



STRATEGY AND BUSINESS PLAN

2024 - 2025



CONTENTS

Foreword	2
Introduction	4
Purpose, vision and values	
A review of 2023	
Our planning process	
Strategy	8
Strategic goals	
Strategic priorities	
Corporate entities	
<hr style="border-top: 1px dashed #000;"/>	
Financial projections	16
Functional plans	18
Investments	
Pension Administration & Member Services	
IT & Change	
Governance, Legal, Risk and Compliance	
Finance	
People & Communications	
CEC Shared Services	
Projects and change	23
Organisational design	24
Risks	25
Appendix 1: Key performance metrics	27
Appendix 2: Service performance indicators	28

FOREWORD

About us

Lothian Pension Fund (LPF) has been around in its current form since 1975 and has helped more than 75,000 local government workers and their families to experience a financially secure retirement. We expect to be here to provide for the beneficiaries of the youngest members of our Fund today, so we need a plan that sets out how we'll achieve the sustainability that such multi-generational obligations require.

Through our service and employment company LPFE, we administer the LGPS in Edinburgh and the Lothians and are one of approximately a hundred local government pension scheme (LGPS) funds in the UK, and the second largest LGPS fund in Scotland. We're an asset-backed and multi-employer scheme with around £10 billion of assets and we were 157% funded at our last valuation in 2023. We're proud to serve over 90,000 members and 65 contributing employers.

LPFI, our regulated asset management company, provides investment advice and management to partner LGPS funds sharing costs and expertise to the benefit of both LPF and these partners.

Secure benefits

The benefits that we administer are protected by statutory provisions. That means earned pension benefits from past service are as secure as other Government-backed commitments. The future benefits could be amended by changes to the LGPS and this could result from: a change in policy towards public sector pensions; affordability concerns; or to ensure they remain fair for all beneficiaries.

A changing world

The world surrounding us is changing and the opportunities to become more efficient and easier to interact with are increasingly attainable through technology advances. Our members have high expectations of all organisations they interact with when it comes to being straightforward to deal with, courteous, professional, and consistent in delivering on the promises we make. Although membership of the LGPS is bundled with their eligible employment, we must never become complacent or believe that members will tolerate second best service for guaranteed benefits.

The employers who sponsor our members are changing too. The benefits of LGPS are valuable, but come at considerable cost to employers, many of whom are contending with financial constraints. The benefit to employers of providing the LGPS to their people must continue to be greater than the cost to them of that membership or we face a threat to the long-term future of the LGPS.

But it's in the investment markets where we continue to see great changes. The activity of investing in assets for returns that will exceed inflation in the long-term has always relied on judgement,

manager skill, diversification, and patience. Today is no different, but judgement, management and patience are especially challenged by climate risk assessment, other environmental, social and governance issues, and the distribution of information and misinformation in this age of social media. We must exercise our fiduciary duty with due awareness of the complex dynamics of investing in a changing world to be able to provide benefits for members and their sponsoring employers.

We remain aware of the potential for structural review of the LGPS in Scotland that might have implications on pension provision. We shall respond positively to any developments, whilst also noting the potential consolidation of multi-fund LGPS employers where there is a case for rationalisation. Conversely, we'll consider the risks of employers and members through such exercises and understanding the potential impact on LPF and possible risk mitigants and defensive strategies.

Our Strategy and Business Plan

Our passion and energy come from our motivation to deliver for our members. The following pages set out a summary of our Strategy and Business Plan.

INTRODUCTION

We have a clear purpose, vision, and values.

Our purpose

To administer the LGPS in Edinburgh and the Lothians. By paying pensions and benefits to members, we help with the financial well-being of members and their families in retirement.

We invest the scheme’s assets, seeking to earn an appropriate return that will reduce the cost of the scheme to employers and improve the sustainability of the LGPS. By investing responsibly, we seek to ensure that companies meet and manage environmental, social and governance standards, including those relating to the climate change threat and the need to transition to a net zero world.

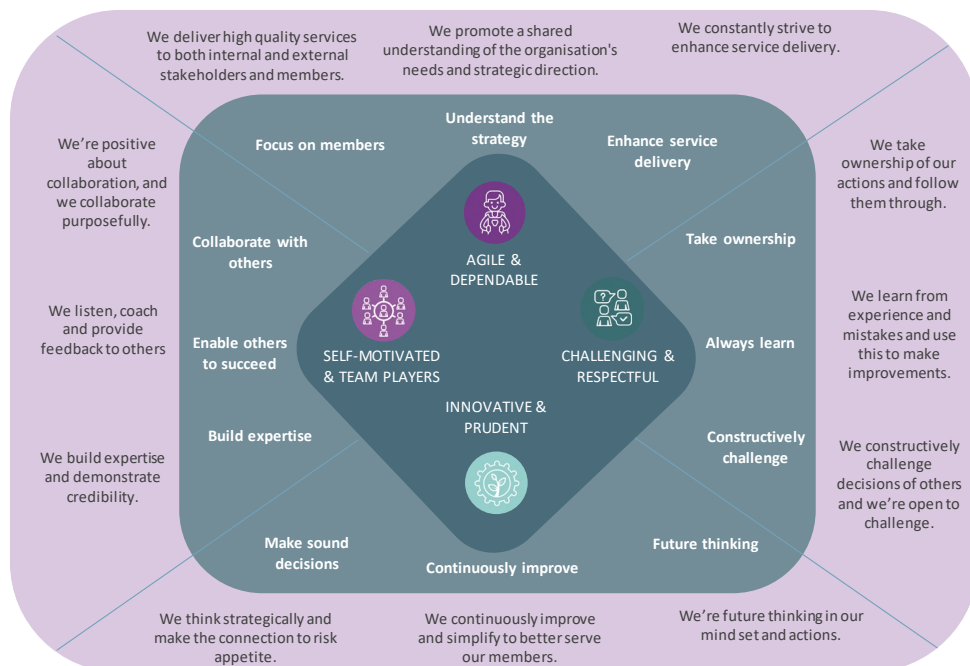
Our vision

To deliver outstanding pension and investment services for the benefit of members and employers.

Beyond this we aspire to be the best LGPS in Scotland, if not the UK, in terms of meeting the needs of members and employers, in using our influence as a leading responsible investor, and offering a superior employment proposition to our colleagues.

Our core values

We’re passionate about pensions and our values are enduring principles that inform, inspire and instruct our day to day behaviour.



A REVIEW OF 2023

2023 was a successful and award winning year for LPF. In September we were proud to win the LGPS Fund of the Year at the LAMP Investment Awards 2023. Shortly after, we were recognised by the Sustainable Finance Disclosure Rewards for Asset Owners (SFDR4AO) as a leading pension fund for our approach and disclosure on gender. Being recognised by peers and external specialists helps affirm we're on the right path to achieving our vision: *"to deliver outstanding pension and investment services for the benefit of members and employers."*

During the year we retained the Pension Association Standards Award (PASA) accreditation, maintained our Customer Service Excellence award with increased scores, and reported 94.7% overall customer satisfaction in our annual surveys.

We made great progress towards our vision of delivering outstanding pension and investment services, as confirmed by independent benchmarking and industry accreditations:

- CEM's pension administration analysis shows that LPF delivers a high level of above benchmark service at below benchmark cost
- Meanwhile its investment benchmarking continues to report that LPF's investment costs are significantly lower than its global peer group and CEM Local Government Pension Scheme (LGPS) universe. Over the long-term, LPF has delivered investment returns above its peer group with a lower level of risk and at lower cost.

'Continuously improve' is one of our core values, and each of our teams have lists of achievements and improvements in 2023. In July we delivered 100% of the 56,930 benefit statements to our members and did so three weeks earlier than the previous year. We continue to invest in our risk management processes, recognising the responsibilities we have and the multitude of financial and operational risks we face. Cyber attacks are extremely likely and can cause tremendous damage, so we were pleased to achieve our Cyber Essentials Plus accreditation in March, which gives confidence in our defences. We won't be complacent in this area.

As important as strong benchmarking is, our core purpose is paying benefits to members and their dependents. During 2023 we paid out £172m in pensions to 36,504 members, a further £46m in retirement lump sums and £8m in death grants and we were delighted to welcome 5,426 new members. We're delighted that our members reported 91.3% overall customer satisfaction whilst again continuing to invest in improvements. During the year we introduced biometric facial technology and a payments portal which simplifies and improves the process for overseas pensioners.

The triennial actuarial valuation of the scheme at 31 March 2023 shows a strong funding position of 157% (107% 2020). The funding position improved through higher achieved investment returns over the period, as well as higher expected future investment returns which increased the discount rate used to calculate the value of the liabilities. Whilst recognising this is a point in time valuation, the strong position has enabled the Pensions Committee to propose a reduction in contribution levels

for the majority of employers. A review of the investment strategy has been running concurrently and we'll propose some modest changes to strategic asset allocation whilst maintaining the core tenets of a large majority of return seeking assets, predominately invested in global lower volatility equities.

In 2023 the Fund achieved an overall investment return of +4.5%, giving a three year and five-year annualised return of +5.5% and +6.0% respectively. This was achieved in the context of double-digit listed equity returns for the year (broad market +15.3%) but negative returns from index-linked Gilts (the over 15 year index return was -4.3%). The Fund return in 2023 is in line with expectations given our asset allocation and strategy.

LPFI continued to provide advisory services to the LGPS's of Fife, Falkirk, Borders, and Northern Ireland, as well as managing an increasing amount of assets for Falkirk and Fife. In total, we're advising and managing around £3bn for these partner funds to both their benefit and to LPF through a shared cost model.

Our focus and commitment to being a responsible investor continued. In March, we retained the Financial Reporting Council's Stewardship Code accreditation following the [publication of our Stewardship Report](#). This report sets out how we're delivering against the 12 principles set out by the Financial Reporting Council and includes case studies of our activities. We [published Issue 6 of our ESG ezine, ENGAGE](#) which gives detailed information on LPF's approach to ESG and our responsible investment activities. We also updated our [Statement of Responsible Investment Principles](#) and continued to support the Asset Owner Diversity Charter.

During the year we recruited 19 new colleagues across a variety of roles. This included Emmanuel Bocquet joining as Chief Investment Officer and Alan Sievwright as Chief Finance Officer, succeeding Bruce Miller and John Burns respectively. These hires will not only ensure that we remain adequately resourced to deliver what we need today, but will enable us to continue to improve our capabilities and the services we deliver to our members and employers.

In addition, 2023 saw several changes to the composition of the Boards of LPFE and LPFI, following the retirement of Hugh Dunn in September 2023. We were pleased to welcome two new non-executive directors, Dr Deborah Smart and Nareen Turnbull, to the Board of LPFE in early November, with Deborah being appointed as the Chair. In addition, Leslie Robb, was appointed as the Chair of the LPFI Board as an existing non-executive director.

As we seek to be a responsible investor and good steward of capital, we also seek to be a good employer and a great team. It was gratifying to see so many of our colleagues participate in charity events and fund raising during the year, and we continue to support Pride, World Mental Health week, Mental Health Awareness Day, International Women and Men's Day and Time to Talk. We also continue to work with Future Asset and GAIN to help encourage gender diversity in the asset management sector.

In 2024 we'll build on these achievements and look forward to the challenges and opportunities ahead.

Our planning process

Our planning process continues to build on the changes initiated in 2021, which led to a clear and comprehensive statement of strategy which was subsequently considered and approved by the Pensions Committee on behalf of our members and employers.

The proposed merger with Falkirk Council Pension Fund was paused in 2023. As a result, the strategy was reviewed before re-affirming the intention to pursue a broadly similar strategy and focus. The potential for extending collaboration with existing and new partners, where such collaboration benefits both LPF and partner funds remains an integral part of the strategy. The strategy was agreed by the Pensions Committee on 20 March 2024.

The planning process took the four broadly defined strategic goals and set out more detailed objectives and accompanying targets for each. These targets and measures allow us to monitor progress and identify where interventions may be required.



Those four strategic goals and more detailed objectives are set out in the following pages, along with individual functional plans, which detail how each function contributes to the overall strategy and goals of LPF. These are accompanied by financial metrics, headcount, and the other essential components of a comprehensive business plan.

STRATEGIC GOALS

Our four strategic goals are set by our Vision *“to deliver outstanding pension and investment services for the benefit of members and employers.”* At LPF, we take pride in everything we do for our members, employers and stakeholders and strive for excellence. Our goals are as follows:

Develop and deliver a member and employer proposition for service excellence

We aspire to deliver service excellence to our members and employers. To achieve service excellence, we’ve benchmarked where we are, and agreed measures to achieve our goal.



We’ll continue to target external validation including the Pensions Administration Standards Association (PASA) accreditation and the Customer Service Excellence (CSE) award. In addition, we’ll use CEM Benchmarking to validate our goal of high quality/value for money positioning of participating UK pension funds.

We’ll keep things simple by eliminating complexity and unnecessary friction in internal processes across the Fund and operating with clear information accessible across multiple channels.

Delivery of our digital strategy is key to this, as it will further improve our service proposition for both members and employers, making it easier to deal with us and reducing administration. It will also improve our operational resilience to protect our data and service continuity.

In addition to continuing the digital strategy, key priorities will include:

- Project delivery: complete McCloud and be ready for the launch of the Pensions Dashboard
- Recruit experienced administrators, improve capability and upskill teams
- Work with employers to improve performance and collaboration
- Continue service improvements: eliminating complexity and unnecessary friction in internal processes, explore automation, and operate with clear information accessible across multiple channels
- Maintaining PASA and CSE accreditation; utilise insights from CEM benchmarking.

Earn an appropriate risk adjusted investment return as responsible investors

We must exercise our fiduciary duty to provide benefits for members and their sponsoring employers with due awareness of the complex dynamics of investing in a changing world.



We'll do this by delivering sufficient investment returns over the long term to meet funding targets and seeking to have a positive impact on the economy and society by continuing to integrate Environmental, Social and Governance (ESG) considerations into our investment processes and demonstrating good stewardship of our assets.

Key priorities for 2024 include:

- Implement the revised strategic asset allocation and complete review and any rebalancing within policy groups
- Review team structure and resourcing
- Enhance our approach to Responsible Investment
- Maintain FRC Stewardship Accreditation.

Extend collaboration and services to existing partners and deepen where possible

Collaboration is key to our success.



We'll continue to collaborate through successful investment partnerships. In the short term, this is extending the investment management services to Falkirk and Fife pension funds, whilst continuing to provide advisory services to those funds and to the Scottish Borders LGPS and the Northern Ireland Government Officers' Superannuation Committee ("NILGOSC").

We seek to offer reliable and impartial advice to policy makers including the Scheme Advisory Board. We're currently supporting consideration and evolution of climate change reporting for Scottish LGPS funds.

Key priorities for 2024 include:

- Continue to support partner funds via LPFI and further alignment of portfolios
- Continue to work with Scottish LPGS in the SPLG / IGG forums
- Retain an advisory role with the SAB.

Foster great team and a great work environment

The key to our vision of delivering outstanding pension and investment services for the benefit of members and employers is our people. We're committed to growing a high-performing and inclusive workforce and creating an inspiring employer brand and culture.



We'll achieve this by: empowering a broad range of talents to meet our organisation priorities; cultivating leadership competencies and developing succession plans across the team; and by giving our people capacity and encouragement to contribute to our communities.

Having the right people with the right training and in the right roles is key to our success to achieve our vision. Our people processes from recruitment, people management, and training, all need to support the talent we have and the talent that joins us.

Key priorities for 2024 include:

- Re-locate to our new office which is better suited to the needs of our colleagues
- Recruitment and retention, training and development, talent management and succession planning
- Supporting organisational design to support evolving needs
- Continuing to support a fully inclusive culture and providing our colleagues with the tools, education and capacity to do so
- Supporting our communities, making sure each of our colleagues have two days annually to spend giving back to their communities in the manner they chose.

STRATEGIC PRIORITIES

Responsible Investment

At LPF, we're proud of our efforts to promote responsible investment and are recognised globally for our active participation in collaborative initiatives. Fundamentally, we seek to engage and influence rather than divest and exclude. [Our Statement of Responsible Investment Principles](#) describes our approach in more detail and how these principles complement and widen our ESG considerations.

Our investment strategy currently seeks alignment with the Paris goals and uses the Transition Pathways Initiative to guide us in this regard. We continue to explore a net zero commitment and would expect to introduce such a commitment and target date once we're confident about what it means for the fund and that we're capable of achieving it.

We continue to work with the Scottish Local Government Pension Scheme Advisory Board, who are considering enhanced climate change reporting and advising Scottish Ministers following the Department for Levelling Up, Housing and Communities public consultation on the same subject for the Local Government Pensions Schemes (LGPS) in England and Wales.

Office Accommodation

To accommodate our growing workforce and facilitate more face-to-face colleague collaboration, we're in the process of relocating our office to a larger premises in Haymarket Square. The move is expected to take place in May 2024.

McCloud and The Pensions Dashboard

The McCloud judgement introduced an additional benefit check to ensure that there's no age discrimination following the introduction of the career average benefit calculation. The McCloud Remedy came into force on 1 October 2023. This requires the collection of additional data on members past service, the introduction of additional benefit calculations, and remediation of any underpayments. This involves significant additional complexity and work.

The Pensions Dashboard Regulations 2022 were laid and approved by the UK government and came into force on 12 December 2022. Between 2023 and 2026, pension schemes will be compelled to join the ecosystem by their staging deadline, and all schemes in scope will need to connect by 31 October 2026. Pensions Dashboards will give increased transparency of expected pension benefits. The primary impact for LPF beyond supporting its introduction, is the likely increase in member queries from the increased visibility.

Good governance and embedding best practices

Upholding and maintaining sound corporate governance supports the long-term success of LPF, leading to better outcomes for our members, employers and partners. That's why we're committed to high standards of corporate governance, compliance and risk management. Our members, regulators, and City of Edinburgh Council (as Administering Authority and Shareholder of LPFI and LPFE) expect it of us, and so do we.

While a range of policies, procedures and frameworks are in place, we recognise there's room for improvement. We'll continue to make enhancements in the year to come.

During 2024/25 we would expect to:

- Continue to enhance and improve existing risk management arrangements by creating a fully integrated framework based on the following principles:
 - Focus on managing risk across the business in a proportionate and pragmatic way
 - Ensure arrangements are scalable with an emphasis on investing for the future and building resiliency
 - Reduce complexity by standardising processes wherever possible and appropriate
 - Continue to operate an integrated internal audit programme which includes the LPFE and LPFI entities
- Improve and evolve our governance operating model and framework, including our governance processes and practices, to continue to enhance and embed strong corporate governance.

OUR GROUP COMPANIES

LPFI

LPFI has developed its role and services since inception in 2016. It initially provided investment advice to our partner funds in Fife and Falkirk and now manages equity and bond mandates for them. The firm was set up for the benefit of the stakeholders of LPF, an asset owner. It aimed to do that by sharing costs with other LGPS funds in the spirit of public sector collaboration to benefit both parties to the arrangement. Consequently, LPFI doesn't treat clients in the same way as most investment management organisations by charging fees. Instead, it has sought to share costs rather than grow profits and it has only offered investment services that LPF undertakes for itself to ensure alignment of interests. There's an expectation, subject to appropriate advice and governance, that the range and value of funds under management for our Fife and Falkirk partners will continue to grow during 2024/5.

LPFI is regulated by the Financial Conduct Authority (FCA). During 2023, it was recategorised by the FCA as a non-small non-interconnected ("non-SNI") firm as a result of the increase in assets under management. The change in classification leads to an increased level of expectation from the FCA regarding the activities of the firm and how they're managed and governed. Recognising this and, more fully, the recent evolution in the services provided by LPFI, work took place to review and test many of the processes and controls to ensure they remain appropriate and continue to evolve to meet the requirements and expectations of the FCA. This work included the Investment Services Review (ISR) and Investment Governance Improvement Plan (IGIP) to ensure processes were in line with both the evolution in regulations and LPFI's business, and to ensure a robust operating model. We'll continue to build on this during 2024 through reviewing the investment headcount and structure as well as how other business areas support the investment team.

In-house investment management and collaboration with partner funds are two of the critical factors in the success of LPF. Some strategic options to be considered in the future to build on these include:

- The potential extension of investment advice and investment management to new LGPS Funds
- The use of collective investment vehicles to improve the efficiency of management for existing clients or support extension of services to new clients
- Bringing the investment activities of LPF within LPFI with inherent simplification of working arrangements and improved control through the regulated entity.

In each case, further investigation of the benefits, requirements and implications would be required. The Board is supportive to the logic of LPFI undertaking the investment activities on behalf of LPF, but further analysis would be required to fully understand the requirements and implications of this. It's recognised that the overriding strategic purpose of LPFI is to support LPF in achieving its purpose for members and employers of the Fund. The business case would be required to show this, and all appropriate approvals given prior to any such change.

The intention during 2024/25 is:

- To prepare a business case, including high level requirements and gap analysis for consideration by both the Pensions Committee and LPFI Board for the transition of investment management activities to LPFI under contract to LPF
- To consider an outline business case on the potential options and requirements of LPFI extending services beyond our existing partner funds
- To continue to monitor the development of Responsible Investment propositions and engage with our partner funds on their relevance, appropriateness, and interest.

LPFE

LPFE's primary purpose remains to recruit, develop and retain our colleagues who support the activities of LPF and LPFI. Growth in headcount in recent years to support the increasing requirements and services has been accompanied by increasing professionalism and capability, enabling LPF to remain at the forefront of the LGPS sector.

Like LPFI, LPFE has reviewed and improved key systems and processes to ensure they remain fit for purpose for the current and expected future needs of LPF and will continue to do so. The review of 2023 and the functional plan for 2024 highlight achievements and plans respectively.

For example, the LPFE Board supported the relocation to larger premises in 2024, recognising the impact of limited space on daily operation and colleague engagement. The move will complete in May this year.

2023/24 saw the introduction of stretch targets for the Senior Leadership Team. These have been carefully reviewed and enhanced to encourage over-achievement in key areas, with the focus on colleague engagement, risk management and strategic progress.

Finally, 2023 also saw the appointment of Dr Deborah Smart as Chair of the board following the retirement of Hugh Dunn in September 2023 and the subsequent appointment of Ms Nareen Turnbull to the Board.

FINANCIAL PROJECTIONS

Operating Budget

The table below shows the Group budget for the period 2024/25 with the prior year comparison and movement, as well as the indicative 2025/26 and 2026/27 budget and movement.

Total Group Operating Budget 2024/25 and Indicative 2025-27

	Budget 2023/24 £000	Movement £000	Budget 2024/25 £000	Indicative 2025/26 £000	Indicative 2026/27 £000
Employees	7,997	1,589	9,586	10,275	10,789
Plant and transport	306	475	781	820	861
Supplies and services	2,742	158	2,900	3,045	3,197
Third party payments	1,519	100	1,619	1,700	1,785
Investment managers fees – invoiced	3,850	(1,150)	2,700	2,835	2,977
Support costs	732	36	768	806	847
Capital funding	197	51	248	248	260
Gross expenditure	17,343	1,259	18,602	19,730	20,716
Income – collaboration	(1,966)	(736)	(2,702)	(2,909)	(3,054)
Income – other	(110)	-	(110)	(110)	(110)
Total income	(2,076)	(736)	(2,812)	(3,019)	(3,164)
Net expenditure	15,267	523	15,790	16,711	17,552
Percentage movement			3.43%	5.83%	5.03%
Strategic project costs	1,193	(1,068)	125	-	-
Total net planned expenditure	16,460	(545)	15,915	16,711	17,552

The largest component of the increased costs relates to employees. The budget is based on the headcount and Full Time Equivalent (FTE) information included in the Organisational Design section on page 23. Headcount is increasing to reflect the increased demands placed on the teams from managing more of the fund's assets internally, as well as increased expectations of regulators, members, employers, and partner funds. Employees' costs have also increased to reflect salary changes from 1 April 2024, as well as the full year impact of recruitment activity in 2023.

Plant and Transport costs have increased to reflect the cost of the new office, the lease commencing in December 2023, with the move date in May 2024. The in-housing of c£350m of AUM from an external manager led to the reduction in Investment Managers fees.

Cash-flow forecast

Cash-flows from dealing with members is very dependent on the profile of fund membership. Specifically, a maturing membership, where the proportion of active to deferred and pensioner members is reducing, would be expected to see a reduction in contributions received, together with increasing payments of benefits to pensioners.

Employer contribution rates for the three years from 1 April 2024 were approved at the Pensions Committee in March 2024. Rates have been reduced to reflect the surplus of the fund and assumptions about future experience including investment returns. These will be reviewed again as part of the next valuation in 2026.

The figures in the below table consider the actual annual cash-flow of 2023/24 and the projected cashflows for the next three years.

	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Contributions Received	290,000	252,000	264,600	277,830
Benefits Paid	(308,000)	(329,000)	(352,030)	(376,672)
Net Additions/(Deductions) From Dealings with Members	(18,000)	(77,000)	(87,430)	(98,842)

Fund cash flow management will be subject to greater scrutiny by Finance and Investment teams going forward as LPF expects to have a negative cash flow from dealing with members. Forecasted investment returns will more than offset this with no asset sales being required to fund on going pensioner payments.

FUNCTIONAL PLANS

Each team within LPF has prepared detailed functional plans setting out their key deliverables, priorities, and risks. The following section provides a summary of these.

Investments

The Investment team supports the Pensions Committee setting and implementing the investment strategy. It manages a significant majority of assets internally and oversees external managers who also invest on our behalf.

In addition, operating through LPFI, the team manages over £1.7bn of assets for the Falkirk and Fife LGPS funds, provides both funds with strategic advisory services and collaborates with two other LGPS funds (NILGOSC and Scottish Borders) by arranging private market investments, which it does for all five funds. The funds continue to explore areas in which they can improve efficiencies and returns through synergies and expect to expand their collaborative activity.

LPF has been a long-term advocate of Responsible Investment (RI) and promotes integration of environmental, social and governance (ESG) considerations into investment decision-making. This is an integral part of the investment process and the investment team, directly and indirectly through collaborative initiatives, engages with corporates and policymakers on a range of issues to influence strategy, reduce risk and enhance sustainability. It also leads on RI and climate change reporting activities and obligations.

Strategic priorities for 2024/25 include:

- Implementing the Pension Committee's investment strategy
- Supporting portfolio alignment activities with our partner funds
- Continuing to integrate climate-related considerations into investment decision-making, including carbon risks and decarbonisation opportunities, as well as expanding climate-related reporting to meet new regulatory requirements
- Reviewing and enhancing investment operational activities, including internal and external service provider management
- Reviewing team structure and undertaking recruitment to ensure resilience.

Operations

The Operational Services teams deliver the core services to our members and employers.

These services include supporting new joiners to the fund, payment of pensions and benefits, issuing annual benefit statements and supporting all other administration services and queries. In addition, the team manage the relationship with the scheme's actuarial advisors and work closely with them on the scheme valuation, cessation and transfer valuations, and the application of our funding strategy.

The Data & Quality team looks after data accuracy, quality of information and service. The Customer Experience Team is responsible for simplifying and streamlining our processes, identifying digital opportunities, responding to customer feedback, and making improvements to our operational processes and enhancing our customer experience.

The service standards they work to are set out in Appendix 2 and remain the same as 2023/24. Maintaining PASA accreditation and the CSE award, meeting the required regulatory standards and a high level of customer satisfaction are the expectations from these teams.

The high-level focus for the Operations team in 2024/25 includes:

- Continuing the Digital Transformation project. Further detail of which is included in the Project and Change section of this plan
- Customer journey mapping
- Implementation of the requirements of the McCloud judgement and the Pensions Dashboard
- Conclusion of the 2023 Triennial Actuarial Valuation as at 31 March
- Funding Strategy review
- Gaining PASA reaccreditation
- Working in partnership to improve employer performance.

IT & Change

2024 will see the IT & Change team continue to manage and build on the LPF IT service delivered by third-party vendor Cased Dimensions, leveraging the existing service, and deploying or developing new solutions and technologies to enhance the value gain.

The team will deliver significant support to the development of digital opportunities for member services, office re-location and other new services and procurement. IT & Change will also provide governance through ITOCG and the PMO, its process and methodologies. They'll also continue to support projects / new services and procurements with a focus on the new finance system.

The key priorities for 2024/25 are:

- Embed our newly developed Information Security Management System (ISMS)
- Support the procurement of a new Risk and Compliance system
- Support the office move ensuring a seamless transition of our IT requirements
- Ensure our controls are robust in terms of protecting our data and preventing loss or breaches
- Redesign of our Sharepoint sites
- Cyber Essentials + Support data analytics, management, and classification
- Review our IT architecture, prepare and document our future IT Strategy.

Governance, Legal, Risk & Compliance

We care about and respect our members and employers and are committed to being a responsible business. We have comprehensive policies and procedures in place, and, collectively, these functions ensure that LPF and its group companies meet all corporate governance, legal, and regulatory obligations and expectations that impact our work. They support the delivery of our long-term objectives and success, by helping to ensure that we're trusted, respected and appropriately managed.

Key priorities 2024/25 include:

- Continue to develop and embed enhanced risk management arrangements, supported by improved risk management processes and methodology
- Select a risk system that will effectively help facilitate the risk management framework across business areas
- Design, develop and implement a dedicated investment compliance oversight programme and uplift of complimentary policy standards
- Improve and evolve our governance operating model and framework, including our governance processes and practices, to continue to enhance, embed and maintain strong corporate governance and aspire to the highest standards
- Continue to monitor the horizon to identify the implications of an evolving regulatory landscape on our business, identifying gaps, risks and opportunities to our existing practices. The new General Code of Practice by the Pensions Regulator is an example and a key focus for the year ahead
- Continue to work with Finance, to further improve the Internal Capital and Risk Assessment process and resulting ICARA report for LPFI
- Continue to progress development, implementation and identification of further improvements regarding LPF's approach to managing and protecting data

Finance

The Finance function is responsible for all aspects of planning, budgeting, and reporting of LPF's finances. This includes preparation of the Annual Report and managing the external audit process. Tax, maintaining the unitised valuations for the Fund, procurement and working with the custodian Northern Trust complete the main areas of responsibility.

2023/24 saw an investment in core systems and 2024/25 will offer the opportunity to realise the benefits identified in the scoping phase of each implementation.

In 2024/25, key priorities for the Finance team include:

- Co-ordinate the Strategy and Business Plan reporting
- Complete the implementation of the new Finance system and accounting ledger
- Integrate the supplier management database with the payment/invoicing process for the new Finance system

- Review of Finance processes for efficiency gains or process automation via existing or new software, and consider impact on ways of working
- Roll out of an enhanced financial forecasting process including budget monitoring process with increased oversight for budget holders and associated KPIs/KRIs
- Support the review of the operating structure in the Investment Team
- Retender of Custody services currently provided by Northern Trust
- Investment Management cost transparency and value analysis using CTI and CEM benchmarking data
- Ongoing management of LPF group cashflow and regular review of fund cashflows from dealing with members which is expected to be in an outflow position going forward
- Monitoring the capital and liquidity position of LPFI, and working in collaboration with the Investments, and Risk and Compliance teams on the ICARA process and reporting, and all FCA reporting requirements.

People & Communications

Core deliverables of the Communications team include production and distribution of key documents including the Annual Report, the Statement of Responsible Investment Principles, *ENGAGE* ezine and the Stewardship Report. In addition, the team manages internal communications, events, external media and the look and feel of member and employer communications.

The HR team is responsible for supporting the business in resourcing and colleague management including reward, organisational design, career pathways, learning and development and the full suite of HR policies. They're responsible for assessing and monitoring colleague engagement and run twice annual colleague surveys to gain feedback from colleagues and find out what is going well/ where we can make improvements, as well as facilitating the colleague recognition awards. Office management, business continuity and health and safety also fall under their remit.

In addition to these core deliverables, in 2024/25 the teams will be heavily involved in the New Office project, which will include

- Clear and comprehensive communication to all colleagues, and other stakeholders on timelines and address changes
- The production and upskilling of all colleagues on new ways of working and systems in the new office
- The transfer of old office furniture to the new premises to support sustainability
- The Health and Safety requirements of the new office in conjunction with the CEC H&S team

Additional areas of focus for these teams will be:

- The Organisational design requirements across all functions
- Recruitment of all vacant and new roles
- Updating and reviewing our HR policies
- Business continuity upskilling and management across the teams
- Remuneration and Benefits review.

CEC Shared Services

City of Edinburgh Council (CEC) have three relationships with LPF. Firstly, as Administering Authority and Scheme Manager CEC are responsible in legislation for the management of the LGPS in Edinburgh and the Lothians. It delegates the running of the Fund to the Pensions Committee and two arm's length operating companies (LPFE and LPFI) in this regard. Secondly, CEC is one of 65 contributing employers connected to the Fund, being the employer with the largest number of active, deferred and pensioner members.

Lastly, CEC provide services to the Fund, including:

- Internal Audit services
- Company secretarial services to support the Pensions Committee.

In addition, CEC have oversight responsibility. This, with associated advisory input, is provided by:

- The Information Governance Unit and Data Protection Officer
- Information Security.

In 2024/25 the expectations for these shared services are as follows:

- Internal Audit will continue to provide internal audit services, which includes the delivery of some audits by CEC's co-source audit partner
- Following the transition to the new LPF finance system and ledger, CEC's Finance and Procurement team will continue to provide certain services including support on procurement and treasury facilities.

PROJECTS & CHANGE

Our Programme Management Office and Change Approvals Committee ensure that all projects and change activities are managed appropriately and monitored regularly using best practice methodology. This ensures that there's differentiation between projects, small change, and non-project change activities, and recognises that different degrees of governance and practices are appropriate for each.

The table below sets out the current list of formal projects.

Project Name	Objective	Project Sponsor	Delivery Timescale
Finance Systems	Having reviewed the current finance system and documented procedures, procure a fit for purpose, tailored and flexible solution to best meet pension funds' needs, with revised procedures as required.	CFO (Alan Sievewright)	Q2 2025
Digital Transformation	To ensure the digital service offering for both members and employers is class leading for the pensions industry.	COO (Karlynn Sokoluk)	2023/25
McCloud	Ensure rectification of historic LGPS age discrimination in accordance with (future) regulations and timetable, together with requisite member communications.	COO (Karlynn Sokoluk)	2024
Climate Disclosure and Strategy Project	To satisfy annual reporting requirements and SRIP revisions, which involves reviewing existing and prospective regulations, data requirements, data suppliers, budget implications, including time resource, and deciding on what commitments can and should be made.	CIO (Emmanuel Bocquet)	2023/24
Pensions Dashboard	Support the introduction of the UK Government's Pension Dashboard, working with our pensions administration software supplier to facilitate data submission and address member servicing requirements in readiness for go live.	COO (Karlynn Sokoluk)	2024/5
Multi-fund Employers	Develop business cases and processes to support employers who are considering or might benefit from consolidation from participating in multiple LGPS funds.	COO (Karlynn Sokoluk) and CFO (Alan Sievewright)	2024/25

ORGANISATIONAL DESIGN

As noted in the review of 2023, we recruited new Chief Investment and Chief Financial Officers. Both are taking the opportunity to review both functions to create more focussed teams.

The table below shows the expected evolution of full-time equivalent roles (FTE) to 31 March 2025. It assumes the current functional structure is maintained over this period.

Function, Team/Full Time Equivalent (FTE)	Mar-24	Mar-25
CEO	1	1
Governance	3.6	3
Legal	2	3
COO	1	1
IT and Change	4	4
Operations	43.7	48.7
CFO	1	1
Finance	9.5	11.5
CIO	1	1
Investments	19.1	25.1
CRO	1	1
Risk & Compliance	3	4
CPO	1	1
People and Communications	6	7
Total	96.9	112.3

FTE is expected to increase during 2024 across all teams through a combination of new roles, parental leave cover and filling existing vacancies. The increases within Risk and Compliance and Finance are to enhance Data, Business Continuity and Supplier Management frameworks, Investments, and Operations to return the team to the optimal level of resource to meet the requirements of members and employers.

RISKS

During 2023 a comprehensive review of the LPF group risk register was undertaken, which has resulted in an improved articulation and evaluation of current risks which the group is exposed to and how these are being managed. The register is reviewed and updated as required on an ongoing basis, and reports on this to the Pensions Committee and its Audit Sub-Committee and to each of the LPFE and LPFI Boards.

The risk register and reports issued to the Boards and Committee have been reviewed to reflect this business plan and the risks inherent in it.

No additional risks have been added to the risk register based on the plans set out, however some of those risks noted may potentially increase if they're not effectively managed, as set out below.

Business Plan Risks

People risk is acknowledged as one of LPF's key risks, and we face challenges around recruitment, retention and resourcing as the business experiences difficulties filling positions, managing training and knowledge gaps, and managing and prioritising workload. Whilst this is true across most parts of the organisation, it's particularly challenging in our Pensions Administration area where several open vacancies and a limited number of experienced colleagues contribute to increased strain on resources.

However, LPF is no different from other LGPS, who are also struggling to identify resources with the required knowledge and experience in defined benefit schemes. Where LPF is at a potential advantage from other LGPS in attracting and retaining desired resource, is through the unique employment proposition provided through LPFE, although competition for resources from the private sector will always be a challenge. Management are actively considering a number of tactical and longer term strategies to manage resource strain and the LPFE Board continue to monitor this risk.

Following the retirement of the previous CIO, the change in leadership in the Investment team will bring some structure and resourcing changes in that area. Furthermore, the completion of the Investment Governance Improvement Plan project identified options regarding how LPF's middle office activities could be organised and arrangements improved which will be taken forward at the same time. The impact of these changes across several teams is likely to elevate people risk for a period, however the changes will allow LPF to introduce efficiencies and improve effectiveness, as well as making us more operationally resilient.

Although staff engagement continues to be very positive, culture and engagement remain firmly on the radar as we work through the organisational changes noted above and manage the relocation to LPF's new premises in Q2 24. The office move is seen as a significant improvement to current arrangements, delivering a notable uplift to our colleagues' working environment. Whilst the hybrid working model which promotes part time homeworking is considered beneficial and effective, there have been challenges in bringing people together at the same time. While ongoing communication with team calls, all colleague briefings and away days have helped to bring colleagues together remotely and in person





and created opportunities to meet peers and network more widely, the uplift to office arrangements will help facilitate more opportunities for face-to-face interactions and cross-team engagements on a more routine and spontaneous basis.

Regulatory risk will always feature at least moderately for an organisation such as LPF, especially with its range of regulatory bodies. The regulatory landscape is under constant review, as it adapts to geopolitical, economic, social and technological influences. It's key that LPF continues to stay abreast of planned and actual regulatory changes and developments and there are several stakeholders across the organisation that work collaboratively in identifying, analysing and planning for changes, and subsequently implementing required operational or governance changes within the business. This is reflected in the work we've undertaken to deliver on McCloud and the Pensions Dashboard, as well as the review and preparation for changes being introduced by The Pensions Regulator's new General Code of Practice which goes live during the first half of 2024. Keeping up with Financial Conduct Authority themes also continues to be a focus, particularly as LPF's assets under management grow in line with increased collaboration with our partner funds.

Project Risks

Each of the projects set out in this plan and any that are added to the change programme will have project specific risk registers and a statement of project risk appetite. Improved project risk reporting will continue to evolve through the creation of the Project Office.

APPENDIX 1: KEY PERFORMANCE METRICS

	DEVELOP AND DELIVER A MEMBER AND EMPLOYER PROPOSITION FOR SERVICE EXCELLENCE
<p>Customer Satisfaction, as measured by employers and members through survey results > 90%</p>	
<p>>92% of pensions administration work completed within standards</p>	
<p>Data Quality, as defined by the Pensions Regulator achieve “common” and “conditional” data scores in excess of 95% and 95% respectively. The data is assessed as at 31 August 2024 (members’ Annual Benefit Statements)</p>	
<p>The Fund operates within the approved budget</p>	
<p>The audit of the Annual Report is unqualified with no significant or substantial risks identified in audit observations</p>	
	EARN AN APPROPRIATE RISK ADJUSTED INVESTMENT RETURN AS RESPONSIBLE INVESTORS
<p>Rolling 10-year fund return is >+5% pa unless the benchmark is <+5%pa, in which case, the relative return is positive</p>	
<p>Publish <i>ENGAGE</i> and the Revised SIP and SRIP</p>	
	RISK, GOVERNANCE, LEGAL AND COMPLIANCE FRAMEWORKS
<p>Mandatory LMS training completion rate >95%</p>	
	ACHIEVE GREATNESS IN OUR PEOPLE, TEAMS, AND CULTURE
<p>The Employee Engagement index KPI of 70% or above</p>	
<p>Less than 10% unplanned employee turnover</p>	

APPENDIX 2: SERVICE PERFORMANCE INDICATORS

Measure	Target
Monthly pensioner payroll paid on time	100%
Acknowledge the death of a member to next of kin within 5 working days	96%
Employer contribution paid within 19 days of month end	99%
Estimate requested by employer of retirement benefits within 10 working days	91%
Notification of dependant benefits within 5 working days of receiving all necessary paperwork	96%
Notify early leavers entitled to deferred benefits of their rights and options within 10 days of being informed of end of pensionable service	91%
Notify members holding more than 3 months, but less than 2 years' service, of their options at leaving. As there is a one month and a day lying period, the target is within 10 days of the end of the lying period or after the employer providing full leaving information if later	85%
Pay a refund of contributions within 7 working days of receiving the completed declaration and bank detail form	91%
Pay any lump sum death grant within 7 working days of receipt of the appropriate documentation	96%
Pay lump sum retirement grant within 7 working days of receiving all the information we need from the member	96%
Payment of CETV within 20 working days of receiving all completed transfer out forms	96%
Proportion of pensions administration work completed within standards – individual performance within this indicator is shown below	92%
Proportion of members receiving a benefit statement by August	100%
Provide a maximum of one guaranteed Cash Equivalent Transfer Value (CETV) within 10 working days of receiving a request	91%
Provide new members with scheme information within 20 working days of getting details from employer	100%
Provide transfer-in quote within 10 working days of receiving the Cash Equivalent Transfer Value (CETV) from member's previous pension provider	96%
Respond in writing within 20 working days to formal complaints that have escalated from frontline resolution, or recorded directly as an investigation	96%
Level of Sickness Absence	<4%
A minimum of two days training for all staff for the year	100%