



Service Plan 2018 - 2020



Our purpose

To provide a highly professional and responsive service to members and employers

Introduction

The City of Edinburgh Council is the administering authority for the Local Government Pension Scheme in the Lothian area. The Council administers the benefits and invests the assets of three Local Government Pension Scheme (LGPS) funds, Lothian Pension Fund, Lothian Buses Pension Fund and Scottish Homes Pension Fund.

Lothian Pension Fund is the second largest Local Government Pension Fund in Scotland with assets of approximately £6.8 billion, 90 employers with active members and over 76,000 members.

The Lothian Buses Pension Fund holds assets of £0.5 billion and 3,800 members, while Scottish Homes Pension Fund investments amount to £0.17 billion with 1,700 members.

How the Funds are run

All pension matters are delegated to the Pensions Committee of the Council and its members act as 'quasi trustees'. The day to day running of the Fund is delegated to a specialist team who undertake pension administration, accounting and investment functions, managing the majority of the Fund's assets internally. The team is employed by an arms-length company which is owned by the Council and is supervised by a board of directors chaired by the Council's Executive Director of Resources.

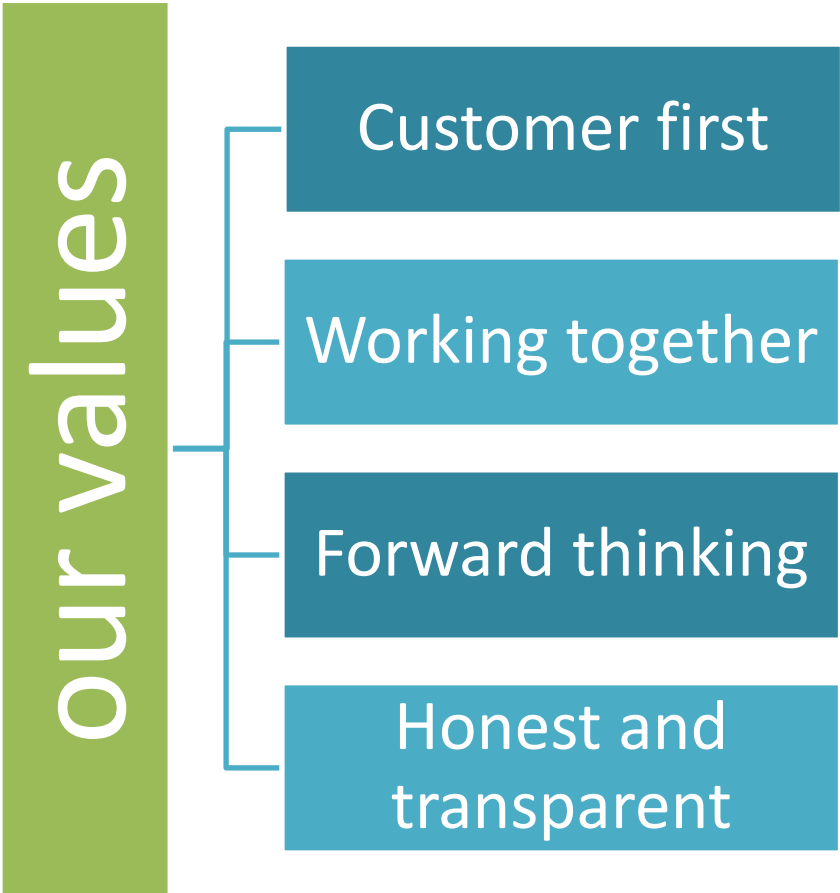
A Pension Board, made up of 5 employer and 5 union member representatives, assists the Pensions Committee in securing compliance with legislation and other requirements of the Pensions Regulator.

Investment strategy guidance to the Committee is provided by an Investment Strategy Panel, working in collaboration with Falkirk Pensions Fund. The Investment Strategy Panel includes senior officers and external investment advisers. The Pensions Committee of each Council agree their own investment strategy but delegate the implementation of strategy, including selection of investment managers, to officers. The Investment Strategy Panel advises the Finance Directors of each administrating authority (the City of Edinburgh Council and Falkirk Council) on implementation of investment strategy. The assets of Lothian Pension Fund and Falkirk Council Pension Fund remain separate.

The Fund maintains a comprehensive website for easy access to all relevant pension information and this is found at www.lpf.org.uk. This includes the Annual Report & Accounts of the three pension funds, Statement of Investment Principles, Funding Strategy Statement and Pensions Administration Strategy and Pensions Discretions Policy.

Our Ambitions and Our Values

- To provide an excellent service to our members and employers
- To provide funding and investment strategies for employers to manage affordability and mitigate risk
- To be a partner of choice for other local government pension funds to improve efficiency and sustainability



Service plan priorities

Customer first	Provide an excellent service to members <ul style="list-style-type: none">❖ Implement new technology, improving service and maximising efficiencies.❖ Continue to improve the flow of data from employers and the quality of member data.❖ Broaden our performance indicators and targets for pensions administration to improve service.
	<ol style="list-style-type: none">1. Implementation of new pension administration systems.2. Explore automation of pension administration work to improve productivity, efficiency and customer experience.3. Review Pensions Administration Strategy.4. Introduce broader pension administration performance measures.5. Continue to improve member communications through a new website, provision of improved material.6. Communicate new flexibilities introduced by the 2018 regulation changes.7. Complete reconciliation of members' Guaranteed Minimum Pensions with HMRC information.8. Continue to use the Customer Service Excellence and Pension Administration Standards Association criteria to enhance our service.

Collaboration

- ❖ **To be the partner of choice for other Scottish LGPS funds.**
- ❖ **Inform and influence decisions on the LGPS at national level.**
- ❖ **Review opportunities to work with English & Welsh LGPS investment pools.**
- ❖ **Extend collaboration services to provide access to LPF's in-house investment portfolios.**
- ❖ **Explore options for collaboration in pensions administration and Joint Investment Strategy Panel.**
- ❖ **Develop communications strategy around our collaborations.**

1. Deliver extended collaborative services to Falkirk Pension Fund and beyond.
2. Work with the Joint Investment Strategy Panel to review the Investment Strategies of the Lothian and Falkirk Pension Funds.
3. Continue to support collaboration efforts, with appropriate accounting and financial reporting.
4. Implementation of Front Office Investment System, maximising efficiencies and controls.
5. Strengthen resources to support increasing collaborative opportunities and regulatory developments.

Develop team-based culture of excellence

- ❖ **Develop and embed culture of excellence following transfer of staff to LPFE Limited.**
- ❖ **Celebrate and reward team and individual successes, incentivising excellent performance.**
- ❖ **Improve sustainability of the team, building support, developing capabilities and succession planning.**
- ❖ **Put in place a business support function.**

1. Create flexible, supportive and empowering working environment focused on productivity and high quality output.
2. Introduce new performance review process for staff and managers.
3. Deliver high professional standard of internal service delivery to support staff, external parties and business in all areas.
4. Develop and enhance procedures manuals.

Effective Governance

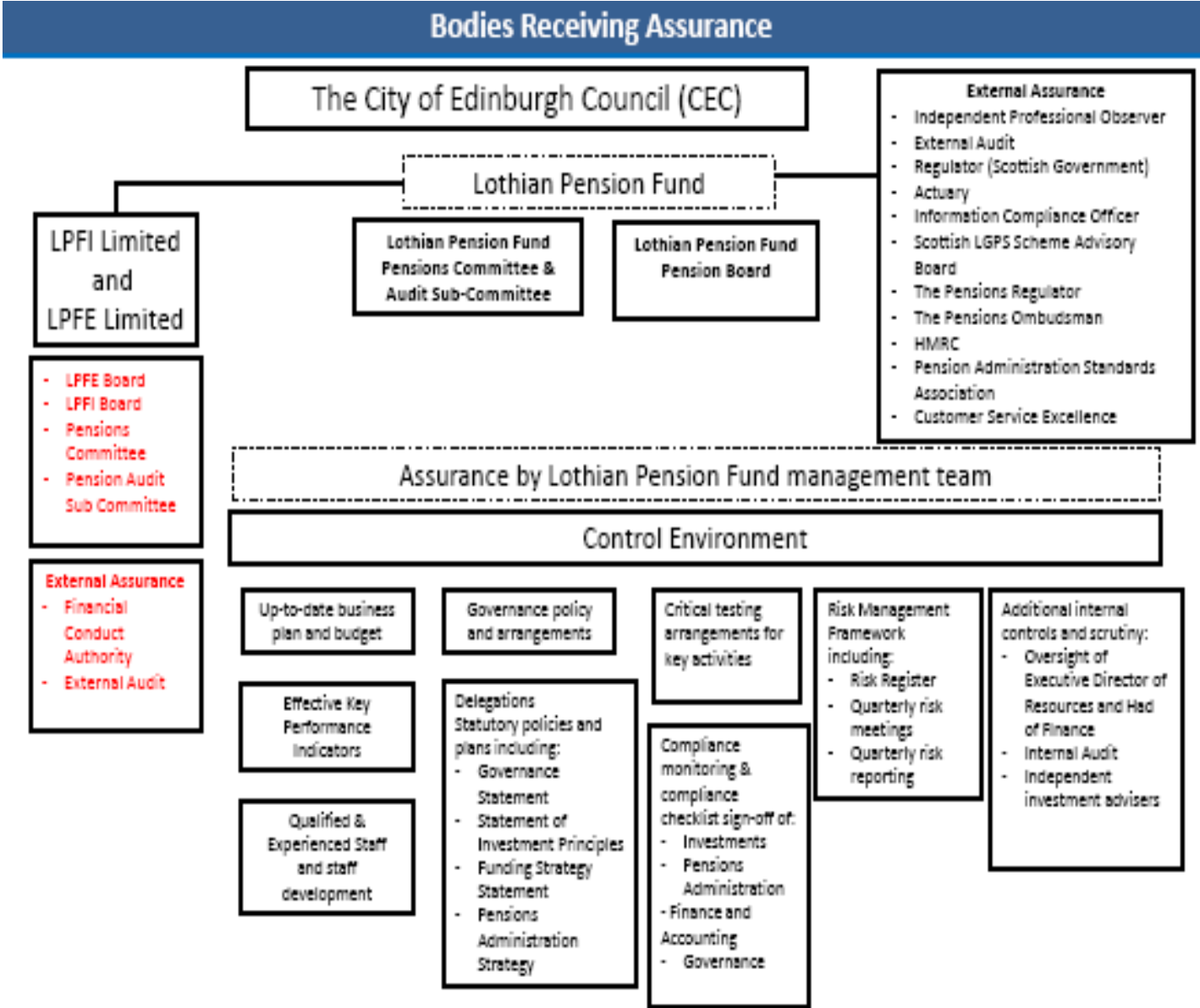
- ❖ **Focus on our accountability to members and employers, whilst continuing to report to the general public.**
- ❖ **Knowledgeable and resourced governance.**
- ❖ **Greater transparency on pensions administration performance.**
- ❖ **Develop support services, including those received from Council departments.**

1. Ensure processes, systems and communications comply with new data protection and financial services legislation.
2. Ensure successful consolidation of Lothian Pension Fund and Lothian Buses Pension Fund.
3. Enhance reporting facilities of the employer unitisation of Lothian Pension Fund.
4. Complete review of admission agreements.
5. Ongoing employer covenant analysis and develop process for ongoing management and monitoring of employer funding (cessation) agreements.
6. Develop governance processes and procedures for the Fund's arm's length companies.
7. Focus on Investment Management Fee transparency.
8. Improve communication of efforts around responsible investment and analysis of environmental, social and governance issues.
9. Maintain a leading approach to risk management.

Risk Assurance

The Fund operates a bespoke assurance framework designed to ensure it meets its objectives, is adequately resourced, managed to high professional standards, meets legislative requirements and has high customer satisfaction.

The framework is illustrated below:



An extensive risk register is maintained covering a wide range of issues across investments and benefit operations. The register is subject to internal review each quarter and a summary is reported to Pensions Committee and Pensions Audit Sub-Committee. On an annual basis the Pensions Audit Sub-Committee reviews the register.

Performance Indicators

	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020
	Target (Actual or Actual Year-to-Date)		Target	Target
Maintain Customer Service Excellence Standard (CSE) (Annual assessment)	Retain (Retained)	Retain (Assessment March 2018)	Retain	Retain
Maintain Pensions Administration Standards Association (PASA) accreditation (achieved in 2017 with biannual assessment)			Retain	-
Overall satisfaction of employers, active members and pensioners measured by surveys	88% (90%)	89% (92.5%*)	90%	91%
Proportion of members receiving a benefit statement and by August	100% (99.6%)	100% (99.9%)	100%	100%
Investment performance and Risk of Lothian Pension Fund	Meet benchmark over rolling 5 year periods with lower risk with risk/return measures including performance in rising and falling markets			
	(Met)	(Met)		
Audit of annual report	Unqualified opinion			
	Unqualified opinion	Unqualified opinion		
Percentage by value of pension contributions received within 19 days of the end of the month to which they relate	99% (98.6%)	99% (99.7%*)	99%	99%
Data quality - compliance with best practice as defined by The Pensions Regulator	Fully compliant			
	Fully compliant	Fully compliant		
Monthly pension payroll paid on time	Yes (Yes)	Yes (Yes)*	Yes	Yes
Level of sickness absence	4.0% (0.9%)	4.0% (1.3%*)	4.0%	4.0%
Proportion of staff engaged			Greater than 70%	Greater than 80%
All staff complete at least two days training per year	Yes (Met)	Yes (on track*)	Yes	Yes
Proportion of critical pensions administration work completed within standards – individual performance within this indicator are shown below	Greater than 90% (93%)	Greater than 90% (96%*)	Greater than 91%	Greater than 92%
❖ Provide new members with scheme information within 20 working days of getting details from employer	-	-	100%	100%

	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020
❖ Provide transfer-in quote within 10 working days of receiving the Cash Equivalent Transfer Value (CETV) from member's previous pension provider	-	-	95%	96%
❖ 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	-	-	80%	85%
❖ Pay a refund of contributions within 7 working days of receiving the completed declaration and bank detail form	-	-	90%	91%
❖ Notify early leavers entitled to deferred benefits of their rights and options within 10 days of being informed of end of pensionable service	-	-	90%	91%
❖ Provide a maximum of one guaranteed Cash Equivalent Transfer Value (CETV) within 10 working days of receiving a request	-	-	90%	91%
❖ Payment of CETV within 20 working days of receiving all completed transfer out forms	-	-	95%	96%
❖ Pay lump sum retirement grant within 7 working days of receiving all the information we need from the member	-	-	95%	96%
❖ Estimate requested by employer of retirement benefits within 10 working days	-	-	90%	91%
❖ Pay any lump sum death grant within 7 working days of receipt of the appropriate documentation	-	-	95%	96%
❖ Notification of dependant benefits within 5 working days of receiving all necessary paperwork	-	-	95%	96%
❖ Acknowledge the death of a member to next of kin within 5 working days	-	-	95%	96%
❖ Respond in writing within 20 working days to formal complaints that have escalated from frontline resolution, or recorded directly as an investigation	-	-	95%	96%
**Proportion of non-key procedures completed within standard including Additional Regular Contributions, responding to member communications, updating nominations and maintaining the member database.	65% (64%)	65% (79.4%)	75%	76%

* Performance for financial year to January 2018, ** previously an internal performance indicator

Our Budget

The budget for 2018-2019 and indicative figures for 2019-2020 are as follows:

	Projected 2017/18 £000	Budget 2017/18 £000	Movement £000	Budget 2018/19 £000	Movement £000	Indicative Budget 2019/20 £000
Employees	2,707	3,210	304	3,514	38	3,552
Property Costs	201	201	1	202	1	203
Plant and Transport	41	41	7	48	-	48
Supplies and Services	1,021	1,594	131	1,725	(95)	1,630
Third Party Payments	1,055	1,404	35	1,439	(25)	1,414
Investment Managers Fees*	22,300	22,300	0	22,300	-	22,300
Support Costs	250	286	(43)	243	-	243
Capital Funding	82	82	39	121	(8)	113
Gross Expenditure	27,657	29,118	474	29,592	(89)	29,503
Income - Stock Lending	(770)	(550)	-	(550)	-	(550)
- Collaboration	(287)	(740)	-	(740)	-	(740)
- Other	(25)	(20)	-	(20)	-	(20)
Total Income	(1,082)	(1,310)	-	(1,310)	-	(1,310)
Net Expenditure	26,575	27,808	474	28,282	(89)	28,193

* External Investment Management Fees include uninvoiced investment expenditure.

Pension Administration	2,076	2,213	33	2,246	(1)	2,245
Investment Management	24,499	25,595	441	26,036	(88)	25,948

Investment Managers Fee Contingency	-	10,000	-	10,000	-	10,000
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Capital Expenditure

Loan Facility - LPFE	358	358	(358)	-	-	-
- LPFI	250	250	(250)	-	-	-
LPFI Share Capital	60	150	(60)	90	(90)	-
Total Capital Expenditure	668	758	(668)	90	(90)	-