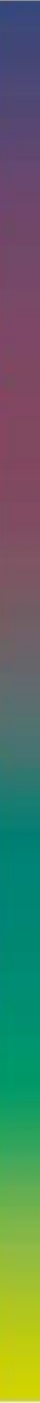




strategic policy statement 2009 to 2012



STRATEGIC POLICY STATEMENT 2009 TO 2012
2nd Draft ~ February 2009

Foreword

This Strategic Policy Statement covering the period April 2009 to March 2012 has been prepared in accordance with section 402 of the Greater London Authority (GLA) Act 1999.

The Act requires LPFA to prepare a statement containing a draft budget, including any levy requirement for each financial year, and a statement of strategic plans and objectives for the next three financial years. Both statements must be submitted to the Mayor by 31st December preceding the start of each financial year.

LPFA has developed its approach to performance planning and management over the last year to be both more comprehensive and more inclusive within the organisation.

A high level awayday to evaluate policy, through manager meetings, to team business plans are in place. Further work is in process to enhance these developments into a continuous, coherent cycle of performance management.

The roles and responsibilities of the Board, its Committees and Principal Officers provide the clear components of this framework.

The Strategic Objectives provide the pillars to support the overall strategy and five programmes will support implementation of the strategy over the three year planning period.

Achievement is measured by using an array of key performance indicators covering pensions administration, investment, corporate activity and equalities.

Performance is monitored and reported to the Board and the GLA quarterly and, if necessary, the plan is amended to ensure the objectives of the Authority are met.

Introduction

At the recent 'Away Day' the Board re-affirmed the LPFA's Mission Statement and considered minor changes to the Strategic Objectives for the future direction of the authority.

The LPFA's Mission Statement is "To provide an excellent cost effective pensions service to meet the needs of our different customers". Five Strategic Objectives underpin our operations and they are key to providing an overall direction for the LPFA and are a clear focus point for all members of the Authority.

We have a clear vision for the future and a sharp focus on the specific tasks needed to achieve that vision. These tasks are framed within our five strategic objectives which are set out in the following pages and summarised below.

We aim to focus on and enhance what is already excellent whilst improving in those areas that are not yet there. We are confident that the solid base of quality staff and leading edge systems together with a committed and talented management team and Board provides a firm foundation for future success. Change is ever present, both to respond to external pressures and to innovate and improve the service we offer. This will not be change for its own sake but change led by the Board and the Corporate Management Team for the good of the LPFA and all its stakeholders.

We operate in a fast moving environment, driven by legislation such as the new Local Government Pension Scheme (LGPS) 2008, and increasing pressure from our competitors in third party pensions administration. We are also driven by improvements in technology as evidenced by the rise in 'self service' web based customer interaction and by customer demand as seen by the significant rise in the importance of informed communication. The objectives have been framed with this constantly shifting environment very much in mind and are designed to keep LPFA at the forefront of high quality pensions administration.

The first strategic objective - demonstrating a competitive excellence in all our activities - will be actively pursued by increasing efficiency whilst maintaining the quality and expanding the breadth of service, fully participating in the ongoing debate on the future of the LGPS and bedding in our revised governance arrangements that lead the shift toward a more open and accountable pensions environment.

Secondly, we will value our people by continuing to enhance our workforce capability and aligning incentives and working practices to the needs of the business. We will continue to emphasise the importance of diversity issues, implement an effective and agreed performance management and reward process and further develop leadership and project management skills across the authority.

Our investment returns are dependent upon maintaining a clear understanding of global financial markets and ensuring our liabilities are matched as closely as is practicable by the returns from investment of our assets. We have seen unprecedented turmoil in financial markets across the world but we will continue to maintain our focus as long term responsible investors. We will also be seeking to promote LPFA as a leader in the field of responsible investment, particularly in the areas of environmental, social and governance issues, through innovative policy and effective and practical action.

We are also seeking to mirror the corporate social responsibility of our investment portfolios by managing LPFA's business processes to produce an overall positive impact on stakeholders and society.

Finally we will remain market focused by effective communication with the marketplace to ensure the delivery of value to customers and a positive return to the pension fund. This will include further enhancement of our communication with all stakeholders by continuing to fully participate in industry wide debate, implementing a comprehensive range of new LGPS publications and by broadening the channels for collaborative interaction with employers and scheme members.

I am confident that this strategy will enhance the quality and efficiency of the service we offer to all our customers and will move us closer towards our vision of excellence.

Mike Taylor
Chief Executive

Mission Statement:

To provide an excellent cost effective pensions service to meet the needs of our different customers.

Strategic Objectives: 2009-12

1) Competitive Excellence –

To enhance core administration competency whilst ensuring competitive levels of efficiency.

2) Valuing our people –

To enhance our workforce capability and align incentives and working practices to the needs of the business.

3) Investment Returns –

To maintain an investment strategy to meet our liabilities focused on continual monitoring of both investment performance and liability risks.

4) Corporate Social Responsibility –

Managing LPFA's business processes to produce an overall positive impact on stakeholders and society.

5) Market Focused –

Effectively communicate with the marketplace to ensure the delivery of value to customers and a positive return to the pension Fund.

Programmes: 2009-12

Five programmes support the strategic objectives. The strategic objectives highlight the direction of the LPFA and the programmes (coupled with team business plans) aid achievement of these. The five programmes are:

1) Efficiency Review:

Deliver 3% cost efficiencies in the current year ending 31/03/2010 and plan for 7% cost efficiencies in the following year.

2) Altair:

Implement the Altair programme i.e. Axis to Altair conversion followed by PROWS/FISH to Altair by 31/03/2010

3) Restructures:

Complete structural and responsibility reviews in light of new pay structure

4) Business Growth:

Secure business growth in line with internal targets and implement a marketing campaign that enhances LPFA brand and promotes value-added services.

5) Customer Care:

Implement the findings of the Customer Care review

Additional tasks during 2010-12

- Equalities: 2011-12
-
- Charging linked to Employer SLAs 2010-11
-
- Flexible benefits 2010-11
-
- Environmental Audit 2011-12
-
- Costed internal business unit for core function 2010-11
-
- Valuation 2010

Business Plans

The business planning process is now an increasingly important tool which assists in identifying how service delivery can be maximised within resource constraints.

The Strategy Statement is prepared with a view to medium term strategic planning both in terms of finance and performance. It sets out LPFA's strategic objectives for the next 3 years, which provide a focus for the whole Authority.

The strategic objectives are delivered via a set of 5 Programmes to be achieved during the time frame covered by the Statement, thus enabling LPFA's direction to be seen as a strategy rather than taking current year tasks in isolation. Inevitably, the tasks currently laid out for the years 2010-12 will be subject to amendment as we move forward but officers will have a wider view of the strategic goals and be able to plan accordingly.

High level key performance indicators are also included in the Statement and these are drawn from a number of areas including national and locally set indicators assessing Corporate Health, Fund Administration, and Investment. For 2009-10 the indicators are similar to those reported on for the last few years. Internally however we are developing dashboard indicators which, if successful, will be developed for public monitoring during 2010-11.

A Consolidated Business Plan has been developed to facilitate the link between the strategic objectives and the work carried out by staff on a day to day basis. This focuses attention on the current year rather than the medium term focus of the Strategy Statement.

The high level programmes which feature in the Statement are cascaded into team business plans where relevant. All priorities for the current year are given specific descriptions, time scales, and allocated accountability.

Each of the Directorates set out core deliverables which can be seen as the "business as usual" aspects of the day to day functions. These are supported by team level key performance indicators to monitor the performance of each function and are benchmarked against performance of comparable functions in other Local Authorities.

The link between the Consolidated Business Plan and the Strategy Statement is two way ~ programmes are generally cascaded in a top-down method but there is scope for tasks with sufficient weight from the business plan to be included in the Statement. These are identified annually during the budget and business planning process.

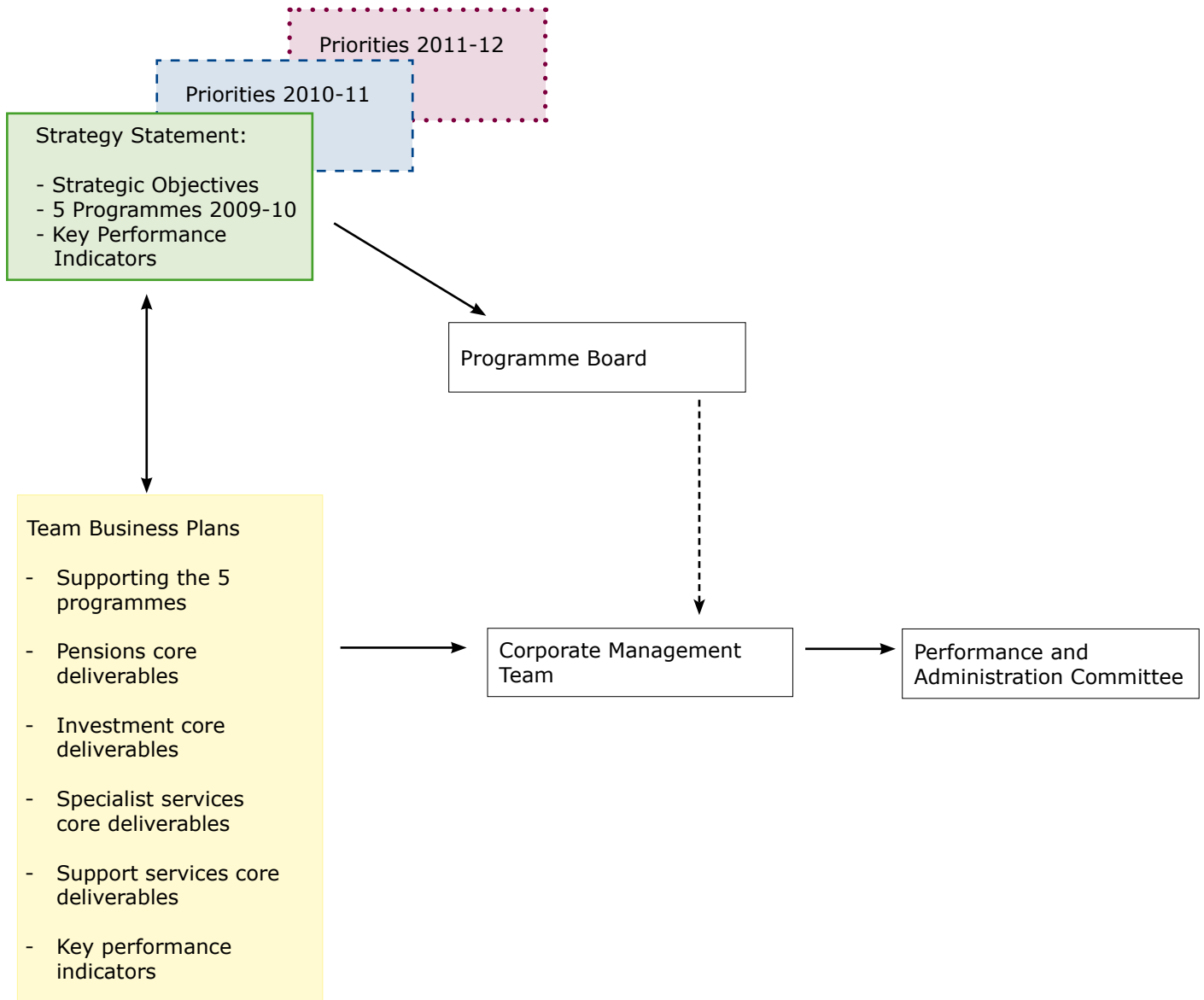
Monitoring

LPFA's Programme Board is tasked with monitoring the 5 high level programmes via monthly status reports prepared by the project manager. This supports delivery by acting as an early warning system for Corporate Management Team and ensuring resources are appropriately allocated. In addition, a quarterly review of performance is presented to the Performance and Administration Committee.

Progress against the functional core deliverables contained in the team business plans are also monitored on a quarterly basis by the Corporate Management Team which is comprised of Directors, Assistant Directors and the Head of Finance.

Individual appraisal targets mirror the priorities contained in the team business plan and this ensures all staff are engaged in working towards the strategic objectives and a "golden thread" can be identified running through the organisation from the Board to staff.

Link between business plans, strategic objectives, and 3 year priorities.



The Planning and Financial Context

LPFA is one of the UK's largest administering authorities of the Local Government Pension Scheme with a Fund membership of 78,000, including over 200 employing authorities, and assets of over £3.4 billion. LPFA operates 7 agency administration contacts covering over 120,000 scheme members.

The LPFA was established in 1989 as a stand alone public body, to take over the running of the former GLC Pension Fund, and as a single purpose organisation has a structure designed solely to produce an effective pensions investment and administration service.

The purpose of the medium term strategy and financial plan

To set out the LPFA's:

- ~ medium term priorities, aims and measures to be taken to make sure they will be achieved.
- ~ approach to delivering services and value for money over the next three years.
- ~ policy on the use of reserves.
- ~ arrangements for developing medium term plans including;
 - The identification and prioritisation of service and spending needs
 - The key influences affecting financing the authority
 - The challenges and risk associated with the plan and how we will deal with them

How the medium term financial plan has been developed

In the short term the most important financial planning activity is the preparation of the annual revenue budget and the setting of the levy.

However this is of limited value when planning for new initiatives or moving resources to meet changing service needs, particularly where capital investment is required, as the lead time for such changes may be significantly longer than a one year timescale allows.

In the coming months LPFA will work to put in place a sound financial planning system that looks to the medium term rather than just a year ahead. The objectives are to:

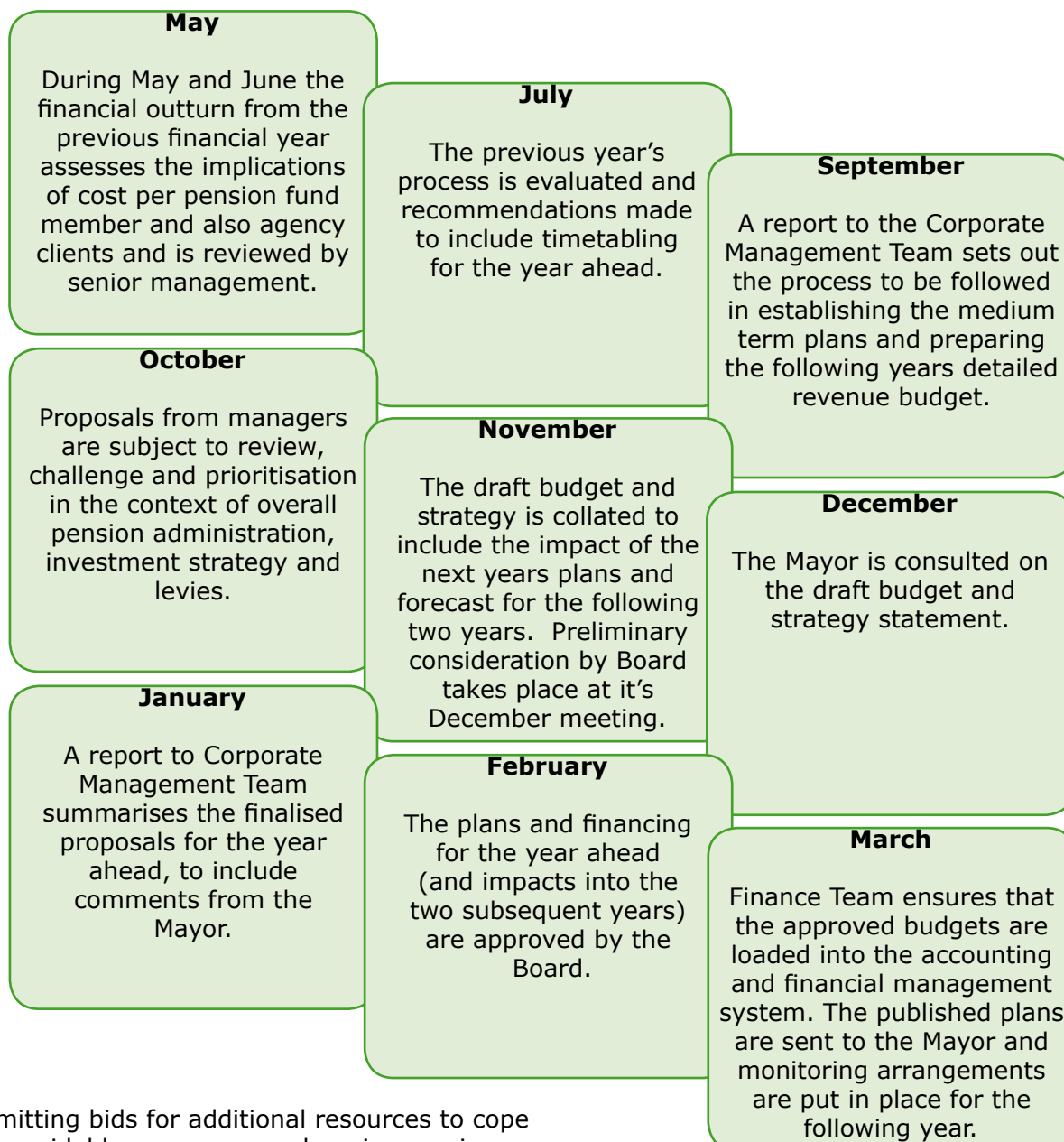
- help Board members determine priorities
- forecast the changes in likely demand for pension administration services
- identify any financial implications of future changes to legislation
- demonstrate the future cost of alternative policies or proposals
- match the demand for spending with the resources available
- provide a framework in which managers can plan their services

The budget process

At LPFA, the term budget process means the process by which we:

- review our medium term financial plans to take account of service needs, priorities, information from budget monitoring and, the availability of resources
- consult with the Mayor about the proposals
- set a detailed revenue budget for the year ahead (including fixed assets)

The whole process from the start of reviewing financial plans through to the approval and allocation of budgets, is an ongoing process throughout the year. An outline timetable is set out below:



In submitting bids for additional resources to cope with unavoidable pressures or changing service needs, managers are required to;

- Ensure their proposals are consistent with the LPFA's overall pension administration priorities.
- Ensure that the implications of projects involving once-only spend are distinguished from commitments of an ongoing nature and presented for inclusion in the budget process.

Budget holders are required to identify savings or increased income. In preparing savings options managers are required to assess;

- The impact on pensions services
- The impact on achievement of targets
- Any other risks associated with the proposals

Monitoring Arrangements

In recent years LPFA has been successful in managing the budget within cash limits and without overspends.

- The financial plan (plus capital expenditure) is monitored monthly
- Quarterly progress is reported to the Audit Committee.

The process requires budget holders to explain the reasons for any significant variances and the ways these may be managed within the total resources available.

The Financial Context

The medium term plan has been developed in the context of the LPFA's aim to continue to provide high quality pension and investment services while setting the lowest budget which is compatible with prudent financial management.

Setting a three year plan requires a combination of hard fact with a certain amount of assumption. This document takes account of such planning uncertainties.

LPFA has a good record of financial management. The LPFA has three primary sources of funding for its activities

- Pension Fund

Administration and investment costs plus pension payments are financed from contribution and investment income. Net income not required is invested in the pension fund.

- Agency Services

The income from these contracts finances the whole of the operating costs and makes a contribution to fixed overheads.

- Levy

Expenditure on non-funded pensions and residual employer costs is financed by an annual levy on all borough councils in Greater London.

Efficiency

Corporate Management Team has committed to the delivery of 10% efficiency savings on controllable expenditure over the two years 2009-10 and 2010-11 (3% in year 1 and 7% in year 2). This is reflected in budget plans.

Pay and price inflation

The budget includes a contingency for pay and price inflation.

Interest rates

The current changes in interest rates have made budgeting for income difficult and these figures will be reviewed for the final budget.

Reserves

On 1 April 2007 and for the first time budget underspends were brought forward from the previous financial year to facilitate the prudent management of LPFA Management Expenses.

The plans for the reserve are to fund:

- additional temporary resources in the finance team
- manage costs in moving the LPFA to new structures required to meet future service needs.

Valuation of the pension fund

The valuation of the pension fund responds to global market expectations. Income receivable (cash flows from matching mandates, stock interest and dividends) factors in the views of third party investment managers.

The impact of the 2007 valuation is reflected in this statement.

Key Performance Indicators

The table below shows the key performance indicators which will be monitored during 2009-10. Full year results are stated up to 31st March 2008.

Results for 2008-09 will be published in LPFA's Performance Report and available from 30th September 2009 on www.lpfa.org.uk.

LPFA's range of key performance indicators are based on nationally and locally set performance measures which mirror the strategic direction of the organisation. For 2009-10 the indicators are similar to those reported on for the last few years. Internally however we are developing dashboard indicators which, if successfully monitored, will be developed for public monitoring during 2010-11.

	achieved 2005-06	achieved 2006-07	achieved 2007-08	benchmark	target 2009-10
Corporate					
The level of the Equality Standard for Local Government	3	3	3	local target	3
Proportion of working days lost to sickness absence per employee	8.89	6.19	7.68	(1) LB top quartile	<8
For 2009-10 this will be split between certified and non certified sickness.					
Voluntary leavers as a percentage of staff.	15.8%	15.25%	14.78%	CIPD	<12%
% of invoices which were paid on time.	91%	95%	82%	local target	90%
Total debtor items over 60 days (2)	-	-	-	local target	10% reduction
Total debtor amount over 60 days	-	-	-	local target	10% reduction
Unallocated income items over 60 days	-	-	-	local target	10% reduction
Unallocated income amount over 60 days	-	-	-	local target	10% reduction
% of interactions enabled for electronic delivery	75%	75%	75%	e-gov target	100%

(1) Best Value Performance Indicator = London top quartile for 2007-08

(2) Income collection targets are being monitored 2008-09 and full year results will be published in the Performance Report.

Environmental Indicators

% of paper purchased from fully chlorine free sustainable sources	100%	100%	100%	local target	100%
Year on year reduction of energy use ⁽³⁾	-	-	-	local target	-
Total annual waste disposal	2,276 kg	2,354 kg	2,420kg	local target	⁽⁴⁾ <38,000kg
Waste per member of staff	16.64 kg	18.25 kg	18.76kg	local target	⁽⁴⁾ <320kg
Recycle rate of waste	95.6%	95.75%	95.87%	local target	98.7%
Printing costs per customer	£0.56	£0.47	£0.56	local target	<£0.60

Discussions are on-going with the Landlord regarding the possibilities for separate energy and water use measurement for the floor LPFA occupiers. If these prove to be unsuccessful LPFA will push for the entire building and its occupants to agree a joint reduction target.

(3) New indicator which will be monitored post implementation of the environmental audit 2010-11.

(4) The full year results for 2008-09 will show a significant increase in total annual waste disposal and waste per member of staff which reflects the revised basis for calculating the KPI - This is also reflected in the higher targets for 2009-10.

Exact information can now be extracted from the waste management company whereas previously the figures were based on average weights. The target for 2009-10 has therefore been altered in line with the revised method of calculation.

Investment

achieved as at 30th September 2008

Performance ~ Funds against benchmark (%)	10yrs	5 yrs	3 yrs	1yr	
Active sub-Fund	3.39	7.04	1.92	(13.37)	Relative performance is a geometric rather than arithmetic calculation
Benchmark	4.70	8.17	3.03	(9.35)	
Relative Performance	(1.26)	(1.04)	(1.08)	(4.44)	
Pensioner sub-Fund	5.56	5.42	3.56	3.84	
Benchmark	6.34	7.56	6.80	10.74	
Relative Performance	(0.74)	(2.00)	(3.04)	(6.23)	
Funding level / deficit	31.03.04	31.3.05	31.3.06	31.03.07	
Active sub-Fund Assets (£m)	1,419	1,610	2,056	2,284	
Liabilities (£m)	1,905	2,109	2,573	2,771	
Deficit (£m)	(486)	(499)	(517)	(487)	
Level	74%	76%	80%	82%	
Pensioner sub-Fund Assets (£m)	1,389	1,378	1,392	1,339	
Liabilities (£m)	1,518	1,540	1,600	1,549	
Deficit (£m)	(129)	(162)	(208)	(210)	
Level	91%	90%	87%	86%	

Environmental Social Governance (ESG) Indicators

Creating Key Performance Indicators for responsible investing is a task for 2009-10 and will commence following recruitment of a specialist in December 2008.

	achieved 2005-06	achieved 2006-07	achieved 2007-08	benchmark	target 2009-10 to outperform the 5 year average
Administration					
% of members satisfied with the overall service	92%	96%	97%	Average of last 5 years	95%
Number of complaints	29	27	17	"	32
No. of complaints as a percentage of the workload	0.07%	0.07%	0.04%	"	0.08%
Number of complaints classified as:					
~ Pensions Ombudsman.	1	0	0	"	0
~ IDRPs	6	6	6	"	5
Overall % of LPFA cases completed on time.	99.2%	98.9%	97%	"	98.3%
Total cost per Fund Member					
Information available to Board Members only.					
Administration cost per Fund Member					
LPFA Fund					
Contributors	21,037	20,782	20,477		
Deferred beneficiaries	20,853	21,254	22,137		
Pensioners / Dependants	32,235	32,690	33,018		
Total membership	74,125	74,726	75,632		

'Top ten' case types	achieved 2005-06		achieved 2006-07		achieved 2007-08		target 2009-10 - as above
	No. of cases	% on time	No. of cases	% on time	No. of cases	% on time	% on time
Total top 10	20,770	99.5%	19,147	99.4%	20,977	98%	99%
Other case types	19,676	98.9%	21,182	98.4%	20,827	96%	97.6%
Total case types	40,446	99.2%	40,329	98.9%	41,804	97%	98.3%

(Top 10 case types include: admissions, transfers in, transfers out, estimates employee, estimates employer, retirement benefits, deferred benefits, refunds, deaths, correspondence.)

Efficiency & quality ~ average elapsed time

Description	April-March 2005-06		April-March 2006-07		April-March 2007-08		Target + 2009-10
	Total cases	⁽¹⁾ Ave. elapsed time	Total cases	Ave. elapsed time	Total cases	Ave. elapsed time	Ave. elapsed time
Admissions	1,779	19	1,808	18	1,846	19	18
IFA in (actual)	128	59	73	35	113	38	34
IFA in (estimate)	477	128	369	108	332	113	105
IFA in (request)	16	181	16	107	3	95	92
Other TV in (actual)	39	56	161	48	116	61	46
Other TV in (estimate)	673	146	703	147	629	145	141
Other TV in (request)	42	179	50	92	10	222	89
Estimates - individual	1,456	23	1,356	25	1,327	26	24
IFA out (actual)	560	16	358	15	267	18	15
IFA out (estimate)	460	33	244	35	183	42	34
Other TV out (actual)	352	22	263	30	224	27	26
Other TV out (estimate)	321	41	185	47	148	43	42
Deferred Benefits	1,500	36	1,382	40	1,621	42	39
Death in service	42	78	41	78	53	77	75
Retirements ⁽²⁾ (immediate)	602	43	557	45	603	56	44
Refunds	183	56	49	34	39	31	30
Death on pension	1398	48	1,184	48	1,331	52	47
Estimates - employer	906	7	819	7	1,250	5	5
Correspondence (customer)	2,553	16	2,204	12	3,240	12	12

+ Target for the current year and 2009-10 is to achieve a 3% year on year improvement. Some targets may be revised once full results for 2008-09 are available.

(1) Elapsed time is the period from LPFA notification of the "event" to final notification/payment to the Fund Member. It indicates the time taken to deal with the case and is shown in calendar days. This measurement includes any delays in completing the case due to additional information being sought from external sources.

(2) If measurement is taken from date of retirement, i.e "event" rather than date of notification, the elapsed time figure would be reduced due to advanced notification of some retirements.

Key Performance Indicators

Cases on hold over 6 months.

Cases on hold Description	2006-07		2007-08		April - Dec 2008-09		Targets+
	Total cases	Average time on hold	Total cases	Average time on hold	Total cases	Average time on hold	2009-10
Admissions	7	317	11	308	26	273	299
IFA in (actual)	1	504	3	409	4	510	397
IFA in (estimate)	5	409	18	254	33	219	246
Other TV in (actual)	0	0	2	312	1	199	303
Other TV in (estimate)	23	244	39	274	37	222	237
Other TV in (request)	1	192	1	331	0	0	186
Estimates – individual	6	321	5	243	3	199	236
Deferred Benefits	49	276	88	310	112	325	267
Death in service	4	227	4	318	4	414	220
Retirements (immediate)	4	449	9	252	14	286	244
Refunds	4	215	3	461	5	271	209
Death on pension	32	428	48	331	67	332	321
Estimates (employer)	1	338	3	373	0	0	328
Correspondence	142	510	146	627	106	744	495
Total Cases	279		380		412		

+ Target for the current year and 2009-10 is to achieve a 3% year on year improvement. Some targets may be revised once full results for 2008-09 are available.

Cases on hold ratio:

This is a new indicator which will indicate the number of top 10 cases on hold for over six months as a percentage of number of top 10 cases received during that period.

As an example, the percentage on hold for over six months for the period April - Dec 2008-09 is 2.3% - 412 cases over 18,137 received. Targets for this indicator will be set once the outturn for 2008-09 is received.

NB:

Delays in processing can be caused by a number of external factors beyond the LPFA's direct control, in particular the following:

Transfers in from other schemes - delays can occur for a number of reasons, in particular where the previous scheme is unable to trace the member and where further information is required or where there are significant delays in the previous scheme providing relevant transfer data. Information can also be required from the Inland Revenue and the member's current employer. Such case types are currently being reviewed.

Death Cases - There are a number of death cases that can take a significant time to finalise given complications regarding for example, obtaining Probate, overpayment recovery and the tracing of next of kin.

Correspondence - There are a number of historic cases contained within these figures relating to longstanding and ongoing employer cases which are currently being investigated. These are of low priority and are diary notes as opposed to cases which require immediate action.

Notwithstanding the above, efforts will be made under the efficiency reviews during 2009-10 to improve the processes linked to these targets.