

Functional plan updates

Operations – Pension Administration performance indicators

- 1.1 Overall, Pension Administration have achieved a service delivery performance of 93.53% year to date against a target of 92%. It is also worth noting the following context: The team is currently operating below the target headcount due to recruitment challenges. There are currently 3 open unfilled roles.
- 1.2 Our coaching model is helping to develop colleagues at all levels, and we have additional colleagues now trained on our more complex categories of work ensuring increased capacity and contingency to meet all service levels especially at peak levels of demand. The appointment of 2 coaching roles is proving beneficial in assisting with colleague queries and both designing and delivering training.

Accreditation

- 1.3 The Fund has held the Customer Service Excellence (CSE) standard for several years. To achieve CSE accreditation an independent assessment takes place against 5 sets of criteria and 57 separate elements. These are then assigned a rating – non-compliant, partial compliant, compliant, or compliant plus.
- 1.4 LPF's on-site assessment last took place in July 2024. The assessor evaluated evidence with regards to processes and service delivery, observing the interaction the Fund has with its members and employers. Not only did the Fund retain its fully compliant status but an additional 4 compliance plus levels were awarded bringing its total to 15 at the highest recognition level.
- 1.5 LPF has held the Pensions Administration Standards Association (PASA) accreditation since 2017. To achieve the award, an independent assessment against 10 sets of criteria and standards takes place. In October, a comprehensive submission was provided to the independent assessors as per the requirements of the triannual review with detailed supporting evidence. This was followed by a site visit in November to validate this evidence through observation and interviews with a random selection of colleagues from across all teams. A final report was received in March of this year, which was unfortunately delayed due to absence of the assessor, confirming our PASA re-accreditation and with no recommendations for improvement noted by them. This is the gold standard for quality in pensions administration.

Customer Experience Team

- 1.6 A streamlined process for new starts is now in place using further automation and workflow to expedite this process for the employer, LPF and the member. We are currently undertaking a pilot with one of our employers on a new retirement process

from 1 July to 30 September which we hope to roll out to others following a review of the process and findings.

- 1.7 The Member Services Coaches provide training, guidance and coaching to Member Administrators, Trainees and Assistants. The coaches updated existing and created new training slides and procedure manuals, delivering around a large number of training sessions to date which covered key processes such as retirements and deaths. The coaches respond to all queries, whilst observing and assessing work activities and developing capability on an individual basis.
- 1.8 A training matrix combined with a skills and development plan has been created for all members of staff within the Operations Team to maintain a schedule of training needs, meet and track training requirements as well as support resource management decisions.

Digital Enhancements

- 1.9 Last year a digital process, in partnership with Crown Agents Bank (CAB), was introduced for our overseas pensioners to complete their annual existence check. The new process using biometric facial recognition allows members to complete the exercise from home using their laptop or mobile device by taking a live photo of themselves and their photo ID such as a passport. This year's exercise is almost complete, and the results again have been extremely encouraging. We completed the process of transferring our overseas payment services to CAB in December 2023.
- 1.10 Prior to the change of provider, our overseas pensioners would not receive their monthly payment until a few days after the standard payment date. Our new arrangement has allowed us to align the pension payment date for overseas members with that of our UK-based members, ensuring that all pensioners now receive their payment on the 15th of each month. We are currently working on the set up of a self-service portal to allow overseas pensioners to view their payments online.

Employer Performance

- 1.11 The Fund's Pensions Administration Strategy (PAS) sets out employer roles and responsibilities under the Regulations and timescales for provision of information to the Fund. Fund officers continue to provide training to employers so that they have the knowledge required to meet these requirements. An employer guide which provides more detailed guidance on administration processes has been produced to support employers with numerous situations such as ill-health retirement and flexible retirement amongst others.

McCloud

- 1.12 Since the employer data collection was completed, we have interfaced service changes and breaks as provided by the employers followed by preparations for the

bulk underpin calculation. We have identified and updated records for all those in scope.

- 1.13 As McCloud is a material change to the scheme, we were required to contact those who are or could be affected. In December 2023, we contacted approximately 38,000 members to provide information about the remedy and to request other public sector service to bring more members into scope.
- 1.14 The first bulk underpin reports identified 500 records where additional pension may be due under McCloud. Many of these records have been checked by the member services coaches and then by the data analysts. In addition, the coaches have provided training for member services teams on this topic. Once the checking is complete, we will be able to run the actual underpin calculation and start recalculating pensions.

Pensions Dashboard

- 1.15 The UK Government's vision is that the Pensions Dashboard will enable individuals to assess their pensions information online, securely, and in one place to support better planning for retirement and growing financial well-being. Lothian Pension Fund, as a data provider will be compelled to supply data to the ecosystem once live.
- 1.16 To connect to the Pensions Dashboard ecosystem, schemes will need to procure an Integrated Service Provider (ISP), their services include connection to the ecosystem and data analytics. We continue to monitor the quality of our data using other tools such as that used for the Pensions Regulator data quality checks. When the Pensions Dashboards are live, it is a requirement that in-house Additional Voluntary Contribution providers return their value data at the same time to the end user as the value data to the pension scheme. We plan to contact both our providers and undertake a data cleanse between the sets of data. We are now progressing with the procurement of our ISP in readiness.

Investments – Asset Allocation

- 1.17 The Fund's assets broken down by policy group at 31 March and 30 June 2024 are shown in the table below.

31 March 2024 £'000	Policy Groups	30 June 2024 £'000
5,738,452	Equities	5,272,741
2,163,684	Real Assets	2,257,699
577,355	Credit	387,834
1,173,669	Sovereigns	1,537,148
250,592	Mature Employers	245,038
279,979	Cash	425,028
10,183,731	Total	10,125,588

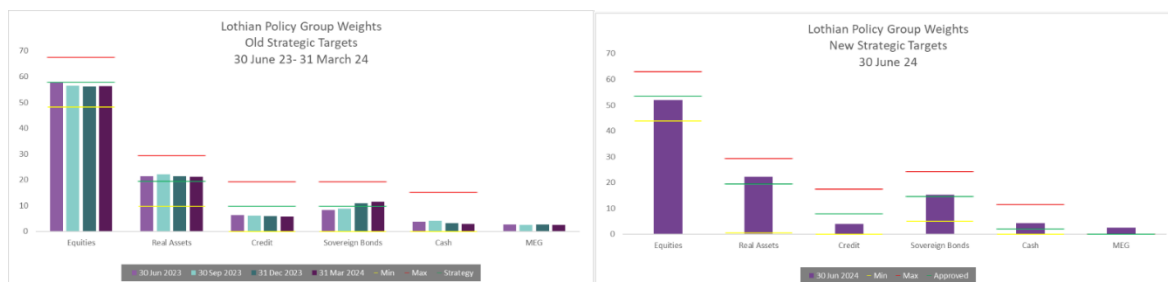
Source Northern Trust

1.18 The Fund’s long-term performance remains strong compared to benchmark, demonstrated in the table below detailing the 3, 5, 10 year and since inception (October 93) annualised returns against benchmark.

% per annum	3 Years	5 Years	10 Years	ITD
Performance	3.80	4.56	7.85	7.86
Benchmark	-1.22	3.75	7.16	7.33

1.19 Total Fund assets decreased by 0.6% over the quarter as equity and bond prices decreased. The Fund reduced exposure to equities by c.£450m/4.5% of total Fund assets to reflect the strategic asset allocation agreed at the March Committee meeting. This was reinvested across sovereigns, cash and real assets. At 30 June 2024, relative to the strategic asset allocation agreed at the March 2024 Committee meeting, the fund was underweight Equities and Credit, and overweight Real Assets, Sovereigns and Cash.

1.20 The green lines in the bar chart below represent the strategic allocation to each policy group and the yellow and red lines show the ranges within which officers are permitted to operate. The bars show the trends in allocation weights to the five policy groups (and the mature employer group) over the last five quarters to end June 2024, taking account of the change in strategic asset allocation agreed at the March Committee meeting. All policy groups remain comfortably within the agreed ranges. Should policy group weights move out with those ranges, officers are required to report this to the Pensions Committee.



Source Northern Trust, LPF calculations

Activity

1.21 The main changes to asset allocation over the last several quarters have been increases in the weights of Sovereigns and Real Assets and the reductions in Equities.

1.22 After a long period of being underweight Sovereigns, Index-Linked Gilt prices have weakened very significantly and now offer a reasonable long term real yield, hence the increased weight. In the Real Asset policy group, the Fund has continued to invest consistently in a diverse range of infrastructure and property assets with some prices having weakened in recent quarters as a result of the sharp rise in interest rates.

Risk & Compliance – Risk Management Framework

- 1.23 The plan to improve and embed the risk management framework continues to progress with the development of the suite of LPF operational functional risk profiles. Completion of these risk profiles will help determine a controls assurance programme which will compliment other existing oversight activity.
- 1.24 A project has also commenced to procure a Governance Risk & Compliance ('GRC') system to support and facilitate the framework and which will deliver enhanced visualisation for risk reporting, integration of risks, controls, issues and incidents as well as to introduce resource efficiencies.
- 1.25 A formalised Policy Management Framework (PMF) for the LPF Group has also been developed which establishes a structure to facilitate how policies are appropriately developed, implemented, monitored and reviewed regularly across the LPF Group, with appropriate approval processes in place.

Information Governance and Supplier Management

- 1.26 Supplier performance and third-party oversight arrangements continue to be improved through changes made to the supplier management framework recommended from the internal audit review in 2023. Further work is required to review and enhance the basis of arrangements and oversight between CEC as service provider and LPF. The Risk Management Group's terms of reference now also include oversight of critical suppliers and operation of the framework. General training has been delivered to all Fund staff, with dedicated training for owners of critical supplier relationships. More details of the contracts entered into, and Tier 1 Supplier status is noted in the paper under agenda item 7.4.

Finance – X-ledger Finance System

- 1.27 The X-Ledger Finance system went live for LPF on the 1 April 2024, while the 2023/24 financial year was successfully completed for LPFE and LPFI in X-ledger.
- 1.28 The X-ledger system presents an opportunity for the Finance team to review current processes and procedures, with on-going improvement projects taking place to improve the resilience and efficiency of operations. Over the coming months standardised reporting will be rolled out for mandatory reporting requirements and monitoring. This will include integrating budget information for on-going monitoring and improving the resilience of the 2025/26 budget setting process.

Office Relocation

- 1.29 The new office was fully operational in June and the fit out was completed in line with budget. Progress is underway to secure a new tenant for the current office in Atria One. The landlord's scheduled rent review had hampered the re-let exercise, but the review process has been completed and work continues to secure a tenant.