

Local Pensions Partnership Ltd – Company Number: 09830002

Review of progress in 2022-23 and Forward Plan

Overview: Local Pensions Partnership Ltd (LPP) is a pension service provider for Local Government Pension Scheme funds and other public sector pension schemes. It launched in 2016 as a joint venture between Lancashire County Council (LCC) and London Pensions Fund Authority (LPFA) and is now one of eight national Local Government pools.

Today, it manages around £23bn of pension assets for its investors (Lancashire County Pension Fund, LPFA and the Royal County of Berkshire Pension Fund) and provides pension administration services to around 660,000 members from 1,975 public sector and public sector related employers across 18 administration partners. It aims to help clients reduce pension deficits, improve investment returns and provide an excellent service to their members via its two core business lines: Local Pensions Partnership Investments (LPPI) and Local Pensions Partnership Administration (LPPA).

LPP has a commercial “profit for clients” ethos that ensures all monies generated are used for the mutual benefit of clients and shareholders. This guiding philosophy ensures it is completely aligned to the needs of its clients and shareholders. It sees itself as an asset owner rather than an asset manager.

Since the Summer of 2020 LPP has operated with the two business functions being delivered by fully operational subsidiaries – LPPA, primarily based in Preston (c.279 staff) and LPPI, primarily based in London (c.135 staff). A holding company continues to operate at Group level, primarily focused on Group strategy, shareholder interactions and financial consolidations. As part of the governance review, the holding company now includes two shareholder nominated directors from LCC, two from the other shareholder LPFA, and an independent chair.

Highlights:

- Governance review project is in progress, including defining clear, long-term target outcomes for the Board and management as well as a review of group corporate structure and underlying legal documentation.
- As part of the review, a shareholder focused LPP Board Structure has been established comprised of two non-executive directors from each shareholder and an independent Chair¹. The Board has an oversight role of the company as a whole, including budget, performance and risk, as well as ratifying and supporting the business plans and strategies of each subsidiary company.
- Investment management fee savings exceeding the original business plan - £113m delivered for all clients.
- 5 year investment returns were deemed to be sector leading by Pensions & Investment Research Consultants Ltd (PIRC), who are an independent corporate governance and shareholder advisory consultancy.

¹ LPP Board is supported by the Chief Executive Officer of LPP, as well as the Chairs of the LPPI and LPPA Boards.

- LPPI's Net Zero 2050 Roadmap published - a public commitment to the goal of aligning our portfolio with net zero emissions by 2050. LPPI continues to be a signatory to the Financial Reporting Council's Stewardship Code.
- Pension administration has undergone a year of significant change with the implementation of a new pension administration system. The change resulted in short term additional work and the aim is to return to operating within SLAs as matter of urgency.
- Recruitment of a new LPPI Chair has been undertaken and appointment of the new Chair will take place in April 2023 to allow timing for handover before departure of the current Chair in July.

The LPP Group strategic plan for 2020-25 was agreed by shareholders to focus on:

- Achieving financial self-sufficiency and stability
- Delivering excellent investment performance
- High quality and cost-effective pension administration.

In summary:

- Financial performance across the Group is in line with expectations, with some marginal overspends in pension administration due to the implementation of the new system and the need to build resilience.
- Strong investment performance supporting client objectives.
- Seamless and consistent adoption to regulatory requirements including high levels of conduct related engagement.
- Significant progress delivering a mature assurance environment via the publication of a assurance report by an independent practitioner covering internal controls in place within LPPI. LPPA is following a similar path.
- A challenging year for pension administration but this was not unexpected given the transition to the new system and the significant effort undertaken.

Key aims for 2023-24

Both LPPI and LPPA have agreed strategic business plans. These outline in more detail how the objectives set by shareholders will be achieved. LPPA will focus on embedding the new pension administration system and embarking on an efficiency and service improvement plan. There are also regulatory projects to implement.

LPPI continues its journey to mature its operating platform and consider the options for and merits of further growth.

Government guidance on asset pooling was delayed during 2022 but is expected to be delivered in 2023. This has provided the backdrop of extensive discussions with shareholders on the future options for LPPI and how best to continue to deliver the benefits already outlined.

Over this next year, the shareholders will be updating and adopting the Articles of Association and Shareholder Agreement in order to finalise the implementation of the governance review project.

Lancashire County Council Ownership: Lancashire County Council own 50% of the shares in this company.

Conclusions relating to going concern status: No status issues raised by the company auditors.

Lancashire County Council Directors on the Board: Two County Councillors – Alan Schofield & Charles Edwards

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