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# London Pensions Fund Authority Pay Policy Statement

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# London Pensions Fund Authority

## Pay Policy Statement

### 1. Purpose

**The London Pensions Fund Authority (LPFA) is committed to providing transparency and fairness of pay, ensuring voluntary compliance with the spirit of the Localism Act 2011. As part of LPFA's commitment to transparency, the remuneration of its Chief Executive Officer (CEO) and other senior staff members as appropriate, appear in the annual Statement of Accounts which is published at [www.lpfa.org.uk](http://www.lpfa.org.uk).**

This policy describes LPFA's pay framework and its approach to determining pay. It also sets out the current structure and arrangements in place for dealing with pay for the CEO and other senior staff.

The LPFA Pay Policy Statement seeks to:

- Maintain a competitive package that will attract, motivate and retain the skills, knowledge, experience, talent and high performing individuals required.
- Align the interests of our employees with those of our LGPS Shareholders, for example, to be a leader in pension services and to deliver sustainable pensions and long-term shareholder and client satisfaction in a competitive market.
- Avoid excessive or inappropriate risk taking, for example, using a risk management framework, a well-designed remuneration system, and measurable criteria for assessing performance. Provide transparency and fairness of pay throughout the organisation.
- Ensure value for money in terms of both the overall workforce pay bill and the quality of service provided to members and employers of the LPFA Pension Fund.
- Adopt a 'pay for performance' approach, ensuring individual remuneration is set against challenging and stretching goals, aligned to the organisational strategy.
- Align performance-related pay for individual pay awards to job family pay grades developed with national pay trends, pay awards applied in other organisations (including financial services) and the retail and consumer price indices in mind.
- Develop and sustain a high-performance culture that aligns with the LPFA Values and Behaviours.
- Recognise staff at all levels for their area of specialism and personal contribution towards achievement of the organisation's goals.
- Comply with employment legislation
- Ensure the overall changes to the annual pay bill is in line with the agreed budget set for the year.

The reward strategy and key principles which underpin this policy are subject to regular review which includes benchmarking for the CEO and other senior staff using both salary and benefits data gathered from respected industry sources

### 2. Remuneration principles

The LPFA Principal Officers are the CEO (Head of Paid Service), the Finance Director (Section 151 Officer), Head of Compliance, Risk and Pensions (Monitoring Officer), Chief of Staff, and the Funding and Investment Director. Together, these individuals are responsible for developing, driving and delivering the Strategic Policy Statement (SPS) against the organisation's agreed vision and priorities determined by the LPFA Board (the Board).

The majority of corporate services previously provided by LPP are now delivered by an expanded workforce within the LPFA.

#### 2.1 Salary determination

The remuneration paid to the CEO and other senior staff is determined through the agreed pay policy statement upon appointment.

All other staff will, upon appointment, be placed at the point in the appropriate pay grade which reflects their skills, experience and the role they are undertaking.

The following non-exhaustive factors will be considered when determining:

(a) the size of a job role; and

(b) the basic salary to be awarded to a given job holder at any time, benchmarked against the market and in line with this Policy Statement:

- The role responsibilities.
- The market rate for comparable jobs in financial services and public sectors using industry salary survey reward data.
- The personal attributes, skills and contribution the successful candidate is likely to bring to the role.
- For current employees, the mid-year and end-of-year assessment of:
  - team performance (if applicable); and
  - the individual's performance within their role, both as to what they have achieved and how they have achieved it, measured against:
    - LPFA's competency framework, which includes the values and culture the LPFA strives to achieve;
    - the personal objectives set by and agreed with their line manager; and
    - for Principal Officers, the Strategic Policy Statement and CEO support.
- Increases to base salary are only made to those reaching the required standards.



All these factors will be taken into account in order to determine the actual salary for the job holder with any subsequent proposed pay changes for these posts being approved by the CEO. Overall LPFA remuneration spend will be reviewed as part of the annual budget-setting undertaken with and approved by the Board as part of the Medium Term Financial Plan (MTFP).

## 2.2. Salary review

Changes to the remuneration of the CEO, Principal Officers and LPFA staff, are locally determined and do not depend on national negotiations relating to pay or awards. Instead, they are based on individual performance measured against delivery of the SPS and agreed personal objectives. In addition to 'what' is achieved, consideration is given to 'how' it is achieved, through an annual assessment of individual leadership capability demonstrated against the LPFA behaviour framework which includes the agreed values and culture the LPFA strives to achieve. Whilst the review of the Principal Officers is undertaken by the CEO, in the case of the CEO, performance is annually assessed by the LPFA Chairman and recommendations presented to the LPFA Board for approval.

The LPFA operates a performance related pay (PRP) scheme with all roles benchmarked. In order to determine individual pay levels, consideration is given to the size of the role including knowledge, skill and experience required plus the level of accountability measured against national pay trends, pay awards applied in other organisations such as financial services, public services, Local Authorities etc., and both the retail and consumer price index.

## 2.3 Variable pay

A proportion of the CEO and other senior staff remuneration is 'at risk' and, in effect, must be re-earned each year. This is a one-off variable pay element, up to a maximum of 20% of salary, which relates directly to performance and achievement of previously identified specific personal objectives aligned to the overall organisational goals. Performance is also defined against leadership and other behaviours displayed and the success in developing capability in the longer term.

## 2.4 Pay benchmarking

Pay benchmarking will be carried out every three years to fully compare senior roles with appropriate comparator data. This is primarily data derived from financial service and public sector pay data given the commercial nature of the third-party administration work, asset management activity and the ambitious business plan aspirations. A second benchmark may be used on occasion to test the market alignment such as specific pension fund management survey data to ensure continuing competitiveness and to aid retention.

## 2.5 Pay parity

We are committed to paying all staff a fair and equitable salary. As such, the lowest salary paid within LPFA will be at least equivalent to the UK National Living Wage and, in the case of London-based staff, the London Living Wage.

## 2.6 Pay grades and progression

To encourage employees to develop in their role and to improve their performance, the LPFA has arranged its pay levels within eight pay grades. Grades contain 16 levels. Progression through the pay grade is based on meeting identified performance goals-a combination of service, performance targets, qualifications, and development. New employees will usually be appointed to the lower half of the relevant grade, dependent on experience. Line managers have the discretion to recommend an employee for acceleration of increments within the grade when they have demonstrated exceptional performance. Salaries cannot increase beyond the top of the pay band applicable to the Job Family and level of role. Should there be a fundamental change in the role, it should be subject to review and re-grading.

## 2.7 Fixed pay rates/spot salaries

The LPFA also uses fixed pay rates. These are used:

- For short-term appointments.
- Where the required duties are in a limited range, can be closely defined and easily implemented so that there is limited scope to undertake additional responsibility or to develop expertise.
- Where the level of salary paid is designed to cover the full range and scope of the job, for example senior officer posts.

## 2.8 Staff Benefits

Employees are normally eligible for discretionary benefits:

- Personal accident cover and Employee Assistance Programme with 24-hour coverage.
- Benefits are consistent with the talent market and public sector benefit provision which achieve value for money.
- A list of the currently agreed benefits can be found in the Employee Handbook.
- Other general benefits and prerequisites of a proportionally minimal cost to the business.

An overview of employee benefits can be found on the [LPFA website](#).

### 3. Discretionary items

Employees taking on additional duties and/or responsibilities beyond their normal job role, such as those “acting up” beyond their normal role or first aid/ fire wardens, will be eligible to receive additional allowances while in the role and performing at a satisfactory level.

The payment of all such allowances will be subject to review and withdrawal at any time at our sole discretion.

The LPFA Board (the Board) allocates the CEO a modest discretionary budget, which can be used to reward exceptional behaviours and performance or to fund promotions during the year. In addition, the CEO also reserves the right to extend goodwill gestures at their discretion to acknowledge the hard work and dedication of employees throughout the year.

The criteria for award and the amounts available will be subject to annual review as part of the MTFP process.

In cases of compulsory redundancy or when negotiating settlement agreements for Principal Officers, the CEO will consult the Chair of the Board, acting on behalf of the Board, to discuss appropriate settlement terms, except in situations involving the CEO. In cases relating to the CEO, the Chair will independently conduct the process on behalf of the Board. In all other staff matters, the CEO may make such payments and settlements that are reasonably necessary to manage the business. All decisions will comply with relevant legislation in force at the time, including employment law and pension regulations.

### 4. External roles

The CEO and other senior staff are permitted to take on additional responsibilities outside the LPFA, such as professional body committees or Non-Executive Directorships, paid or unpaid, provided that they make a request in writing to the Chair in respect of the CEO, and to the CEO for other senior staff.

The Chair and/or CEO will ensure that there is no actual or potential conflict of interest relating to LPFA or LPP and its shareholders.

### 5. Local Government Pension Scheme

Under the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the LPFA may in its sole discretion, grant additional membership or additional pension to a pension scheme member in exceptional circumstances, subject to the approval of the Board.

Should the LPFA decide to employ a member of staff who is already in receipt of a Local Government Pension Scheme (LGPS) pension from the LPFA or another LGPS provider, abatement will not apply. This is in accordance with our Discretionary Policy as an administering authority on abatement of pensions and in keeping with other LGPS administering authorities.

For more information, please contact: [corporate@lpfa.org.uk](mailto:corporate@lpfa.org.uk)