

A close-up, profile view of a man with dark skin, a beard, and glasses, smiling while talking on a black mobile phone. He is wearing a light blue patterned shirt and a black watch with a green and yellow beaded strap. The background is a blurred indoor setting.

LPP

Local Pensions Partnership

**Governance
Charter 2020**

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Background

The purpose of the Governance Charter is to summarise the governance arrangements for the LPP structure and to provide an holistic view as the management and oversight of a Local Government Pension Scheme (LGPS) fund under a “pooling” arrangement. LPP is one of the eight LGPS pools established to drive economies of scale in pension fund management.

This Governance Charter outlines the pension funds that the LPP manages including the different roles played by:



The Administering Authorities - the LGPS pension funds



Local Pension Boards



The LPP pool including LPP Investments Ltd and LPP Administration Ltd



LPP was formed in 2016 through a collaboration between Lancashire County Council (LCC) as the administering authority of Lancashire County Pension Fund (LCPF) and the London Pensions Fund Authority (LPFA), to enable Local Government Pension Schemes to pool resources, and the management of assets for the benefit of members and employers.

In order to achieve pension fund asset pooling, LPP established a company authorised and regulated by the Financial Conduct Authority (FCA), Local Pensions Partnership Investments Ltd (LPPI), which now manages approximately £18 billion of assets on behalf of three asset and liability management clients (LCPF, LPFA, Royal County of Berkshire Pension Fund) as well as the committed capital of GLIL Infrastructure LLP (GLIL).

LPPI's liquid pooled funds, such as global equities or fixed income, are structured under two Authorised Contractual Schemes (ACS), and other assets, such as credit and infrastructure, are managed through investment pooling vehicles. In summary this means that our partner pension funds/clients no longer own direct holdings in e.g. public equities, but instead own units within the investment pooling vehicles established by LPPI.

The financial benefits resulting from the delegation to LPPI are shown in the statutory accounts of clients in the form of reduced costs of running the pension funds. This is achieved by consolidating third party fund managers, increasing allocations to internal management and through broader economies of scale.

LPPI's clients retain full responsibility for their investment strategy but delegate the implementation of investment management activities fully. LPPI's investment performance is overseen by shareholders and clients regularly by their executives and formally every quarter at their individual Board meetings and Investment Panels.

In order to meet FCA requirements for a regulated asset manager, the governance structure of the LPP Group is designed to ensure sufficient independence between the pension funds and LPPI.



LPFA and LCC are both shareholders and clients of LPP Group. Shareholders have additional rights associated with ownership of the LPP Group.



Berkshire is an investment and risk management client. This means they have delegated their assets to LPPI to manage but do not have ownership or governance rights in the LPP Group.



There are a number of third-party pension administration partners who receive services from LPP Administration.

Broad responsibilities of Administering Authorities - the pension fund



Strategic asset allocation – the investment strategy.

Funding strategy statement – to reflect the funding level of the scheme after each valuation (triennial) and to outline the approach to managing employer contributions.

Public policy statements such as a Communications Policy.

Pension administration strategies and setting the service levels for any outsourced pension administration providers, including the services received from LPP.

It is a “scheme manager” under the scheme regulations and The Pensions Regulator’s Code of Practice applicable to public service pension schemes. This includes having to adhere to certain levels of common and conditional data.

Identifying key risks to the pension fund.

Setting the responsible investment policies of the pension fund.

Public reporting via pension fund annual reports and statement of accounts.

Monitoring that any outsourced provider (including LPP) is delivering against the services and strategies agreed. This is a role typically carried out by Officers of the authorities plus the relevant governance body, board or pension committee.

Once the pension funds have determined their strategies, the implementation is delegated to LPP Group via a series of service level agreements.

Given the close relationship between LPP and the pension funds, they will often work in collaboration in the development of investment strategy or pension administration strategies but the pension funds have full independence to determine their strategies. The strategy often includes independent consultant input.

There is strong alignment between LPP and partner pension funds with a collective aim to improve outcomes for the pension fund. LPP operates with a partnership and an asset owner ethos. This means that success is measured by achieving the performance and service delivery objectives of its pension fund clients. This allows LPP to focus on long-term delivery as opposed to being focused on short-term success.

Local Pension Boards



Local Pension Boards are member and employer representative bodies whose role is to assist the administering authorities in the oversight and effective management of the pension funds. This is a wide ranging role and each pension fund has terms of reference to reflect the role played by their Local Pension Board.

This will usually include:

Reviewing how the pension fund is applying key regulatory requirements

Reviewing compliance with guidance from The Pensions Regulator

Reviewing the value for money and cost effectiveness of the fund

Engagement strategies with members and employers

Member and Employer Engagement



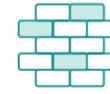
The strategic alignment between LPP and clients is also evident in the approach taken to member and employer engagement.

Each individual client remains responsible for the member and employer engagement strategy and has LGPS Communication Policies in place. LPP delivers the member and employer experience in line with these policies and runs the member self-service and employer portals which manage the data flows and interactions.

 <p>Member engagement can include, depending on the requirements of each fund:</p>	 <p>Employer engagement includes:</p>
Annual fund member meetings	Individual employer visits
Newsletters	Employer forums
Email campaigns for scheme changes	Employer newsletters
Higher earner letters	Special engagement during valuation periods

LPP is an accredited member of Customer Service Excellence and operates under Cyber Essentials and ISO 27001 (Information Management).

LPP Governance Structure



LPP Group’s main role is to deliver the investment and pension administration strategies delegated to it by our partner pension funds, LCPF, LPFA and Berkshire (investment only).

The diagram on the following page shows the governance structure in place to ensure the appropriate oversight of LPP from a shareholder and a client perspective.

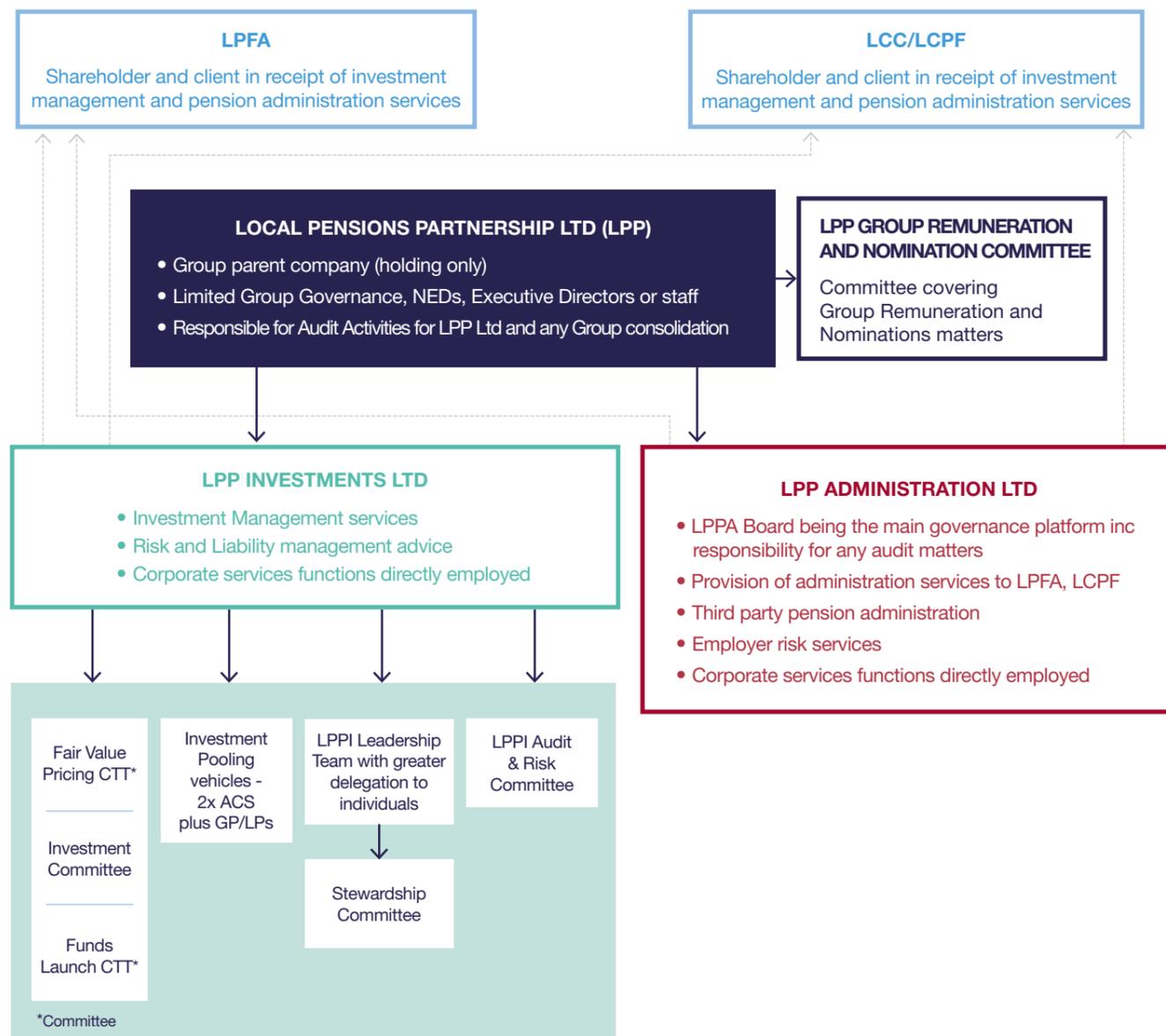
Ownership rights are governed by a Shareholders Agreement which includes some decisions which are “shareholder matters reserved”. This includes approval of the strategic plan and budget plus the usual shareholder approval matters under the Companies Act 2006. Each shareholder appoints a shareholder non-executive director to the LPP Board.

These roles have veto rights over all decisions but generally the LPP Board operates to reach a consensus. This means that for some decisions, LPP cannot act without the approval of shareholders.

Pension administration services are carried out by Local Pensions Partnership Administration Ltd, while investment management and asset and risk liability advice is provided by Local Pensions Partnership Investments Ltd.

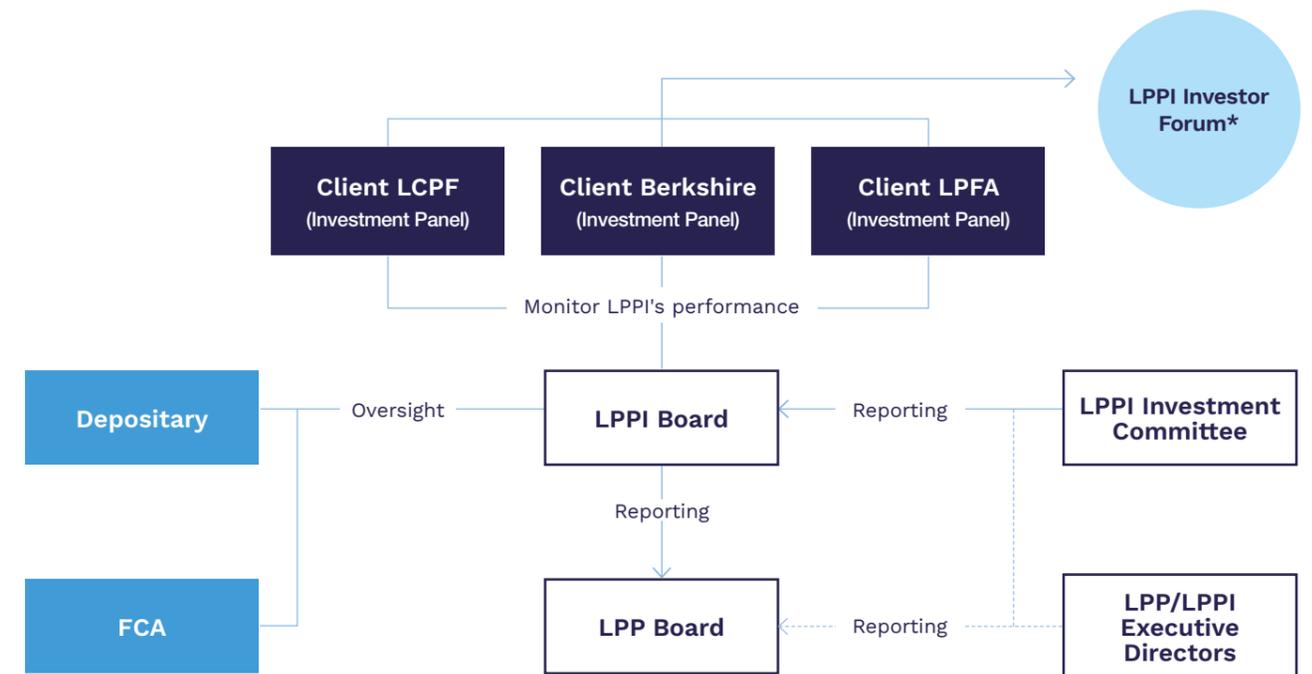
LPP Governance Structure cont.

Corporate Structure inc. Board and Committees (from September 2020)



KEY
 -----> Demonstrates service

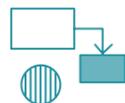
Investment Client Interactions



KEY
 ○ Formal Decision makers
 ■ Regulatory oversight
 ● Discussion Forums

*Investor forums are held biannually with LPP's Clients in order to discuss investment performance against strategy and upcoming plans.

LPP’s Governance Model and the role of the Board



LPP has an appropriate and tailored governance framework with a strong stakeholder focus in place. This promotes compliance with FCA regulation, helping to safeguard client assets and objectives, and seeks to promote achievement of LPP’s strategy. More recently LPP has agreed to follow the Wates Principles of corporate governance which are applicable to large private companies. More details can be found [here](#).

The LPP Board is responsible to its shareholders for the overall direction, supervision and management of LPP and its subsidiaries (the Group) to ensure its success. It determines the Group’s strategic direction and objectives, its viability and governance structure. It operates in accordance with its Articles of Association, Terms of Reference and powers reserved for the Board as laid down by the Shareholders Agreement along with its obligations under the Companies Act, FCA regulations (applicable to LPPI only) and other public law obligations. The LPP Board meets five times per year.

The day-to-day management of the Group and the implementation of the strategic plan are delegated to the Chief Executive along with the Executive Directors. The Executive plays a key role in overseeing operational performance and delivering LPP’s strategy.

LPP’s Board has established an appropriate corporate governance structure to meet the needs of the Group. Many of the non-executive committees such as the LPPI Audit and Risk Committee operate under LPPI with delegated authority from the LPPI Board.

Terms of reference for the Boards and Committees within the structure are reviewed as and when necessary and at least on an annual basis. Board and committee effectiveness reviews are scheduled on a rotational basis, ensuring sufficient time is given to implement the actions.

LPP’s Strategy



LPP is entering the next phase of development having completed four years of establishing and growing the business. This included the launch of investment pooling vehicles through which clients consolidate pension fund assets.

This next phase, taking LPP to 2025, will see LPP focus on self-sufficiency and stability, delivering investment returns in excess of agreed client benchmarks and improving the member and employer pension administration experience.

The setting of LPP’s strategy is a shareholder reserved matter under the Shareholders Agreement.

Interactions between LPP Group and Stakeholders

The type of interaction between LPP and the pension funds depends on whether the LGPS fund is a client or a shareholder client. LCC and LPFA are both shareholders and clients and therefore both type of interactions are relevant to them. The interactions below help to maintain the strategic alignment between LPP and stakeholders.

Shareholder Interaction with LPP	Client Interaction with LPP
Quarterly formal shareholder meeting	Quarterly performance meeting against the service level agreement
Regular interactions around shareholder reserved matters such as budget and strategy, remuneration policies	Attendance at investment panels or their equivalent
Informal shareholder meeting at Executive/Officer level	<ul style="list-style-type: none"> • Quarterly Pension Committee reporting • Investment strategy advisory sessions • Investor Forum (one to two per year) • Attendance at Local Pension Boards • Pension administration client meetings • Employer visits

The roles of shareholders and clients

Throughout this document reference is made to the roles of “shareholders” and “clients”, with LPFA and LCC being both shareholders and clients.

Key responsibilities for each are outlined below

LPP has an issued share capital of 25,000,002 ordinary shares of £1. The shareholders are:

- Lancashire County Council (12,500,001 shares)
- London Pensions Fund Authority (12,500,001 shares)

Each shareholder holds 12,500,001 fully paid ordinary shares of £1 in value. Of its 12,500,001 shares, Lancashire County Council holds 12,500,000 of these acting in its capacity as administering authority for the Lancashire County Pension Fund.

Shareholder

Activity	How the role is discharged
Operates ownership rights e.g in respect of the Annual General Meeting (AGM)	AGM to re-appoint statutory directors and to receive the annual accounts.
Approval of shareholder reserved matters	LPP alerts shareholders of upcoming items for decision e.g. new shareholders/budget/strategy. Shareholders respond in the form of a written resolution. Amendments to the Shareholders Agreement is a shareholder reserved matter.
Invests capital in line with legal agreements	Shareholders have provided initial set up costs, ongoing capital to support the business plus loan facilities. Shareholders are also responsible for debating whether to add additional capital to the business.
Delegates day to day management of the company to LPP Board	The Shareholders Agreement contains matters reserved to shareholders with all other activities delegated to LPP Board. Shareholders receive reporting back in the form of: <ul style="list-style-type: none"> • Quarterly LPP updates at Pension Committee/Boards. • Shareholder engagement meetings and events.
Appointment of shareholder NEDs	There is a requirement for the shareholders to appoint a shareholder NED and to inform LPP, and each other, of their choice. The NED is subject to duties under the Companies Act 2006.
Approves and holds LPP to account in relation to the Strategic Plan and Budget	Shareholders approve the strategic plan and budget annually and the quarterly updates to Pension Committees/Boards are an opportunity to assess progress. Shareholder meetings and events are also an opportunity for LPP and the shareholders to discuss the future strategy of the business prior to the formal submission of the documents.

The roles of shareholders and clients cont.

Clients*: LCPF, LPFA (Investments and Pension Administration) and Berkshire (Investments)

Activity	How the role is discharged
Monitor LPP's adherence to key documentation such as SLAs, Advisory and Management Agreement	Each partner fund has appointed a client liaison Executive to work with LPP and ensure service levels are adhered to.
Economic benefits flow to clients and appear in their statement of accounts in the form of lower investment management costs	Separate and individual quarterly client meetings are held with LPP on investment and pension administration issues.
Receipt of strategic advice	LPPI provides strategic asset allocation advice to clients on an ad hoc basis. This will usually feed into the Investment Strategy Statement of the clients.
Approval of the investment and pension administration strategy	Clients - LPFA, LCPF (Investments and Pension Administration) and Berkshire (Investments) LPPI assists in these discussions on investment strategy and then implements the agreed strategy.
Receipt of benefits associated with service delivery	LPP outlines client charges and discusses any potential changes to these on an annual basis around October. This enables the information to feed into the budget setting process for each client.
Oversees the delivery of pension fund functions by LPP and builds a solid relationship with LPP	Daily contact between Executives at LPP and Officers at each pension fund.
Receive performance reports from the client representative and from LPP on a quarterly basis	Separate and individual quarterly client meetings are held with LPP on investment and pension administration issues. This results in attendance/reporting to investment panels, quarterly committees and Boards.

* In addition to the clients noted above LPP provides pension administration services to a wide range of local authority, police and fire pension scheme partners. These are provided by LPPA.

LPP

Activity	How the role is discharged
Executive Management of LPP Group	LPP is tasked with managing all aspects of the LPP Group business which have not been reserved to shareholders. LPP has implemented a governance framework to support this and has a scheme of delegations to Executive Directors in place.
Delivery to clients in line with Strategic Business Plan, SLAs and AMA	A shareholder and client liaison Executive is in place to coordinate activity across the central agreements and to report adherence to those to LPFA and LCPF on a quarterly basis. Each function also has a client reporting capability.
Provision of strategic advice to clients	Clients request assistance with strategic advice around asset allocation or liability management on an ad hoc basis.
Management of the LPP Board and LPP Governance arrangements including the appointment of additional independent Non-Executive Directors	LPP's governance framework includes: <ul style="list-style-type: none"> • Matters reserved for the LPP Board. • Subsidiary companies with articles and matters reserved. • Terms of reference for Board committees. • Schemes of delegation. • Business controls. LPP has appointed Independent Non-Executive Directors and Executive Directors in line with the Shareholders Agreement (where required).
Escalation of shareholder reserved matters to shareholders	A schedule of shareholder meetings is in place plus regular contact between senior leaders within all parties.
Responsible for future strategy of the business	LPP presents the future strategic business plan to the shareholders on an annual basis for approval. Shareholders are kept informed throughout the year via reporting to the pension committees and Boards on performance against this strategy.
Responsible for the management of LPP's staff, control over staffing matters of LPP's subsidiaries including remuneration in line with agreed policies.	As outlined and controlled by LPP's governance framework.

Glossary of Terms

Local Pensions Partnership (LPP) is a pension service provider for Local Government Pension Schemes and other public sector pension funds. It was established in 2016 through a collaboration between Lancashire County Council (as the administering authority of Lancashire County Pension Fund) and the London Pensions Fund Authority. As an asset pooling partnership, LPP also provides services covering investment management and advisory, actuarial and funding risk management and pension administration services.

Local Government Pension Scheme (LGPS) is a statutory pension scheme for eligible employees working in local government or local government linked employers.

Lancashire County Council (LCC) is the administering authority of Lancashire County Pension Fund. LCC are shareholders of the LPP Group. More information about shareholders and clients is available on page 16.

Lancashire County Pension Fund (LCPF) are shareholders and clients of the LPP Group and in receipt of investment management and pension administration services. More information about shareholders and clients is available on page 16.

London Pensions Fund Authority (LPFA) is a local government pension service provider in London. LPFA are shareholders and clients of the LPP Group and in receipt of investment management and pension administration services.

Royal County of Berkshire Pension Fund (RCBPF) are an investment and risk client within the pooling arrangement.

GLIL is the Infrastructure joint venture which LPFA and Greater Manchester Pension Fund established in January 2015. The membership has since been widened to include other LGPS partners. GLIL invests in infrastructure assets.

Local Pensions Partnership Investments Ltd (LPPI) is the investment management arm of LPP. It manages approximately £18 billion of assets on behalf of three asset and liability management clients (LCPF, LPFA, RCBPF and GLIL). LPPI's goal is to provide investment solutions and advice to help pension funds achieve returns that meet their members' needs both now and for the future.

Local Pensions Partnership Administration Ltd (LPPA) is another core business line of LPP which provides pension administrative services to LPFA and LCPF and a range of other LGPS, teacher, police and fire scheme partners.

Pooling was established when Central Government proposed that the Local Authorities pool their pension assets. Various principle benefits were identified such as cost savings through economies of scale, improved governance, improved approach to responsible investment, and improved liability to invest in infrastructure.

Financial Conduct Authority (FCA) is the regulatory body which oversees investment management companies such as LPPI.

Authorised Contractual Schemes (ACS) is a collective investment scheme set up by HMRC to enable the pooling of assets in a tax transparent manner.

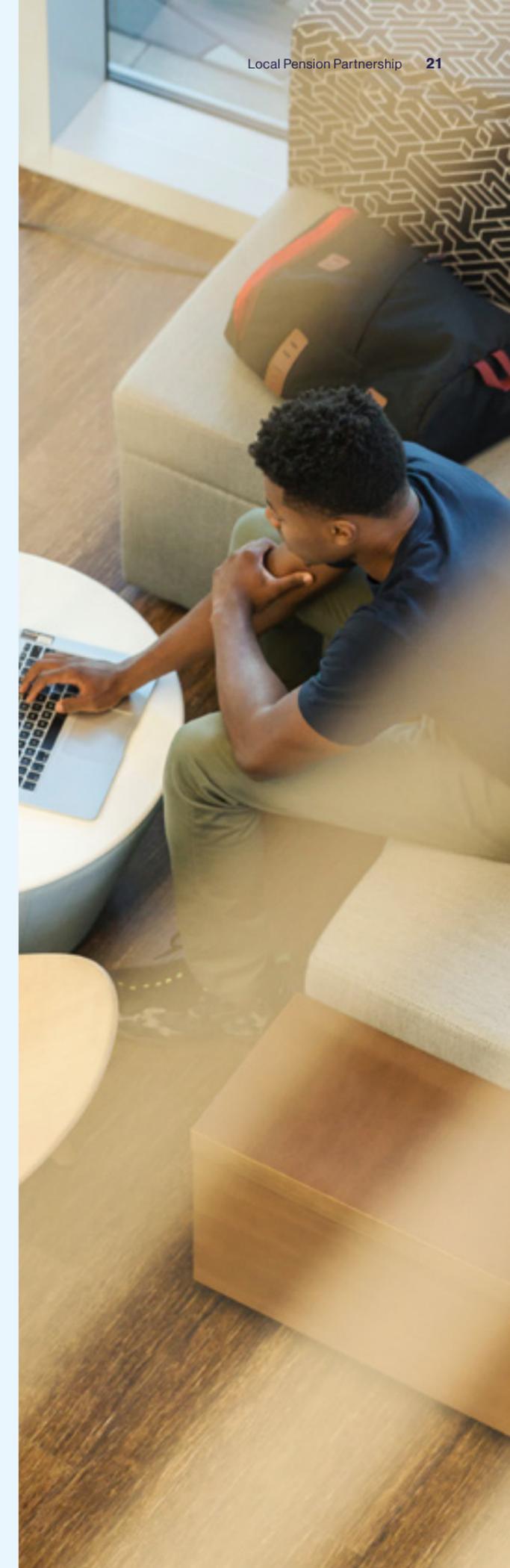
Local Pensions Boards (LPBs) were set up in line with the LGPS Governance Regulations 2014. They are member and employer representative bodies whose role is to assist the administering authorities in the oversight and effective management of the pension funds.

International Standard for Information Security Management 27001 (ISO) is the accreditation that has been given to LPP which recognises the organisation's ability to keep crucial information assets secure.

Non-Executive Directors (NEDs) are subject to duties under the Companies Act 2006. There is a requirement for the shareholders to each appoint a shareholder NED and to inform LPP, and the other shareholder, of their choice. NEDs also exercise effective leadership, constructively challenge and contribute to the development of strategy, performance and management of risk, and have a prime role in succession planning.

Service Level Agreement (SLA) is a legal document which governs services between LPP and the partner pension fund. The service level agreements are individually tailored and cover pension administration, fund managements and reporting and highlight the ongoing responsibilities of each LGPS fund under the LGPS Regulations.

Advisory and Management Agreement (AMA) is a legally binding document which is similar to a service level agreement between LPPI and each partner pension fund/investment client. It contains a general obligation to report and account for delivery against the specified objectives of each LGPS Fund. It contains the investment strategy of each investment client, and LPPI's obligation to implement the strategy.



LPP

Local Pensions Partnership

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