

Appendix 1

Functional plan updates

Operations

Pension Administration performance indicators

Overall, Pension Administration have achieved a service delivery performance of 94.29% 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 4 open unfilled roles.

Our coaching model is helping to develop colleagues at all levels, and we have continued to upskill colleagues this year so that we have a greater number of staff trained more complex categories of work ensuring increased capacity and contingency to meet service demands. Increased automation of routine tasks has allowed us to upskill member assistants, developing their role further. In addition, planning continues for a training academy which we are due to launch in January 2025.

Customer Experience Team

The Member Services Coaches continue to provide training, guidance and coaching to pension administrators, delivering 75 training sessions to date. To help optimise performance the team is in the process of implementing a new training tool “Clever Nelly”, expected to go live mid-January 2025. To streamline and enhance efficiency, a review of two workflow procedures has been undertaken for Early Leavers and Transfers Outs. The annual certification for PASA has been submitted and new member surveys have been launched to allow participation in CEM benchmarking Voice of the Customer.

Digital Enhancements

Members continue to benefit from the digital enhancements we have introduced in recent years. As part of the new retirement pilot process, we have been reviewing use of the online retirement process which is proving to be well-received by members. This allows us to provide members with retirement information quickly and securely and for members to complete the process online, with a significant proportion of members doing so within a matter of days. This helps ensure we are ready to pay benefits on time.

The current member online service ‘My Pension Online’ has been in place for a number of years and although this has developed significantly since it was first launched, the software supplier has now advised that they will no longer be supporting this service as they have a new solution which offers a clearer user interface, improved navigation and enhanced tools for members to use, including

modelling retirement benefits. We are currently working on a transition plan which will include robust testing of the platform and member communications.

Employer Performance

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. A separate report to the Committee provides details of proposed changes to the PAS following changes in processes and over-riding guidance. Fund officers continue to provide training to employers as well as holding regular meetings with our largest employers.

McCloud

A great proportion of the work on this project has now been completed and we have now updated our software system to allow 'business as usual' cases to be identified and processed accordingly. Additional training for member services teams has been carried out and staff have also attended webinars hosted by the Local Government Authority Pensions Committee. Unfortunately, previous amendment regulations issued by the Scottish Ministers were found to be incorrect and as a result we are still unable to recalculate pensions as one of the areas requiring amendment concerns the calculation of interest. A consultation exercise was carried out on further set of draft amendment regulations to amend these issues, and the fund submitted a response.

Pensions Dashboard

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. We are progressing, albeit slower than desired, with the procurement of an ISP provider (the software that passes our member data to the dashboard). When the Pension Dashboards are live, it is a requirement that in-house Additional Voluntary Contributions (AVC) providers return their value data to the end user at the same time as the value data from the pension scheme. In readiness, we are working on a reconciliation of data with our AVC providers, and this process will continue in the lead-up to the connection date. In the meantime, continue to monitor our data quality using a variety of tools, as set out in our Data Quality Improvement plan.

Review of in-house Additional Voluntary Contributions (AVC) Providers

As previously reported to Committee, officers intend to carry out a review of in-house AVC providers. Currently, two providers are in place (Prudential and Standard Life), however new contributors can only use Prudential. The review had been delayed as the National LGPS Frameworks were progressing a new procurement framework for AVCs. This was launched in July 2024, however due to changes in personnel within the Operations team, no further progress has been made. Recruitment within this team now allows this to be progressed and a report on progress will be provided to Committee at the next meeting.

Investments

Asset Allocation

The Fund's assets broken down by Policy Group at 30 June and 30 September 2024 are shown in the table below.

30 June 2024	Policy Groups	30 September 2024
£'000		£'000
5,272,741	Equities	5,338,035
2,257,699	Real Assets	2,270,004
387,834	Credit	367,717
1,537,148	Sovereigns	1,637,771
245,038	Mature Employers	291,072
425,028	Cash	434,509
10,125,588	Total	10,339,107

Source Northern Trust

The Fund's long-term performance remains strong compared to benchmark, as demonstrated in the table below showing the 3-, 5-, 10-year and since inception (October 1993) annualised returns against benchmark.

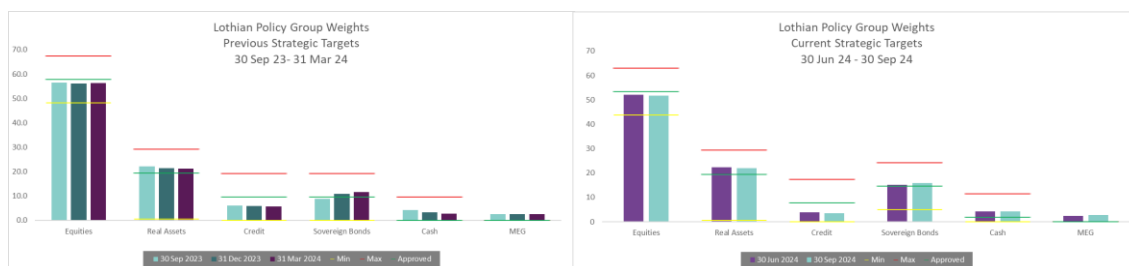
% per annum	3 Years	5 Years	10 Years	Since inception
Performance	+ 3.94	+ 4.31	+ 7.81	+ 7.87
Benchmark	- 0.41	+ 3.52	+ 7.32	+ 7.41

Source Northern Trust

Total Fund assets increased by 2.1% over the quarter as equity and sovereign bond prices rose. The Fund reduced exposure to equities by c.£140m/1.4% of total Fund assets, reflecting the strategic asset allocation agreed at the March Committee meeting. This was reinvested across sovereigns, cash and real assets as well as the Mature Employers Group.

At 30 September 2024, relative to the strategic asset allocation agreed at the March 2024 Committee meeting, the Fund remained underweight Equities and Credit, and overweight Real Assets, Sovereigns and Cash.

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 Employers Group over the five quarters to end September 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

The main changes to asset allocation over the last several quarters have been the reduction in Equities and the increase in Sovereigns, as well as some continued investment in the Real Assets Policy Group. These reflect the updated strategic asset allocation agreed by Committee at its March 2024 meeting as well as the ongoing attractiveness of some infrastructure and property assets following the rise in interest rates over the past few years.

Risk & Compliance

Risk Management Framework

A suite of documentation describing the enhanced risk management framework has been completed and pulls together various operational and governance aspects of LPF's approach to risk management. Meanwhile operational functional risk profiles have been completed for all LPF business areas and plans to take forward risk control self-assessments and regular controls assurance testing are being developed. The project to procure a Governance Risk & Compliance ('GRC') system to support and facilitate the framework has stalled due to resource constraints within the CEC Procurement team. A Risk manager will join in November to fill the current vacancy in the team and position the team strongly for 2025.

Data Strategy & Framework

The project to define and agree LPF data strategy and implement an appropriate and proportionate framework is progressing, with LPF Data strategy, vision and mission agreed. Several activities are underway, including reviewing documents and data classifications and mapping important business processes to establish data inputs and outputs and determine data control and security measures. Process improvements have been identified for some processes as part of this exercise.

Initial work has commenced on Phase 2 of the project which will focus on use of data including Business Intelligence tools and Data Visualisation.

Information Governance and Supplier Management

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.

The pipeline of procurement activity is now being managed more proactively. Central to the delivery of the required procurement activity is securing sufficient resources from both LPF and CEC staff.

Finance – X-ledger Finance System

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.

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

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.