



LCPF Strategic Plan 2022-25 Progress Update

10th March 2023

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Lancashire County Council as administering authority of Lancashire County Pension Fund

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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
<p>Valuation 2022 – Assess financial health of the Lancashire County Pension Fund and determine local employer contribution rates.</p>	<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 	<p>31st March 2023</p>	<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 the 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.