance of detailed guidance stipulating a specific approach wherever consistency is required for the purposes of comparison or aggregation across pensions funds
- The opportunity for encouraging convergence around strong standards whilst maintaining flexibility to embrace evolving discipline and practice
- The requirement for TCFD reporting periods and disclosure deadlines to reflect dependency and reliance between asset managers, pools and pension funds
- The underestimation of resourcing and implementation costs for pools and funds.

DLUHC are due to issue the guidance which implements applicable requirements by April 2023.

Shareholder Voting Guidelines Update

The latest iteration of LPPI's [Shareholder Voting Guidelines](#) (SHVGs) has been published, incorporating material changes to how matters relating to climate change and board gender diversity are captured in the execution of shareholder voting rights for holdings in the Global Equities Fund.

On climate, LPPI has increased the scope of companies to which climate-related voting actions are applicable as well as enhanced the standards to which company management is held. Previously, votes were cast against companies within the Transition Pathway Initiative (TPI) universe with a Management Quality score less than three (indicating they have not publicly set any greenhouse gas emissions reduction targets or disclosed emissions data).

The updated SHVGs expands the universe to cover all companies in sectors identified as high impact in the IIGCC Net Zero Investment Framework, and applies the more rigorous Climate Action 100+ benchmark (where a company is in coverage) or, alternatively, LPPI's internal assessment of net zero alignment using MSCI^R and other data sources. LPPI's internal assessment uses the IIGCC's Net Zero Investment Framework categorisation of corporate alignment and was discussed with IIGCC staff during the research phase.

LPPI will vote against management at companies that are assessed to be in the bottom two tiers of "Not Committed" or "Committed to Aligning". This captures companies that have not set a long-term ambition to decarbonise ("Not Committed") and those that have set the

ambition but not followed-up with disclosure on carbon footprints or targets (“Committed to Aligning”). Adverse votes will also occur when companies have not met minimum standards in the TPI or CA100+ benchmarks.

On board gender diversity, LPPI has expanded the scope of companies that are expected to have at least 30% women to include the Russell 3000 index of US companies, in addition to the FTSE 350. LPPI will vote against the Chair of the Nomination Committee where women make up less than 30% of the board, unless the firm has disclosed a plan to meet the 30% standard within a year.

Net Zero Roadmap

LPPI has recently released its [Net Zero Roadmap](#), which follows our formal submission to the IIGCC's Net Zero Asset Managers Initiative^R in October. LPPI has voluntarily made a public commitment to the goal of aligning our portfolio with Net Zero emissions by 2050. We also aim to have 100% of assets under management in scope of our Net Zero target setting over time. This roadmap outlines our Net Zero approach, and draws out our aims, targets and specific metrics used to measure our progress in reaching our goal.

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

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.

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>

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.

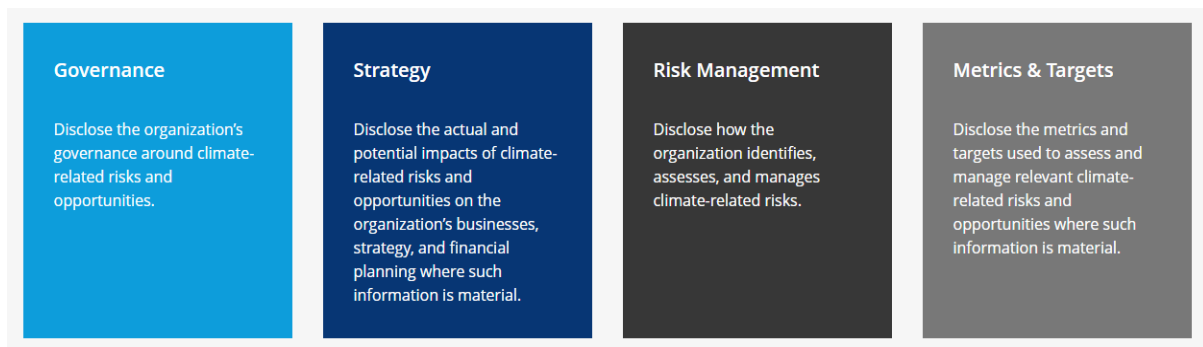
MSCI - Morgan Stanley Capital International

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.

NZAMI – Net Zero Asset Managers Initiative <https://www.netzeroassetmanagers.org/>

The Net Zero Asset Managers Initiative launched in December 2020 and aims to galvanise the asset management industry to commit to a goal of net zero emissions.

IIGCC

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

PRI - Principles for Responsible Investment <https://www.unpri.org/>

A United Nations-supported international network of financial institutions working together to implement its six aspirational principles, often referenced as "the Principles".

Responsible Investment Dashboard Q4 2022

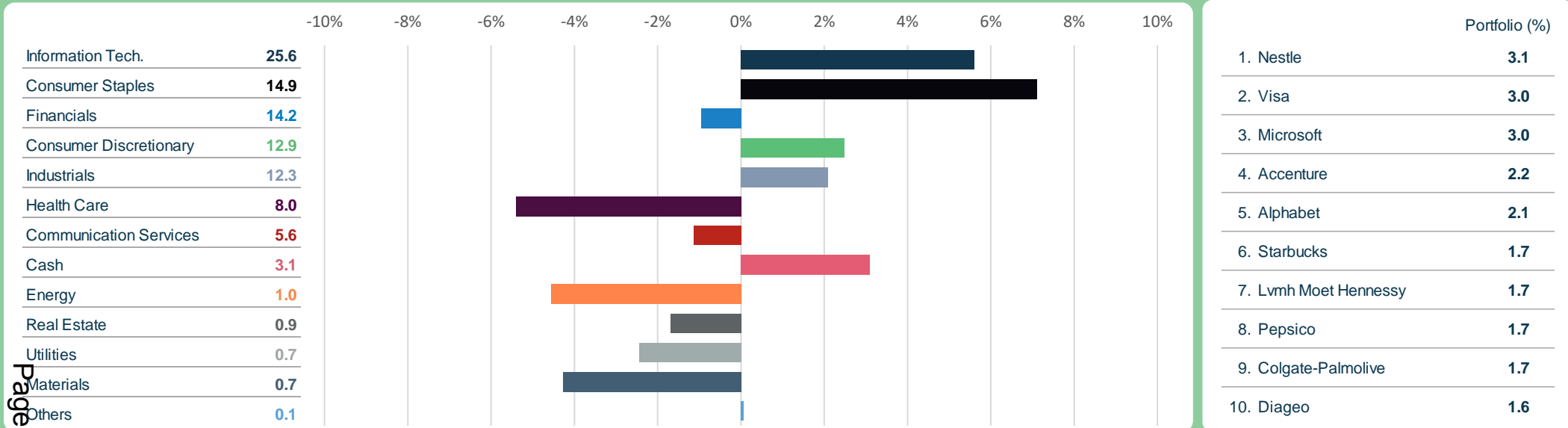
1. Portfolio Insights

Listed Equities (LPPI Global Equities Fund)

Sector Breakdown (%)

LPPI Global Equities Fund Sector Weights vs MSCI ACWI ND

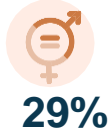
Top 10 Positions



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Governance Insights (ISS DataDesk)

Women on the Board (Average)



Coverage of GEF



Board Independence (Average)



Coverage of GEF



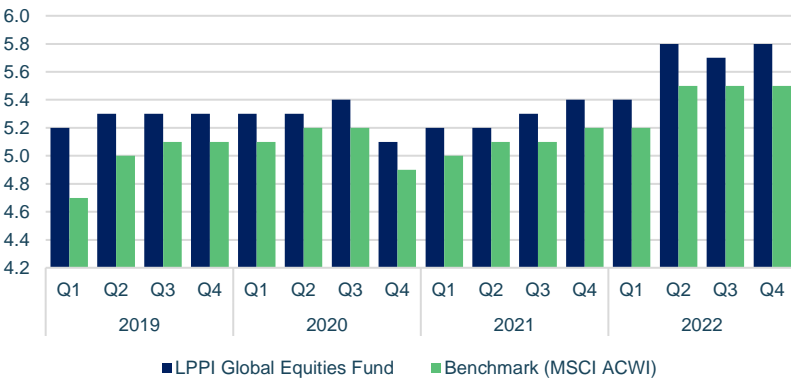
Support for Say on Pay (Average)



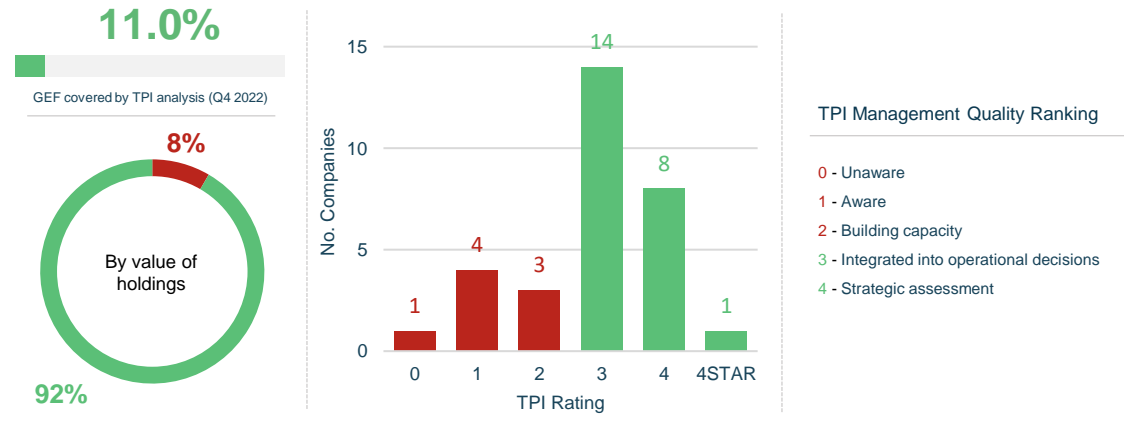
Coverage of GEF



Portfolio ESG Score (MSCI ESG Metrics)



Transition Pathway Initiative – Management Quality Headlines



Appendix B

Responsible Investment Dashboard Q4 2022

1. Portfolio Insights

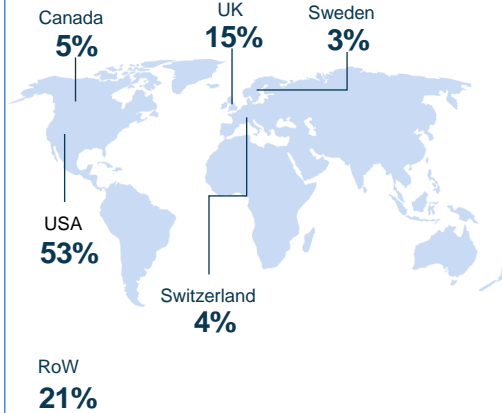
Other asset classes

Private Equity

Industry Breakdown (%)

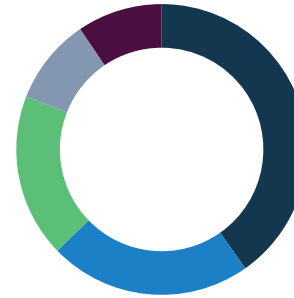


Region Breakdown (%)

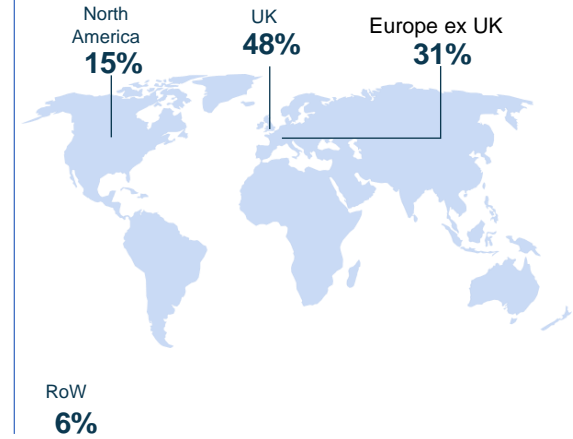


Infrastructure (LPPI Global Infrastructure Fund)

Industry Breakdown (%)



Region Breakdown (%)

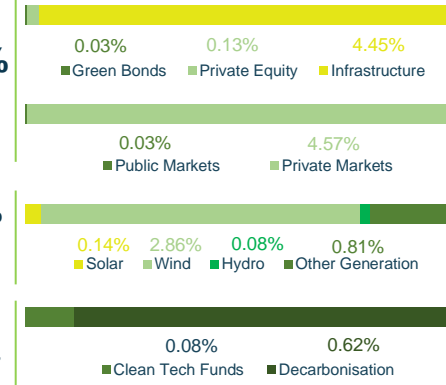


Green & Brown Exposure

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.

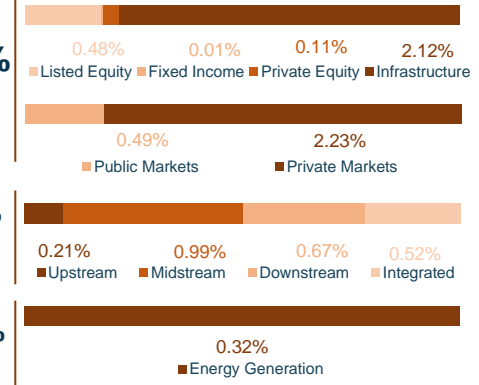
4.60% of portfolio



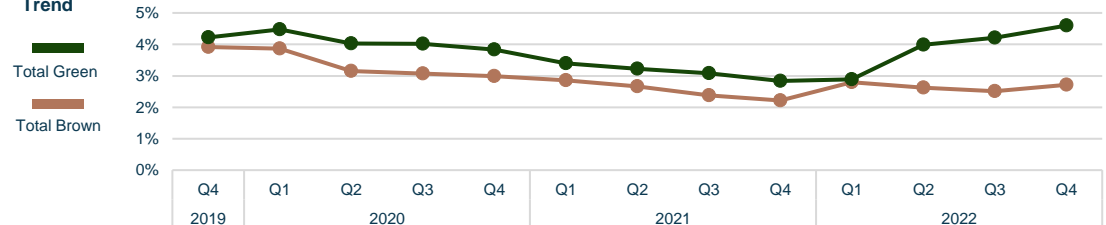
Brown

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

2.72% of portfolio

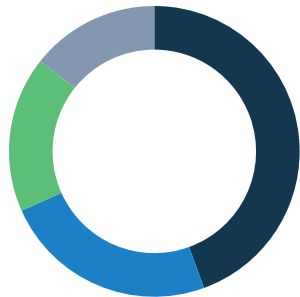


Trend

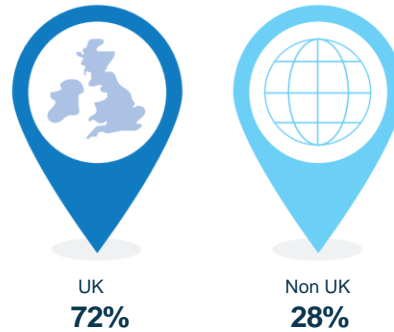


Real Estate (LPPI Real Estate Fund)

Sector Breakdown (%)



Geographical Exposure (NAV %)

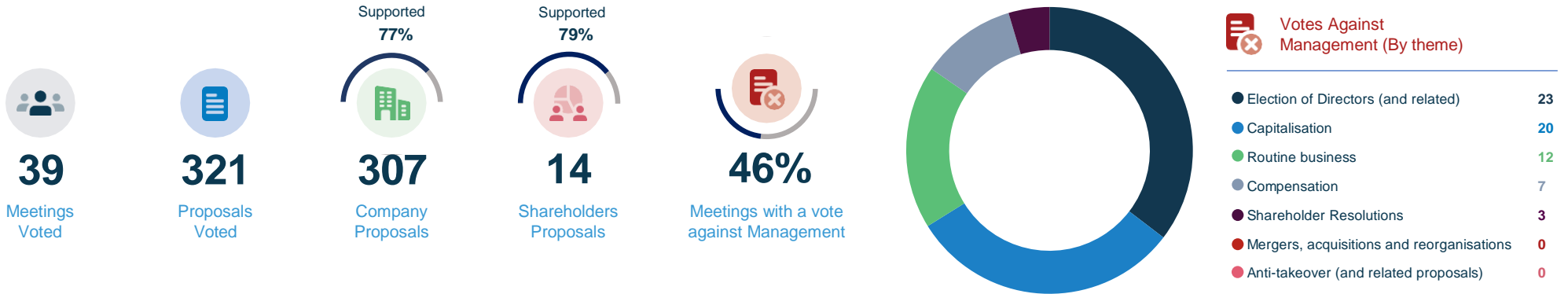


2. Stewardship Headlines

Shareholder Voting

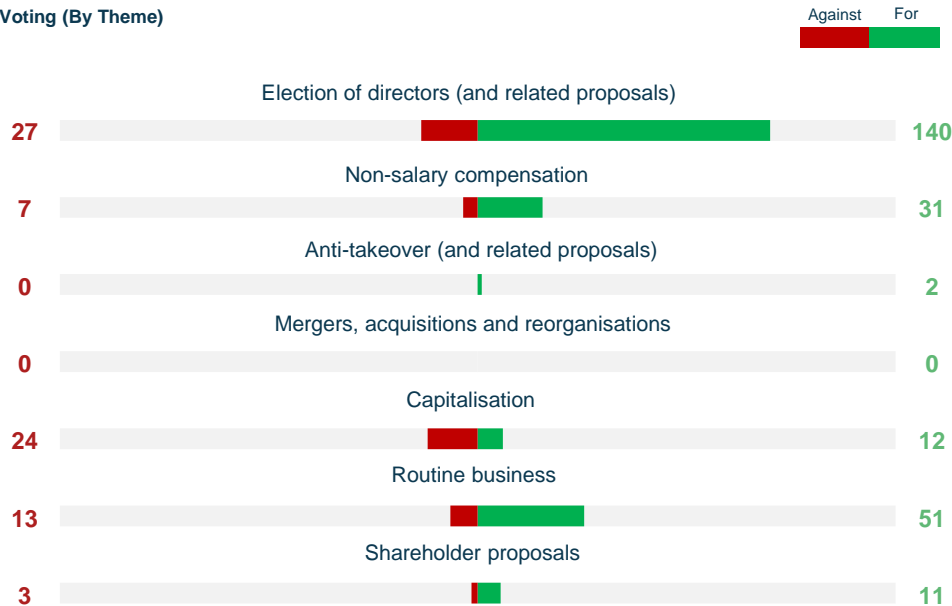
Shareholder Voting Statistics (LPPI Global Equities Fund)

Headlines

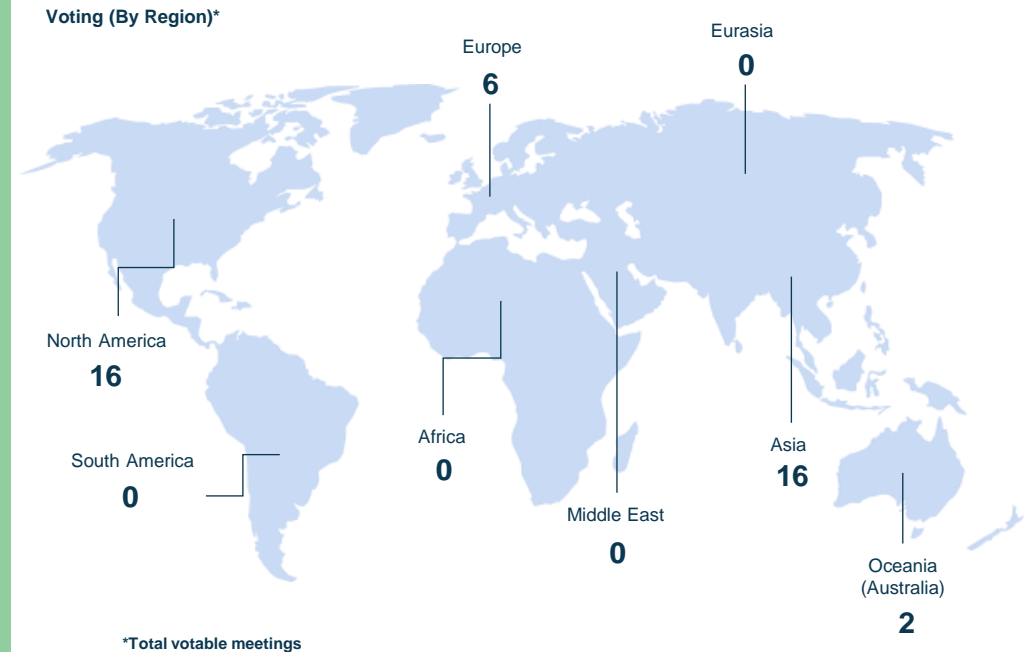


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Voting (By Theme)



Voting (By Region)*



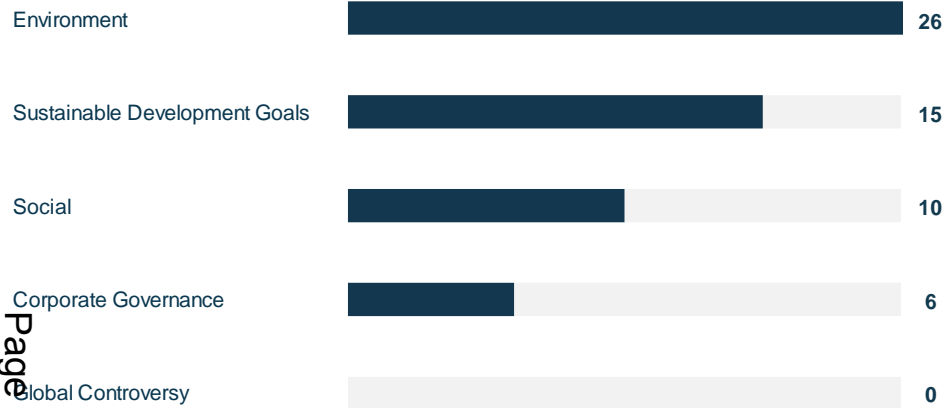
Responsible Investment Dashboard Q4 2022

2. Stewardship Headlines

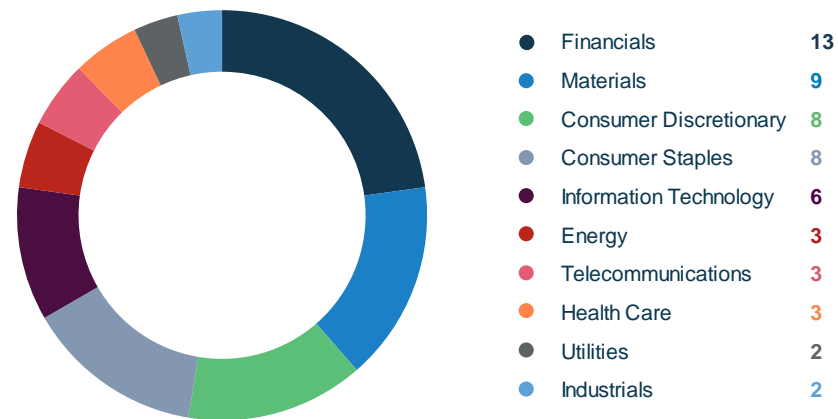
Engagement (Public Markets): Robeco

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

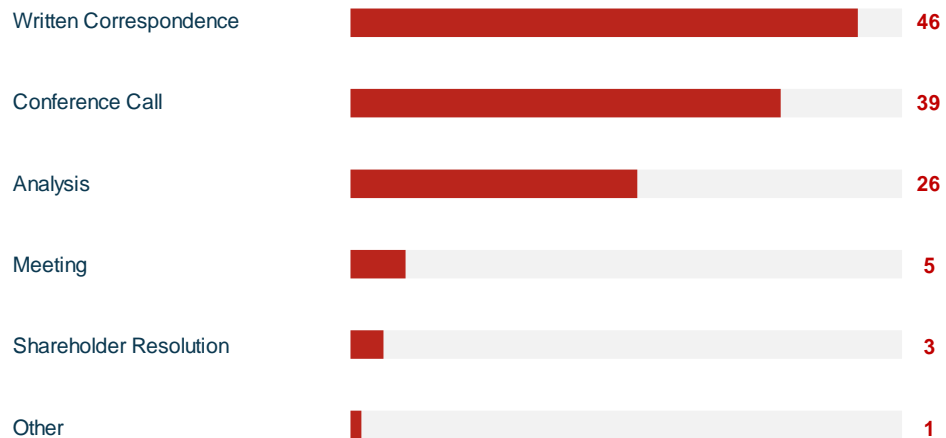
Activity (By Topic)



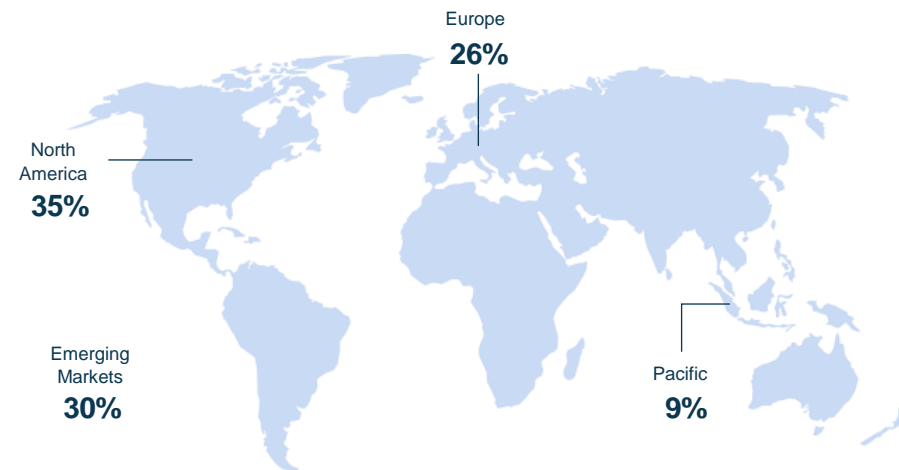
Activity (By Sector)



Activity (By Method)



Activity (By Region) (%)



Source: Robeco Active Ownership Report Q4 2022

Responsible Investment Dashboard Q4 2022

2. Stewardship Headlines

Engagement (Public Markets): Robeco

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Engagement Results (by Theme)



Source: Robeco Active Ownership Report Q4 2022

Waters™

Waters is one of the world's largest life sciences companies, and is the world leader in the niche specialty measurement techniques of liquid chromatography and mass spectrometry.

Its mission is to deliver scientific insights to improve human health and well-being through the application of high value analytical technologies and industry-leading scientific expertise. In doing so, the firm helps customers drive advancements in clinical diagnostics and medicines, as well as ensuring access to safe and secure food and water supply.



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Drug development

From early-stage discovery through to **development and manufacturing quality assurance**, the company's products are embedded within the fundamental processes of the **top 50 global pharmaceutical firms** (by revenues).



Food and drink - quality and safety standards

This involves **analysing how food changes under different temperatures, evaluating labelling requirements and nutritional value against the safety standards**, as well as assessing quality/safety of the water supply. Major customers include the US Food and Drug Administration (FDA) and the US Environmental Protection Agency (EPA).



30m+
babies screened
each year

Advanced screening techniques

Other use cases include modern **new-born screening techniques**, such as tandem mass spectrometry, which can diagnose serious conditions within the first few days of a child's birth. The company's new-born screening instruments, **capable of screening for more than 30 inborn disorders from a single dried blood spot sample**, are used in **testing the majority of >30m babies screened globally each year**. Waters have been developing this technology in new-born screening since 1997, when they acquired Micromass, a UK-based company specialising in this industry.

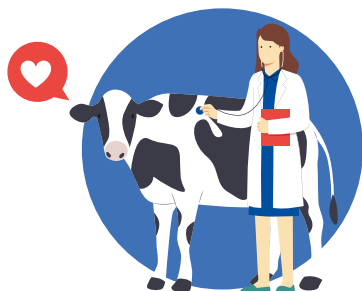


Idexx Labs is a global life sciences provider specializing in serving the pet and livestock, poultry and dairy markets, alongside a smaller business in water testing.

The firm is a market leader within the veterinary diagnostics market, with dominant positions in point-of-care diagnostic analysers, reagents, and vet laboratory services. The company's stated purpose is "to keep pets and people healthy and safe", through a combination of supporting longer and fuller lives for pets, as well as protecting life's essentials, such as clean drinking water.

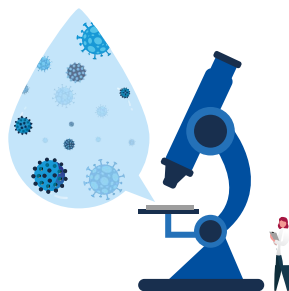


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Monitor the health of herd and flock animals

Through the Livestock, Poultry and Dairy business, Idexx provide **diagnostic tests and services used to monitor the health of herd and flock animals** globally, improve producer efficiency and ensure the quality of animal products. Over the last decade, the company has sold nearly **1.1bn IDEXX livestock diagnostic tests globally.**



Global leader in water microbiology

Idexx Water is also a **global leader in water microbiology**, providing tests that ensure the **safety of drinking water and other water supplies for >2.5bn people in 100 countries globally.** This is through detection and quantification of bacterial indicators of faecal contamination, as well as common microbial pathogens. These testing products are used by the likes of government labs, water utilities and private certified laboratories.



25,000k
 SNAP Tests donated

Idexx has also played a key role in supporting access to care for vulnerable animals:

- In 2021 the firm donated **25,000k SNAP Tests** (which help vets identify infections amongst pets) for disaster response, education, and community outreach.
- It provided funding to the Worldwide Veterinary Service to bring vet care to **vulnerable animals and veterinary training to underserved areas of Asia, Africa and South America.**
- The company is aiming to expand access to care for **>500k animals in underserved communities by 2025.**



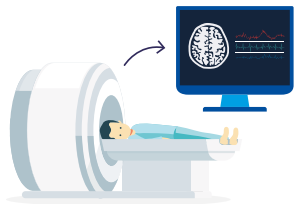
Pro Medicus is a leading provider of medical imaging IT services that are critical to the healthcare industry. Its customers include hospitals across private, government and academic/teaching sectors, and radiology clinics.

The company's core technology is capable of streaming large, complex diagnostic images sent from an MRI, CT scan, mammogram or similar. Given the complex and data-intensive nature of these images, even cloud-based systems are slow and inefficient when transmitting the information.

Higher quality electronic medical images are rapidly increasing data loads, making the need for fast electronic delivery of these images for diagnostic purposes even more important.



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Essential software for healthcare

Pro Medicus' software is considered critical to hospital and other healthcare institutions infrastructure, as hospitals and clinicians are increasingly using imaging as a less invasive method of diagnosis, early disease detection and to minimise surgical errors/risks. **Accurate diagnosis improves patient outcomes and results** in more efficient day to day operations for hospitals and other healthcare providers.



Visage imaging software

The firm's **Visage medical imaging software is currently best in class** when it comes to viewer speed across all modalities, **implementation speed and delivering improvements in clinical efficiency.**



Improved clinical accuracy

The company's products result in **improved clinical accuracy**, via higher image resolution, providing **more accurate diagnosis and recording of potential health issues.**



Its software is also inherently more efficient, as demonstrated by the following:

- Pro Medicus software has been shown to **improve radiologist turnaround time** (i.e. productivity) **by up to 30%.**
- Even though its products are priced at a premium to peers, a 30% efficiency improvement can result in a highly attractive ROI for healthcare customers (management estimates a **5-20% improved efficiency would drive an ROI of 80-300%.**)
- Implementation is **1/4 to 1/3 faster than closest competitors**, resulting in significant productivity improvements for healthcare clients (e.g. the Mercy Health Foundation – Pro Medicus software was rolled out across the Foundation's **43 hospitals in four separate states within just six months, versus 18-24 months for most competitors.**)

Portfolio Insights (Pages 1 - 2)

Sector Breakdown (%)

- Identifies the Global Equities 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

Page 151 The top 10 GEF companies as a % of the asset class portfolio.

Governance Insights

- **Women on the board:** A measure of gender diversity based on the average proportion of female board members for companies in the GEF.
- **Board independence:** The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence.
- **Say-on-pay:** The average investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

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 Equities, Fixed Income, Green Bonds, Private Equity, and Infrastructure.
- These are further broken down into their sectors/activities related to green and brown.
- Please be aware that due to rounding within the different breakdowns the totals may not sum correctly.

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 (Public Markets)

- 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.
LPPI has engaged an external provider (Robeco Active Ownership Team) to supplement dialogue underway by LPPI and external delegate managers. This section outlines the engagement activities undertaken by Robeco 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
 - Q3 – 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.

The named client pension fund has been assessed as an elective Professional Client for the purposes of the FCA regulations. All information, including valuation information, contained herein is proprietary and/or confidential to Local Pensions Partnership Ltd (LPP) and its subsidiary, Local Pensions Partnership Investments Ltd only (LPPi) (together the "LPP Group"). LPPi is authorised and regulated by the Financial Conduct Authority. This document and its content are provided solely for the internal use of the intended recipient(s) and subject to the terms and conditions of this disclaimer. Unless otherwise required by English law, you shall not disseminate, distribute or copy this document or any of the information provided in it in whole or part, without the express written consent of the authorised representative of the LPP Group. The purpose of this document is to provide fund and performance analysis for the named client pension fund only. It does not provide advice and should not be relied upon for any purpose including (but not limited to) investment decisions. Market and exchange rate movements can cause the value of an investment to fall as well as rise. Past performance is not an indicator of future performance. Without limitation to the aforesaid, this document and its contents are provided 'as is' without any representation or warranty (express or implied), and no member of the LPP Group nor any of their respective directors, officers and employees shall be held liable, as to the appropriateness, accuracy or completeness of the information provided herein.

Agenda Item 15

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Document is Restricted

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Appendix A

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Agenda Item 17

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Agenda Item 18

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Agenda Item 19

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Agenda Item 20

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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Appendix A

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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Agenda Item 21

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

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Agenda Item 22

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