



Lancashire County Pension Fund

Strategic Plan 2021-2024

Lancashire County Council as
administering authority of
Lancashire County Pension Fund



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Foreword

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

This Strategic Plan sets out the key objectives of the Fund.

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

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

We welcome feedback on the work of the Fund, and if you would like to make contact details are provided at the end of this plan.

County Councillor E Pope
Chair of the Pension Fund Committee

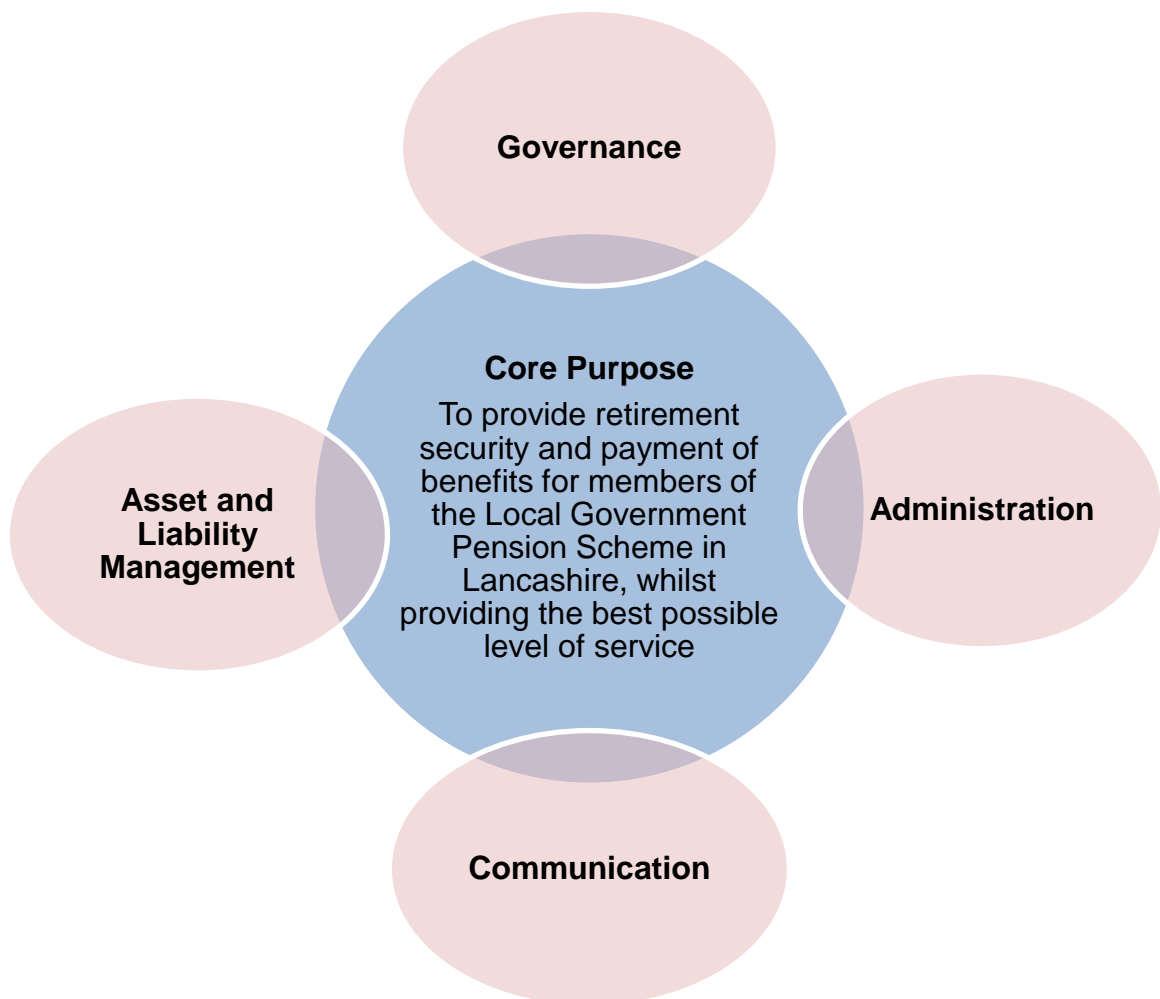
Michelle King
Interim Head of Fund

What Are We Here For?

The core purpose of the Lancashire County Pension Fund, or more simply the reason we are here is to provide retirement security for members of the Local Government Pension Scheme in Lancashire, whilst providing the best possible level of service.

How Things Fit Together – Our Planning Framework

Our planning framework is based on doing the things that help us deliver our core purpose. These fall into four groups, or dimensions, which are shown in the diagram below:



The following sections of this plan set out the objectives we are aiming to achieve within each of these dimensions and the things that we are going to do over the next three years in order to achieve those objectives.

Governance

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

Our objectives in this area are:

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

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

Outcomes	Actions	Timeframe
LCPF resourcing arrangements	<ul style="list-style-type: none"> • Ensure the resilience of the LCPF team to support robust succession planning and address capacity risks • Develop resilience in the Employer risk function. 	Ongoing
Service Based Review	<ul style="list-style-type: none"> • Service Based Review of LPP A and LPP I. 	Effective from 8 April 2021 to 7 April 2022.
Compliance with all statutory regulations.	<ul style="list-style-type: none"> • Develop and put in place a 3 year plan with the support of internal audit for the systematic review of membership caseload with LPPI. • Review the revised Pension Regulator Code of Practice 14 (COP14) and develop performance monitoring against that. • Develop support mechanisms for Fund Employers to improve their compliance and participation levels in improvements to fund performance. • Develop training plans for fund employers particularly in areas where performance needs to improve. 	Quarterly progress reporting over the period of this strategic plan
<p>LPP A quality and performance scores are high and the service is operating effectively.</p> <p>High member feedback and the experience.</p> <p>High employer satisfaction with LPPA service quality</p>	<ul style="list-style-type: none"> • Define the agreements to be reviewed and agree or ratify performance measures. • Define separate performance arrangements for McCloud. • Review the Member satisfaction scores and methodology of how scores are developed. • performance KPI's and implementing necessary adjustments to bring 	Throughout period of Strategic Plan

	<p>performance in line with SLAs or employer expectations.</p> <ul style="list-style-type: none"> Ensuring documented and transparent process for the determination of accountability for errors and allocating the costs associated with these appropriately. 	
<p>Ensuring LCPF interests are protected. Monitor cost arrangements for LPP I and LPP A, for transparency and to ensure appropriate costs are charged to LCPF.</p> <p>Monitoring the realisation of the agreed investment cost savings, irrespective of the growth of the pool.</p>	<ul style="list-style-type: none"> Effective monitoring to evidence that LPP I investment management fees are reducing year on year over the period of the strategic plan; subject to the maintenance and improvement of service quality standards and the LPP A cost per member, reducing over the same time horizon. This includes managing and benchmarking the cost per member for LPP A. LPP I - MIFID II and Cost Transparency Reports for the financial year are reviewed by the Investment Panel annually. 	<p>Throughout period of Strategic Plan as proposals are submitted</p>
<p>Ensure appropriate and effective implementation of Responsible Investment.</p>	<ul style="list-style-type: none"> Oversee the LPP I in the implementation of RI strategies and the RI dashboard. 	<p>Quarterly progress reporting over the period of this strategic plan.</p>
<p>Improve the risk management framework, processes and delegations to LPP A and LPP I.</p> <p>To monitor the transitioned employer risk service and develop a performance management framework.</p> <p>To work with employers to ensure they are providing the right data to the Fund and LPP A.</p>	<ul style="list-style-type: none"> Revise the Fund's risk management framework to ensure appropriate ongoing assessment of existing and new risks. Monitor and conduct appropriate oversight of the delegations to LPP I and LPP A to mitigate the risks outlined in the LCPF risk register and implement appropriate oversight. LCPF to develop an effective employer risk framework and communicate effectively to employers how this may affect them. Implement measures to mitigate employer risk to include putting in place bonds and security and early intervention on terminations and addressing ongoing funding risks Carry out employer funding level reviews and interim valuations where the circumstances of the employer 	<p>Quarterly progress reporting over the period of this strategic plan.</p>

	<p>alters materially or the risk of the employer significantly changes.</p> <ul style="list-style-type: none"> • and proactive Engagement with employers to keep employer risk at an acceptable limit. • Document roles and responsibilities in running the pension scheme in a roles and responsibilities matrix. 	
<p>Ensure compliance with the Pension Regulator's (TPR) code of practice No. 14 and subsequent revisions.</p>	<p>Review the COP14 guidance and revisions to ensure compliance.</p>	<p>Quarterly progress reporting over the period of this strategic plan.</p>

Asset and Liability Management

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

Our objectives in this area are:

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

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

Outcomes	Actions	Timeframe
<p>Target a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.</p> <p>Review employer funding levels for identification of changes and interim valuation if required. Complete the 2022 Valuation.</p>	<ul style="list-style-type: none"> • Conduct sensitivity analysis on the Fund's asset strategy against the Fund's liabilities to confirm how robust the asset strategy is to deliver the outcomes in the Funding Strategy Statement. • Early anticipate the 2022 valuation decisions and position for Fund employers. 	Investment Panel monitoring and quarterly reporting.
<p>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 throughout the plan and ensure cash strategies are appropriate and in keeping with the Strategic Asset Allocation. 	Quarterly progress reporting over the period of this strategic plan.

	<ul style="list-style-type: none"> • Investment Panel to ensure it hold assets to ensure sufficient liquidity in the Fund. 	
Monitor and improve the transparency over the costs of the Fund	<ul style="list-style-type: none"> • Keep investment management fees on pooled funds and investment fees more generally under review, with a view to managing these to an acceptable level. 	Investment Panel monitoring and quarterly reporting.
Ensure that the Investment Strategy is up to date and appropriate.	<ul style="list-style-type: none"> • To periodically review the Investment Strategy and implement any changes • To document the Fund's Investment Beliefs and objectives. 	Ongoing throughout the period

Administration

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

Our objectives in this area are:

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

Outcomes	Actions	Timeframe
<p>Implementation of the regulations following the McCloud judgement</p> <p>Communications with employers and members on impacts and requirements under McCloud</p> <p>Plan in place to address data gaps.</p>	<p>To implement any regulations from the SAB or government. This will include :</p> <ul style="list-style-type: none"> • Undertaking calculations for all relevant members • Review records of those who have retired or left the Fund • To identify employers where the cost is greatest • To develop policies where data is not available 	<p>Implementation in accordance with statute</p>
<p>Implementation of changes to statutory regulations</p>	<p>Review and implement all amending legislation and regulations and develop appropriate assurance processes to ensure that LPPA have changed their systems and processes to ensure adoption of new regulations or legislation.</p>	<p>Implemented in accordance statutory timetables</p>

Communication

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

Our objectives in this area are:

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

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

Outcomes	Actions	Timeframe
The LCPF develop different communication channels and leverage the use of digital media to meet the needs of all of its stakeholders	<ul style="list-style-type: none"> • Ensure the LCPF website/ LPPA portals and member engagement channels are accessible and regularly updated with accurate information for members and employers. • LCPF have effective oversight of all communication channels. • LCPF to develop effective employer Communications in advance of the valuation • LPP A to develop effective employer and member Communications in relation to McCloud 	Quarterly progress reporting over the period of this strategic plan.
Cyber Security and Scams	<ul style="list-style-type: none"> • LPP A and LCPF put in place processes to safeguard members and employers in online activities and comply with the Pension Regulator's Scorpion initiative. 	

Glossary

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

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

LCPF –Lancashire County Pension Fund.

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

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

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

LPP I – Local Pensions Partnership Investment.

LPP A – Local Pension Partnership Administration

MiFID 2 -The second Markets in Financial Instruments Directive (MiFID II) is to be implemented in the UK from 3rd January 2018. Under this firms will be obliged to treat all local authorities, including Pension Funds, as retail clients unless they opt up to professional client status and meet certain criteria. These criteria include holding a minimum £10 million investment balance and employing knowledgeable and experienced staff to carry out investment transactions. LCPF will be opting up to professional status.

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

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

Contacts for further information

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

Overall management of the Pension Fund

Michelle King

Interim Head of Fund

Lancashire County Council

Phone (01772) 530837

E mail: michelle.king@lancashire.gov.uk

Administration and Benefits

Rachel Blundell

Local Pensions Partnership

Phone 07523 542209

E mail: rachel.blundell@localpensionspartnership.org.uk

For individual queries please contact

Helpdesk phone: 0300 323 0260

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

Website: www.lppapensions.co.uk