



OPERATING PLAN

2020 – 2021

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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, and so we need a plan that sets out how we'll achieve the sustainability that such multi-generational obligations require.

We administer the LGPS in Edinburgh and the Lothians and are one of more than a hundred local government pension scheme (LGPS) funds in the UK and we're the second-largest LGPS fund in Scotland. We're an asset-backed and multi-employer scheme with around £8billion of assets and at our last valuation in 2017 we were 98% funded. We serve 84,000 members and 90 employers.

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 deal with as a result of technology advances are more accessible than ever before. Our members have high expectations of all organisations they interact with when it comes to being straightforward to deal with, courteous and professional always, 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 feel 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 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 see a rate of change greater than at any time in our past. 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 and 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 to provide benefits for members and their sponsoring employers with due awareness of the complex dynamics of investing in a changing world.

Our operating plan

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

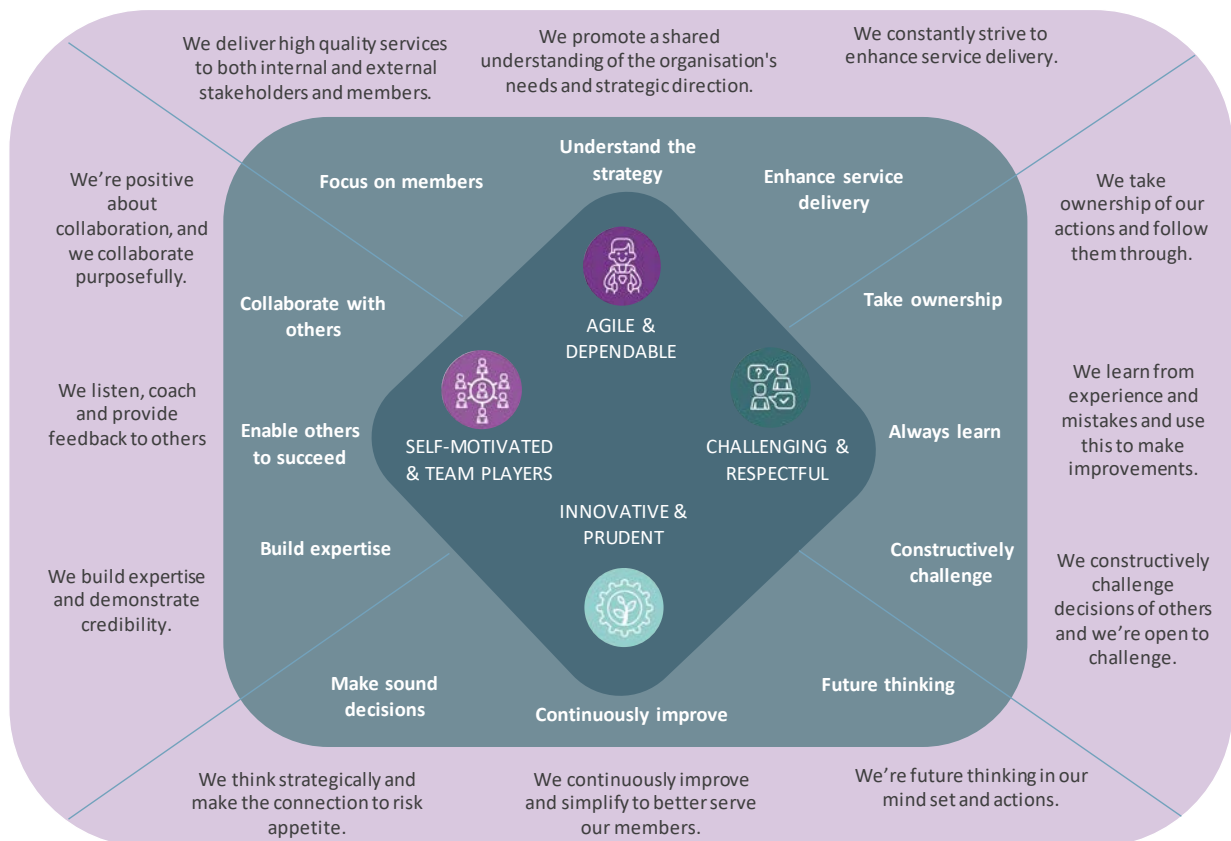
INTRODUCTION

Our vision

To deliver a valued and sustainable retirement savings product for existing and future members of Lothian Pension Fund.

Our core values

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



Our planning process

Our planning process begins and ends with a focus on our members through an ongoing feedback loop of listening to our members when we engage with them on administration matters and in asking for feedback through our complaints and compliments process. Our CEO holds focus group sessions with invited members to understand the relevance of the Fund in their lives and how they wished to see us develop. The Senior Leadership Team (SLT) of the Fund also engaged with other

stakeholders in a listening exercise to understand their expectations. The various notes, ideas and inspiration from these consultations provided the core inputs and the SLT worked together to develop the 2020 - 21 Operating Plan which was presented to and approved by our Pensions Committee in March on behalf of our members and employers.

The plan centres around six broadly-defined strategic goals, each with more detailed objectives and accompanying targets and measures to allow us to monitor our progress and identify where interventions may be required. This forms the basis of the work ahead of us and we look forward to reporting on our findings.



OPERATING PLAN GOALS

Provide secure and affordable benefits for our members



- Deliver sufficient investment returns over the long term to meet funding targets
- Work with employers to deliver investment strategies appropriate for their finances
- Operate an effective system of controls and governance to safeguard our assets
- Maintain accurate data to ensure our benefits obligations are accurately costed

Reduce complexity



- Eliminate complexity and unnecessary friction in internal processes across the Fund
- Make it easy for members to deal with us
- Operate with clear information accessible across multiple channels
- Work with our employers to reduce administrative strain in supporting their employees

Manage our risks



- Cultivate a risk-aware culture with clear accountability and ownership of risks
- Develop technology and operational resilience to protect data and service continuity
- Maintain multi-layer assurance arrangements to proactively identify and resolve threats
- Demonstrate to our stakeholders that our appetite for risk is appropriate

Create a place where people do great work



- Grow a high-performing and inclusive workforce
- Empower a broad range of talents to meet organisation priorities
- Cultivate leadership competencies and develop succession plans across the team
- Create an employer brand and culture that inspires our connected communities

Influence the LGPS of the future





- Be part of a sustainable scheme now and work to safeguard its future
- Deliver reliable and impartial advice to policy-makers on a reactive and proactive basis
- Demonstrate the power of collaboration through success of investment partnerships


Be responsible



- Continue to integrate ESG into our investment processes
- Demonstrate good stewardship of assets owned
- Seek to have a positive impact on the economy and society
- Give our people capacity and encouragement to contribute to our communities

 PROVIDE SECURE AND AFFORDABLE BENEFITS FOR OUR MEMBERS			
What	Deliver sufficient investment returns over the long term to meet funding targets		
Why	To demonstrate benefits are sustainable and affordable		
Target	Maintain	Outperform	< 0.1% of fund
Measure	A funding level in excess of 90% on actuarial basis	Asset returns on 5yr view versus valuation discount	Default rate on employer liabilities for year
What	Work with employers to deliver investment strategies appropriate for their finances		
Why	To protect against return volatility for employers		
Target	100% of employers		
Measure	In a suitable investment strategy for balance sheet strength		
What	Operate an effective system of controls and governance in investment management		
Why	To safeguard the assets we hold for our members		
Target	100% of fund assets		
Measure	Subject to effective oversight, reconciled and held in secure safe custody		
What	Maintain accurate data to ensure our benefits obligations are accurately costed		
Why	To ensure accurate funding levels are measured and benefits paid		
Target	Meet or exceed		
Measure	Standards set by The Pensions Regulator		


 REDUCE COMPLEXITY			
What	Eliminate complexity and unnecessary friction in internal processes across the Fund		
Why	To deliver efficient administration and contain the drag of cost on funding levels		
Target	Maintain	Operate within	Investigate and plan for
Measure	A position of low cost / high quality in relevant benchmarks	Our approved budget for controllable costs	The move to paperless administration
What			
Make it easy for members to deal with us			
Why	To promote engagement with pension fund and increase perceived value		
Target	> 90%	Retain	Retain
Measure	Member satisfaction score by survey	Accreditation with CSE	Accreditation with PASA
What			
Operate with clear information accessible across multiple service channels			
Why	To improve digital capability		
Target	+10%	+10%	-10%
Measure	Increase in visitors to web on prior year	Increase in registered users for member self-service	Reduction in simple queries by telephone call
What			
Work with our employers to reduce administrative strain in supporting their employees			
Why	To improve employer experience		
Target	Meet or exceed		
Measure	Employer expectations in our annual survey		


 MANAGE OUR RISKS			
What	Cultivate a risk-aware culture with clear accountability and ownership of risks		
Why	To protect our stakeholders from financial or reputational loss		
Target	100%		
Measure	Risks outside of appetite to have resolution plan within three months of rating		
Develop technology and operational resilience to protect data and service continuity			
What	Develop technology and operational resilience to protect data and service continuity		
Why	To protect our stakeholders from financial or reputational loss		
Target	Alignment to	Alignment to	100% coverage
Measure	ISO22301 (business continuity) by end of year	ISO22701 (information security) / cyber essentials + by end of year	Of relevant service KPIs reviewed at oversight body
Maintain multi-layer assurance arrangements to proactively identify and resolve threats			
What	Maintain multi-layer assurance arrangements to proactively identify and resolve threats		
Why	To protect our stakeholders from financial or reputational loss		
Target	On track / Green	At least 100 days	
Measure	On track to achieve green internal audit rating by end 2021 / 22 financial year	Of assurance work from Internal Audit and other independent vendors	
Demonstrate to our stakeholders that our appetite for risk is appropriate			
What	Demonstrate to our stakeholders that our appetite for risk is appropriate		
Why	To protect our stakeholders from financial or reputational loss		
Target	Unqualified approval		
Measure	Of our risk register by our Pensions Committee		



CREATE A PLACE WHERE PEOPLE DO GREAT WORK

What	Continue to grow a high-performing, engaged and inclusive workforce		
Why	To be a responsible employer driving a focus on our members		
Target	> 70%		
Measure	Employee engagement index		
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What	Empower a broad range of talents to meet organisation priorities		
Why	To create a resilient and capable workforce		
Target	Increase by 25%		
Measure	Our enablement index		
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What	Cultivate leadership competencies and develop succession plans across the team		
Why	To inspire our people and generate resilience in our organisation		
Target	100%	100%	<10%
Measure	Of critical roles with Board approved succession plan	Of people leaders with personal development plans	Unplanned employee turnover
<hr/>			
What	Create an employer brand and culture that inspires our connected communities		
Why	To be responsible and influence positive outcomes		
Target	Minimum of 5	Zero	Support
Measure	Eligible candidates per vacancy	Vacancies unfilled within three months of posting	Initiatives for inclusion

 INFLUENCE THE LGPS OF THE FUTURE	
What	Be part of a sustainable scheme now and work to safeguard its future
Why	To safeguard our members interests
Target	Actively demonstrate and influence
Measure	The value of LGPS benefits in providing public services in Scotland
What	Deliver reliable and impartial advice to policy-makers on a reactive and proactive basis
Why	To safeguard our members' interests
Target	100%
Measure	Of relevant requests for consultation input responded to with informed and objective views
What	Demonstrate the power of collaboration through success of investment partnerships
Why	To improve sustainability of the LGPS in Scotland
Target	> £5m
Measure	Of annualised investment fees saved through collaboration activities

 BE RESPONSIBLE			
What	Continue to integrate ESG into our investment processes		
Why	To play our part in managing financial risk and creating positive outcomes		
Target	100%	Embed	Retain
Measure	Equities measured for carbon intensity within three years	ESG considerations embedded across all our investment processes	PRI accreditation
What			
What	Demonstrate positive outcomes achieved as an owner of assets		
Why	To provide assurance to our stakeholders on our commitment to being responsible		
Target	Minimum of two		
Measure	Issues of 'LPF Engage' in each calendar year with no material adverse feedback		
What			
What	Seek to have a positive impact on the economy and society		
Why	To create positive outcomes where we can		
Target	100%		
Measure	Realisation of credible investment opportunities		
What			
What	Give our people capacity and encouragement to contribute to our communities		
Why	To promote wellbeing and be a responsible employer		
Target	100 days equivalent		
Measure	Of volunteering time allocated by LPF employees		

APPENDIX 1: OUR 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%
Pension Admin Workflow – Non-key Procedures Performance	75%
Proportion of critical pensions administration work completed within standards – individual performance within this indicator are 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%