Lancashire County Council

Pension Fund Committee

Wednesday, 30th September, 2015 at 1.15 pm in Cabinet Room 'D' - The Henry Bolingbroke Room, County Hall, Preston

Agenda

Part I (Open to Press and Public)

No.	**Item**	
1.	**Apologies**	
2.	**Disclosure of Pecuniary and Non-Pecuniary Interests** Members are asked to consider any Pecuniary and Non-Pecuniary Interests they may have to disclose to the meeting in relation to matters under consideration on the Agenda.	
3.	**Minutes of the Meeting held on 2 July 2015** To be confirmed, and signed by the Chair.	(Pages 1 - 4)
4.	**Exclusion of Press and Public** The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.	

Part II (Not open to Press and Public)

5.	**Fund Performance Report** (Not for Publication – Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interests in disclosing the information).	(Pages 5 - 10)

Lancashire County Council

17. Urgent Business

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

18. Date of Next Meeting

The next meeting of the Committee will be held on Tuesday 10 November 2015 at 10am in Cabinet Room 'D' - The Henry Bolingbroke Room, County Hall, Preston.

I Young
Director of Governance,
Finance and Public Services

County Hall
Preston

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Thursday, 2nd July, 2015 at 10.00 am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Present:

County Councillor Kevin Ellard (Chair)

County Councillors

M Barron	M Parkinson
L Beavers	A Schofield
D Borrow	K Sedgewick
G Dowding	D Westley
J Hanson	D Whipp
J Oakes	B Yates
M Otter	

Co-opted members

Paul Crewe, (Trade Union Representative)
Alastair Milloy, (HE/FE sector Representative)
Councillor Edward Pope, (Lancashire Leaders' Group representative)
Councillor Mark Smith, (Blackpool Council representative)
James Tattersall, (Trade Union Representative)
Councillor Ron Whittle, (Blackburn with Darwen Borough Council representative)

Independent Advisors

Aoifinn Devitt
Eric Lambert

1. Apologies

None received.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

None declared.

3. Minutes of the Meeting held on 5 June 2015

Resolved: - That the minutes of the meeting held on 5 June 2015 be confirmed and signed by the Chair.

4. Local Authority Pension Fund Forum - Mentoring Proposal

Andy Fox, Head of Service, Policy and Compliance, presented a report setting out further details of a mentoring scheme to be offered by the Local Authority Pension Fund Forum (LAPFF). This followed a report on the mentoring scheme considered by the Committee at its meeting on 5 June 2015.

Having consulted with the Chair, as agreed at the 5 June meeting, it was now proposed that feedback from officer participation in the first phase of the scheme be awaited prior to a decision being taken on participation by Committee Members in future phases.

Resolved: - That:

(i) The Committee awaits feedback on the benefits of the mentoring scheme from an officer of the Fund who has volunteered to participate in the first phase;

(ii) Subject to receiving positive feedback, the Committee seeks to facilitate member participation in future phases.

5. Urgent Business

There was no urgent business to be considered.

6. Date of Next Meeting

It was noted that the next meeting of the Committee would be held on Wednesday 30 September 2015 at 2pm in Cabinet Room 'D' - The Henry Bolingbroke Room, County Hall, Preston.

7. Exclusion of Press and Public

Resolved: - That the press and members of the public be excluded from the meeting during consideration of the following item of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, indicated against the heading to the item. It was considered that in all the circumstances the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

8. Creation of an Asset and Liability Management Partnership with the London Pension Fund Authority

(Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information)

The Committee considered a report on the creation of an Asset and Liability Management Partnership with the London Pension Fund Authority.

George Graham, Director, Lancashire County Pension Fund, responded to a number of points raised by the Committee.

Following consideration of the report, the Chair invited Damon Lawrenson, Interim Director of Financial Resources, to present the independent financial advice from PricewaterhouseCoopers on the outline business case.

Subsequently, the Chair invited Aoifinn Devitt and Eric Lambert, Independent Advisors to the Committee, to comment on the proposals.

In summarising, the Chair referred to the work which remained to be undertaken on the detail of the proposals, should the Committee decide to proceed to the next stage. This would include a further report to the Committee in November setting out a detailed business case covering areas such as risk, governance, staffing, the role of the Investment Panel, and the work undertaken around the United Nations Responsible Investment Charter. In the meantime, and subject to approval of the proposals, it was proposed that regular briefings and workshops be held to ensure that the Committee was involved in progress in advance of the November meeting.

The Chair thanked all those Committee Members, officers and advisors who had been involved in the significant work undertaken to date.

Resolved: - That:

(i) Approval be given to proceed further with the creation of the Asset and Liability Management Partnership;

(ii) Approval be given to the preparation and submission of an application to the FCA for registration of both an operator and an Authorised Contractual Scheme, including identifying named individuals, from within those staff identified as being in scope, to perform specific regulated functions;

(iii) Officers be instructed to prepare a 5 year business plan for the entire operation of the Partnership both in support of the FCA application, which requires a 5 year plan, and in order to facilitate a final decision on viability in November;

(iv) Officers and the Joint Member Working Group be authorised to undertake the following actions in support of the above processes:

a. The appointment through procurement of a depositary for the ACS;
b. The appointment through a recruitment process undertaken by the Joint Member Working Group of an Independent Chair and 3 Independent Non-Executive Directors for the Partnership.
c. The designation of individuals to carry out regulated functions within the FCA regulated business from within the staff in scope to form part of the new entities.
d. To secure external advice in the following areas to support this work, in addition to the legal advice and FCA consultancy already commissioned:

    i. Specialist advisors for the procurement of the depositary and associated asset servicing functions;
    ii. Recruitment consultants to support the recruitment of non-executives to the Board.
    iii. A financial and tax adviser for the development of the business plan for the new corporate entity.
    iv. A tax adviser in relation to the ACS and the transition of assets to the ACS.
    v. A specialist in pensions related communications to assist the two Funds in ensuring that consistent key messages reach fund members and employers as well as other immediate stakeholders such as external clients.
    vi. Any other additional specialist advice that might be required in order to achieve the submission of the FCA application within the allocated budget.

(v) Resources of £595,000 be allocated, the costs to be met equally by the two funds for this work;
(vi) It be noted that the Director of Governance, Finance and Public Services and the Interim Director of Financial Resources have commissioned independent financial and legal advice to support the Council and the Pension Fund Committee in the remaining stages of the process, to be funded through the release of contract provisions maintained by the Pension Fund Service that are not required for their original purpose;
(vii) LCC and the LPFA be invited to each nominate an individual as a shareholder appointed non-executive director, using their own appointment processes;

I Young
Director of Governance, Finance and Public Services

County Hall
Preston

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

(NOT FOR PUBLICATION: By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It is considered that all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information)

Document is Restricted

Agenda Item 8

Pension Fund Committee
Meeting to be held on 30 September 2015

Electoral Division affected: None

Initial Approach to the 2016 Actuarial Valuation
(Appendix 'A' refers)

Contact for further information:
George Graham, (01772) 538102, Director, Lancashire County Pension Fund,
george.graham@lancashire.gov.uk

Executive Summary

The Pension Fund is required to undertake a full actuarial valuation of its liabilities every three years for the purpose of setting employer contribution rates and deficit recovery periods and payments. The next valuation is due to be undertaken based on data at 31 March 2016, with any new contribution rates taking effect from 1 April 2017.

In preparation for the valuation process it is important that the Fund engages with employers in order to:

- Inform them of the risks and issues that exist in the valuation process and their possible financial impact.
- Gain an understanding of the objectives which employers might have for the valuation process.

This report provides background to the valuation process and recommends an approach to engagement with employers for adoption by the Fund over the course of the process.

Recommendation

The Committee is asked to approve the Fund's initial position in relation to the 2016 valuation set out at Appendix 'A' as the basis for consultation and engagement with fund employers.

Lancashire County Council

Background and Advice

The triennial valuation of the Pension Fund, which determines future levels of employer contribution is due to take place based on the position at 31 March 2016. The report at Appendix 'A' sets out how the assumptions made in setting contributions at the last valuation in 2013 have fared in reality and sets out a proposed initial position for the Fund in terms of the forthcoming valuation.

The broad objective proposed is to maintain the level of contributions being received by the Fund in cash terms, i.e. to maintain the 2013 plan. Logically this should allow the deficit recovery period to be reduced to 16 years. An approach of this sort while recognising the pressure on employers' budgets by not increasing the burden of contributions beyond the current plan also maintains the Fund's prudent approach to setting contributions which has been recognised in various analyses of previous valuations.

The proposal is to use the initial position set out in the report at Appendix 'A' as the basis for consultation and ongoing discussion with employers.

Consultations

Initial consultation has been undertaken with the Fund's actuary. Approval of this report will begin a process of consultation and engagement with Fund employers.

Implications:

This item has the following implications, as indicated:

Risk management

The valuation process is essentially a risk management process in which the Fund is required to strike a balance between various competing interests in order to set contributions rates such that it continues to be able to meet its pension promises when they fall due. The proposals set out at Appendix 'A' focus on the delivery of an achievable strategy for bridging the deficit, while recognising the pressures on employers and also the different risks which different employers pose to the Fund.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Appendix 'A'

Initial Approach to the 2016 Actuarial Valuation

Introduction

The Fund is required to undertake a full actuarial valuation of its liabilities every three years for the purpose of setting employer contribution rates and deficit recovery periods and payments. The next valuation is due to be undertaken based on data at 31st March 2016, with any new contribution rates taking effect from 1st April 2017.

In preparation for the valuation process it is important that the Fund engages with employers in order to:

- Inform them of the risks and issues that exist in the valuation process and their possible financial impact.
- Gain an understanding of the objectives which employers might have for the valuation process.

This report provides background to the valuation process and recommends an approach to engagement with employers for adoption by the Fund over the course of the process.

The Purpose of the Valuation

The valuation provides an estimate of the total value of the pension promises in relation to those individuals in the fund at the valuation point. As this means creating a forecast of the relevant values over a very long time period (for a 16 year old school leaver joining the scheme their life expectancy could be 90+ meaning a forecast over more than 70 years) a range of assumptions is required to produce a meaningful result. These include:

- The level of inflation, as this will impact on the level of benefits to be paid, and will impact on the revaluation of CARE scheme earnings;
- The level of pay awards which will impact on the value of pre 2014 protected benefits;
- The length of time over which it is assumed benefits will be paid;
- The level of benefits payable, which is determined by whether members chose to participate in the 50/50 scheme or not;
- The assumed level of investment returns;
- The discount rate used, which is the factor used to restate the value of liabilities at a future date to today's value, i.e. how much money we would need to put aside now given a particular liability value at a future point.

All these assumptions interact to give a total value for the various pension promises which in combination with the value of assets at the valuation date is then used to establish the value of any deficit or surplus in the Fund and then set contribution rates and the deficit recovery plan.

The Valuation Equations

Looked at simplistically the approach to the valuation can be expressed in the form of the equations set out below:

Projected deficit paid off	= Employer deficit contributions	+ Return on those contributions from Investment Strategy		
Future service liability =	Employer normal Contributions	+	Employee contributions	+ Return on those contributions

So if you can establish all but one of the elements of the above equations then they can be solved for the remaining element.

In practice, there are a number of interdependencies in the process. So, for example, it is possible to say that in order to achieve a given level of employer contributions investment returns at a given level are required (or, alternatively, for a given level of investment returns the employer contributions will need to be set at a certain level in order for the projected deficit to be paid off). Clearly the lower the level of employer contributions set the higher investment returns will need to be to meet a given value of liabilities, as employee contributions are in effect constant. The higher the level of investment return assumed clearly the more difficult it is to achieve, and potentially the greater the degree of investment risk that needs to be taken in order to deliver return, which is the reward for risk.

Expressing the valuation question in this way will enable a more effective debate with employers about their objectives and about approaches to contribution rates that would provide results acceptable both to employers and the Fund.

The 2013 Valuation Results in Context

The results of the 2013 valuation for the Fund produced a moderate increase in employer contributions at Fund level, but there was significant variability between employers, caused in part by the move to using fixed cash sums for the deficit contribution.

Following the valuation a number of organisations have conducted work to set valuation results on a like for like basis in order to provide a sensible comparison between funds. The graph at Annex 1 has been produced by PWC for the Scheme Advisory Board as part of work on deficit management. This source of comparison has been chosen as it is independent of the actuarial firms operating in the LGPS market place and thus less likely to be swayed by a "house view", although the results from other sources are similar. What the graph shows is the funding level reported plotted against the real investment return (i.e. return in excess of CPI) assumed in the valuation. Based on this Lancashire comes out in the 20% "most prudent" funds with an assumed real investment return of around 2.25% per annum. If we assume that CPI runs at the Bank of England target of 2% per annum then this equates to a nominal return of 4.25% per annum, which reflects a relatively prudent (lower than average risk funding strategy). However, a lower risk strategy does have more certainty of delivery over the assumed deficit recovery period of 19 years. To set some context the average nominal increase in the value of the Fund over the last 10 years is 8.5%pa.

What Has Happened Since 2013?

All actuarial valuations are based on a range of assumptions, for example about how much pensions will increase each year, and how long pensioners will live in retirement. To understand where we start from for the 2016 valuation we need to understand whether the assumptions made in 2013 have been borne out by reality. The Fund actuary will be in attendance at the Committee to discuss these issues. However, the table below outlines the key assumptions made and what has happened in reality, where information is available.

Factor	2013 Assumption	What Has Actually Happened	Favourable (+) / Unfavourable (-)
Pensions would increase by % pa	2.6% p.a.	2.7% Apr 2014 1.2% Apr 2015	+c£60m over two years
Pay would increase by % pa	1.0% p.a. for 3 years 4.1% p.a. thereafter	Actual experience unknown, at the detailed level but pay bill effect of pay awards is c. 1%, which is in line with assumptions.	+/- c£30m p.a. for each 1% below/above assumption
Investment returns would be % pa	4.8% pa.	4.7% 2013/14 14.9% 2014/15	+c£500m over two years
Pensioners would live for ? years in retirement	Approx 23 yrs (M), 27 yrs (F)	Actual experience unknown and will only be available at the valuation. Research on life expectancy is equivocal as to whether the rate of increase is being maintained.	c£170m per 1 yr increase in life expectancy
Long term real interest rates would be %	-0.4% pa. rising gradually to +1% pa.	-1% pa.	-c£800m
Deficit contributions would be £m pa	£55m increasing by 4.1% pa	£50m in 2013/14 £55m in 2014/15	+c£105m over two years
Take up of the 50/50 option would be % of membership	10% in line with the assumption by the Government Actuary in costing the new scheme. N.B. some employers chose to assume nil.	Actual experience unknown, but take-up expected to be relatively small and possibly 1% or less.	-£10m (max) over two years

Given the relative significance of each of these factors the broad conclusion has to be that despite strong performance in those areas susceptible to direct influence by the Fund overall the position against the assumptions is negative, or put simply despite all efforts to the contrary and all other things being equal the deficit in the Fund will have increased.

Clearly this is a matter of considerable frustration for both the management of the fund and for employers as the movements in long term real interest rates which have driven the deterioration in the position are deliberate results of the fact that Quantitative Easing reduces the supply of gilts in the marketplace together with the policy of reducing the proportion of gilt issuance made in index linked form, these factors have been coupled with the market movements resulting from instability within the Eurozone. Thus the assumption underlying the choice of the gilt rate as a key factor, i.e. that it is the risk free rate of interest (because it involves the government's credit) in a free market has become invalid because the market is not operating effectively due to the imbalance between supply and demand for gilts. It is true that at some point the Bank will have to unwind QE, and some sort of stability will be achieved in the Eurozone. The most likely scenario is a gradual drip back into the market of that portion of gilt supply held by the Bank. But, gilt supply is reducing anyway, as government is slowly, reducing the amount of new borrowing each year and if plans are reflected in reality within five years the national debt and consequently the supply of gilts will begin shrinking, which given demand for gilts from institutional investors will result in increased prices and reduced yields, magnifying the problem already faced by pension funds.

The current position is clearly unsustainable and a new approach is needed to the valuation of liabilities which does not leave pension funds which should be long term investors in thrall to the short term movements of an imperfectly functioning gilt market.

Setting an Overall Valuation Objective

Given the pressure on employers' budgets it would seem sensible to set out in advance for them what the Fund is, all other things being equal, seeking to achieve from the valuation.

As indicated above there are a range of pressures following the last valuation that will manifest themselves in this valuation and which will need to be addressed one way or another. However, the Fund needs to recognise affordability for employers as an issue. A statement of intent, prior to the valuation and any guidance either from the Scheme Advisory Board or the Secretary of State, which seeks to balance the competing interests would be that:

"The Fund's objective for employer contributions is, at the whole fund level, to maintain, in cash terms, the contribution plan set in 2013"

At this stage it would be difficult to set an objective other than at the whole fund level, as the valuation at individual employer level will be significantly affected by the way in which the workforces of individual employers have changed over the inter-valuation period. The Fund will also need to discuss with major employers (for example the County Council and the unitary councils) their intentions in relation to the size of their workforces going forward in order to make properly informed forecasts of future membership and cash flows.

The Future Approach to Valuation

The Fund's actuary, John Livesey from Mercer, will be present at the Committee's meeting to address the proposed overall approach to the valuation process.

As part of the process of preparing for the valuation it is suggested that the Committee engage with employers on the basis that:

- It is assumed that pay increases for the period to 2020 are no more than 1% in line with the announcements contained in the summer budget. Employers should realise that this represents a risk in that it makes no short term allowance for increments (which are still part of most local government pay structures) and that there is a risk that employers agree greater levels of increase as local government pay awards are not centrally controlled. There is also a risk from the introduction of the National Living Wage which may result in pay awards weighted to the bottom of the pay scale which could impact on the accuracy of this assumption.
- Assumptions on life expectancy will continue to be based on specific fund level data rather than on generic assumptions.
- No assumption will be built in about take up of the 50/50 option, given that so few members have actually taken this up.

Academy Schools

At the time of the last valuation the Department for Education was encouraging funds to "pool" contribution rates for Academy Schools, that is treat all academies as though they were a single employer.

There are pro's and con's to this approach. It is slightly administratively simpler, and as it, in effect, reduces the number of employers there is a potential impact on the amount of work required to complete the valuation, although this is marginal. However, the effect is that to some degree liabilities become pooled which means that there is the potential for one school to take decisions which impact on other schools. This dilutes accountability and is not something that the Fund would wish to encourage. It is therefore recommended that the Fund state that, with the exception outlined below, it has no proposals to pool rates for academies. The exception would be where an academy chain (or Multi Academy Trust) requests a pooled rate. Chains are single employers and therefore the issues which exist in terms of a more general pool and potential cross subsidy are not apparent. Given this it is proposed that the Fund accept requests from academy chains (Multi Academy Trusts) to adopt a pooled rate approach.

Employer Covenant and Risk

There are over 200 active employers within the Lancashire County Pension Fund with an enormous variety in terms of scale and financial strength. Some of these employers have their participation in the Fund guaranteed by one of the local

authorities, others do not. All of these sorts of factors mean that each employer presents a different risk to the Fund in terms of the potential for them to fail to pay contributions, or meet their other responsibilities as an employer in the Fund.
The Fund needs to take steps to manage this risk and reduce the risk that failure of one employer could impact on others. The first step towards doing this is to understand the strength (or covenant) of each employer. In order to do this work has been commissioned from the London Pensions Fund Authority who are an acknowledged centre of expertise in this area of work. The results of this work will allow the Fund to categorise employers into four "buckets"

Level 1 – Those with the very strongest covenant

Level 2 – Those with an above average covenant

Level 3 – Those with a below average covenant

Level 4 – Those with the weakest covenant

This categorisation can then influence the way in which contribution rates are set for employers, thus an employer with a weak covenant is less able to take investment risk than one with a strong covenant, because they (and the Fund) need certainty that they are meeting their financial obligations. This is achieved through the mix of assets allocated to specific employers within the actuarial valuation.

The Deficit Recovery Period

At the 2013 valuation the deficit recovery period was set at 19 years, which, in effect pushed back the planned elimination of the deficit by three years. This was a pragmatic response to the need to try to maintain some stability in contributions while not placing undue strain on key assumptions. The 19 years was a maximum, with shorter periods being set for some employers, for example where an outsourced contract was involved or where there were a small number of members and the last active member was due to retire within 19 years.

It is likely that employers, particularly local authorities, will wish to push out the recovery period even further in order to reduce the annual cash deficit recovery payments, thus reducing budgetary pressure. The argument from local authorities would be based on the fact that the strength of their covenant and their tax raising powers mean that they can be allowed to recover the deficit over a longer period than might otherwise be acceptable. Equally the Pension Fund needs to have regard to the need to produce as part of the valuation process a credible plan to recover the deficit. The question for members of the Committee, acting for the Fund, is whether a deficit recovery plan that either maintains or extends the recovery period can be considered credible.

The context for this is that the regulator requires comparable private sector schemes to recover deficits in much shorter timescales, thus the greater strength of covenant possessed by tax-raising bodies can be argued to already be reflected in the Fund's overall deficit recovery plan.

It is also arguable whether having a deficit recovery plan where the deficit recovery period does not reduce over the life of the plan is credible. While, it is accepted that the level of the deficit is the result of a somewhat abstract set of equations, it is a fact that has to be addressed and simply to keep "kicking the can down the road" is not an approach which the Fund should support.

Thus it is recommended that the Fund indicate to employers that it is minded to bring the deficit recovery period down to a maximum of 16 years in line with the previous plan, with the usual range of exceptions related to specific circumstances.

Managing the Risk of Ill Health for Small Employers

The potential costs of ill health retirement represent a very serious risk for small employers such as charities and parish councils. One ill health retirement within a small membership of 3 or 4 can significantly destabilise the funding position of an organisation. Officers have for some time been considering with the actuary whether it would be possible to "insure" this risk either within the Fund or externally. Advice is that the most cost effective option for employers would be to construct a mechanism within the Fund to achieve this, and it is proposed that the Fund consult employers in order to establish whether there is support for a proposal of this sort.

The Plan for the Valuation Process

The table overleaf sets out a high level plan for the valuation process, specifically including engagement with employers at an early stage and once actual data is available. This includes the process for the preparation and approval of the statutory Funding Strategy Statement and a refresh and review of the Fund's Investment Strategy to ensure that the returns required by the valuation results have the greatest possible certainty of being delivered.

September 2015	Agree planned approach to valuation with Mercers
	'Setting the Scene' report to Pension Fund Committee
December 2015	Directors Briefing and initial communication to employers
April 16 to June 16	Data collection and data cleaning
	Data quality checks
	Prepare cash flow spreadsheets
	Submit interim data reports to actuary
	Resolve actuary's data queries
August/September 2016	Actuary signs off data Initial employer groups meetings (e.g. local authorities, F&HE, Academies, Charities)
	Valuation assumptions signed off
October/November 2016	Actuary reports produced and checked
	Provisional (whole fund) results and draft funding strategy statement to Pension Fund Committee
December 2016	Directors Briefing and provisional results (whole fund) to employers
January 2017	Individual employer results available – further employer group meetings.
	One to one sessions with employers
Feb 2017 to March 2017	Final report to Pension Fund Committee, including final Funding Strategy Statement.
April 2017	Revised contribution rates and revised Funding Strategy Statement in place

As in previous valuations the Fund will seek to engage with Groups of employers as well as providing the opportunity for individual employers to discuss their position with officers and the actuary. The intention would be to do this on more occasions over a longer period than previously in order to promote understanding of the issues involved in the valuation amongst employers. The Fund will also need to take steps to engage with employers who represent risk to the Fund but are do not wish to engage.

Summary of Proposed Fund Position

The following summarises the position which it is proposed that the Fund is minded to adopt and which following agreement will be issued to employers for consultation.

Overall Objective
The Fund's objective for employer contributions is, at the whole fund level, to maintain, in cash terms, the contribution plan set in 2013.

Deficit Recovery Period
The deficit recovery period will be set at a maximum of 16 years.

Key Assumptions
It is assumed that pay increases for the period to 2020 are no more than 1% in line with the announcements contained in the summer budget.
Assumptions on life expectancy will continue to be based on specific fund level data rather than on generic assumptions.
No assumption will be built in about take up of the 50/50 option, given that so few members have actually taken this up.

Employer Risk
The Fund will set contribution rates taking into account employer covenant, based on 4 categories of employer:

Level 1 – Those with the very strongest covenant

Level 2 – Those with an above average covenant

Level 3 – Those with a below average covenant

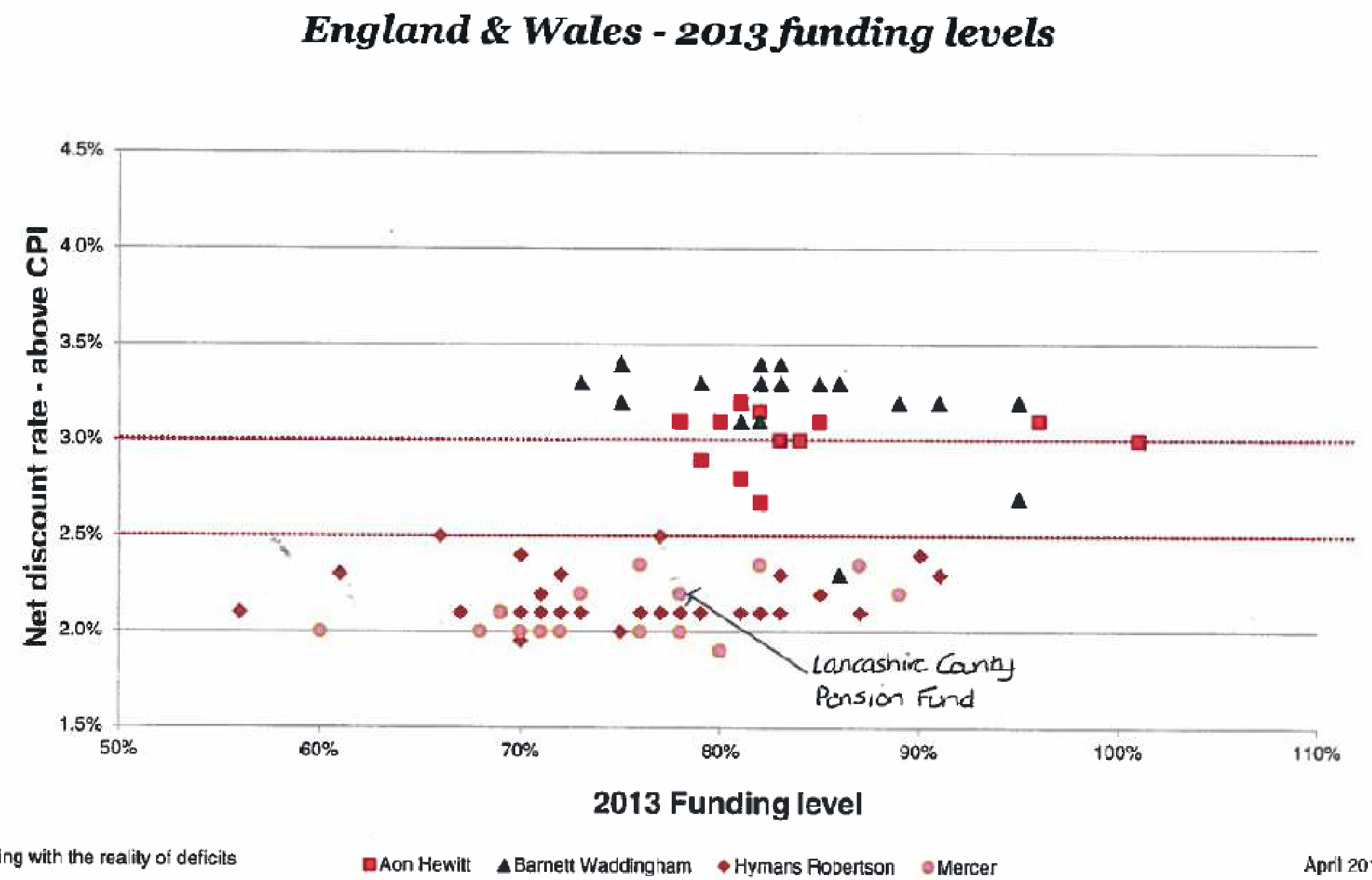
Level 4 – Those with the weakest covenant

Academy Schools
The Fund will not allow the general pooling of academy schools for the purpose of setting contribution rates, but will be prepared to allow academy chains or multi-academy trusts to pool all their constituent schools for the purpose of setting contribution rates.

Ill Health Retirement
The Fund would propose to create an internal insurance mechanism to manage the risks around the costs of ill health retirements for smaller employers.

Annex 1

Deficits in 2013, in less favourable market conditions



Pension Fund Committee
Meeting to be held on 30 September 2015

Electoral Division affected:
None

Lancashire County Pension Fund - Report on Administering Authority Discretions
(Appendices 'A', 'B', 'C', 'D' and 'E' refer)

Contact for further information:
Diane Lister, (01772) 534827, Head of Your Pension Service,
diane.lister@lancashire.gov.uk

Executive Summary

The LGPS regulatory framework grants certain 'discretions' to administering authorities (AAs), which allow some areas of LGPS policy to be locally-determined.

There are many discretions, ranging from relatively trivial to those where the application of a local discretion could have a significant impact on scheme members, fund employers and the Fund itself.

Significant change to pension legislation, including changes to the LGPS regulatory framework, have prompted a review of existing policies and discretions. This report presents proposals to the Committee, with additional information to that previously provided, in five key areas of discretion:

- Abatement of pensions (Appendix 'A' refers)
- Transfer in of pension rights (Appendix 'B' refers)
- Commutation of pensions (Appendix 'C' refers)
- Admissions and Terminations (Appendix 'D' refers); and
- Bulk Transfers (Appendix 'E' refers).

Recommendation

The Committee is asked to:

(i) Approve the recommendations set out at Appendices 'A', 'B', 'C', 'D' and 'E', and:

(ii) Further agree that these recommendations form the basis of a consultation exercise with fund employers and the Lancashire Local Pension Board prior to formal policy adoption by the Committee at a future meeting.

Lancashire County Council

Background and Advice

Administering Authorities within the Local Government Pension Scheme need to maintain a range of discretionary policies, which it is appropriate are reviewed from time to time. Appendices 'A' to 'E' outline proposals in relation to five key areas of discretion. Subject to the Committee's agreement it is proposed to consult with employers on these proposals on the basis that the Fund is minded to implement them.

The key areas of change proposed are:

- abatement of pensions (Appendix 'A' refers) - to maintain the existing abatement policy until the outcome of the Government's recently announced '£95k redundancy cap for the public sector' on members of the LGPS is known

- transfer in of pension rights (Appendix 'B' refers) - transfers into the Fund continue to be accepted within the existing 12 month time limit. Decisions in respect of exceptions are now jointly made by the Fund and the relevant employer;

- commutation of pensions (Appendix 'C' refers) - small pension pots are to be commuted as the 'standard offer'. An exercise to commute existing 'small' pensions is to be considered pending advice from the Fund Actuary on the impact on Fund cashflow and liabilities;

- admissions and terminations (Appendix 'D' refers) - admissions are no longer accepted, unless these follow as a result of contracting-out by a scheme employer or there are exceptional circumstances. Small admissions are streamlined for ease of administration; and

- bulk transfers (Appendix 'E' refers) - bulk transfers are treated on a case by case basis and on the advice of the Fund Actuary.

Consultations

A consultation exercise will be conducted with fund employers prior to presentation of revised policies to the Committee for approval and adoption.

Implications:

Risk management

The recommendations contained within this report are intended to mitigate financial and reputational risk where possible. Overall the impact of adopting these revised policies should be fair, transparent and justifiable to the scheme member, the fund employer and the Fund itself.

Financial

The recommendations, whilst not solely focussing on financial implications, are intended where possible to make financial savings and reduce liabilities.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Appendix 'A'

Abatement of Pensions

The Local Government Pension Scheme (LGPS) regulations allow an Administering Authority (AA) a broad discretion to abate (reduce) any pension in payment where a pensioner obtains further employment with any LGPS employer.

The AA has the discretion to reduce a pension such that the salary in the new employment plus the pension in payment does not exceed the salary the member earned prior to receiving a pension. Any such discretionary abatement ceases when the LGPS employment ends.

However, it should be noted that there is **no** discretion to abate a pension awarded under a flexible retirement agreement where the member is still in the same employment to which the flexible retirement relates.

Current Policy and Practice

The current policy applies abatement where it is required by statute to do so and in respect of ill-health retirements. The table below sets out current practice:

Retirement Type	Statutory Abatement	Discretionary Abatement	LCPF current Practice
Ill Health retirement (benefits are normally enhanced/reductions are waived)	No	Yes	Abatement applied
Redundancy/efficiency retirement with compensatory added years*	Yes**	Yes	Abatement applied **
Redundancy/efficiency retirement (reductions are waived)	No	Yes	No abatement
Retirement Augmented by employer (additional pension/service awarded)	No	Yes	No abatement
Early retirement where reductions waived by employer	No	yes	No abatement
Early retirement where reductions not waived	No	yes	No abatement
Normal Retirement (No reductions. Paid at State Pension Age or protected earliest retirement age)	No	Yes	No abatement

*Compensatory added years are an historic benefit and are no longer applied
**Only the added years element is abated

Potential Abatement Options

Administering Authorities have a wide discretion to abate pensions using a number of locally-agreed criteria. Taken literally, this means that any pensioner who takes on further employment with a LGPS employer, can have their pension abated according to their fund's discretionary policy.

AAs in developing a policy could, for example, choose to abate as follows:

- do not abate any pensions;
- apply abatement only to 'high earners', e.g. where pension exceeds £30,000
- abate subject to a maximum reduction in pension, say a maximum reduction of £5,000;
- where new salary plus pension cannot be reduced below, say, £20,000;
- only where the pension paid is above the fund average (or any other threshold);
- abating only when a pension has been paid at extra cost to the previous employer (generally speaking this would mean where a member aged 55 or over was made redundant – see below).

Recently Announced Government Consultation – Proposed £95k Redundancy Cap

Any LGPS member aged 55 or above is entitled to receive their pension, however where this is taken before 'normal retirement age' – approximately age 65 upwards – the pension is reduced to reflect the fact that it will be paid for a longer period than would have otherwise been the case.

LGPS members aged above 55, if made redundant, are entitled to receive an unreduced pension. The cost of, in effect, waiving reductions, is borne by the employer by means of making a cash payment into the pension fund. These "pension strain" costs can be significant.

The Government recently announced a consultation with a view to capping redundancy costs within the public sector; in essence the proposal is to limit the total cost of redundancy to £95k

In general redundancy costs comprise a lump sum redundancy payment based upon salary and years of service plus, for those aged 55 or over, the cost of waiving pension reductions. The core proposals include taking into account the cost of waiving pension reductions as part of the cap, and are summarised as follows:

- A cap of £95,000 on the total value of exit payments (before tax) to employees in the public sector;
- A cap covering all forms of exit payments including cash lump sums, the cost of early payment of pension benefits and other non-financial benefits such as additional paid leave; and

- A cap applying to all types of arrangement including formal redundancy schemes, collective agreements and contractual arrangements.

The implications of the potential cap are significant, and could arguably lead to a form of abatement being imposed upon the LGPS outside of the existing discretionary framework. Taken at face value there could be a situation where pre-cap pensioners who have been made redundant benefit significantly over their peers who were made redundant (whether voluntarily or compulsorily) post-cap.

To illustrate how the cap could affect LGPS members, the following illustrations have been provided by actuaries as potentially affected:

A member with 30 years of membership and final pay of £39,000

A member with 10 years of membership and final pay of £75,000

Taken literally the cap if applied to these members would place them in a worse position than peers who were made redundant before the cap was introduced, although the exact mechanics of how this may apply are not made clear in the consultation document. As such it may at present be deemed too difficult to set an abatement policy which took into account any issues around the cost of waiving pension reductions.

The Government's consultation document is not clear on what consequential changes to the LGPS regulations are proposed if the £95k cap is implemented and the option chosen could impact on the practicality of different forms of abatement policy.

Potential Change

The Fund pays out around £185m in pensions each year to more than 43,000 pensioners and dependants. At the last actuarial valuation the average annual pension in payment was £4,510.

Were a decision taken to amend the current abatement policy, consideration would need to be given to any administrative issues arising; for example assessing and potentially abating all pensions in payment would be administratively impossible without significant additional resource and, given the average pension in payment described above, it would seem that the additional work would be without material financial gain to the Fund. It could also be confusing, distressing and detrimental for thousands of mature local government workers currently undertaking low paid, part time roles to supplement their income.

However, it would be possible to develop an abatement policy which would affect only certain pensioners such as former high earners, by using an annual pension threshold where for example only annual pensions exceeding £30,000* would be subject to abatement. This would remove the issues involved in applying abatement indiscriminately but would serve to mitigate reputational risk in terms of paying out pensions to former high earning local government employees who potentially retire with unreduced pension benefits and immediately secure further employment with another local government organisation (i.e. the so called 'double-dippers').

**there are currently 385 pensioners receiving a pension of at least £30,000 per annum, whose average salary at retirement was £68,000.*

At the same time the uncertainty introduced by the proposed '£95k cap' would suggest that making a change of policy before the impact of the current consultation is fully understood could lead to the need for a subsequent change in policy within a short period.

Recommendation

That a policy be approved and adopted where:

- No change to current abatement policy is considered until the outcome of the '£95k cap' consultation is fully understood.
- Ill–health pensions continue to be abated (i.e. as per current policy).

Appendix 'B'

Transfers-in to Lancashire County Pension Fund

The Local Government Pension Scheme (LGPS) regulations allow new members of the Scheme to transfer pension rights accrued elsewhere, i.e. from a previous employment, into the Fund.

Lancashire County Council as Administering Authority (AA) has the discretion whether or not to accept transfers into Lancashire County Pension Fund. However, the AA must accept transfers from other LGPS Funds as well as other public sector pension schemes, for example the NHS Pension Scheme. There is no discretion to accept/not accept transfers in this area. The majority of transfers into the Fund are from other public sector schemes (90% of transfers during 2013/14). Therefore, in reality, the discretion available to the Fund is limited to transfers-in from other (non-public sector) types of pension arrangements.

<u>Transfers-in 2013/14</u>

Type	Value £m	Number of transfers
public sector	6.4	400
non-public sector	0.6	40

The actual transfer-in involves a cash amount from the transferring scheme being paid into the Fund. The pension benefit this amount 'buys' within the Fund is actuarially calculated and the additional pension is added to the individual's 'pension pot'. The additional pension is calculated to ensure that the cash coming into the Fund covers the added liability of the additional benefit flowing out of the Fund when the member retires.

The LGPS regulations stipulate that the normal time period for the acceptance of transfers-in, is within 12 months of the new member's employment start date. However the regulations allow an extension of this 12 month limit at the discretion of the administering authority and the individual's employer. This is a new 'joint' discretion previously exercised by the employer alone.

Current Policy and Practice

Current Fund policy is generally to accept all transfers-in.

In addition, transfer requests made by a Scheme member within 12 months of retirement are referred to the employer to make a decision. This is because transfers-in increase liabilities in the Fund. These liabilities are offset by the amount paid by the previous transferring scheme. However, in some cases where an early or ill-health retirement occurs the additional cost is not covered and is ultimately payable by the employer either by an up-front payment to the Fund (known as 'pension strain') or longer term through increased contributions.

Potential Change

It would be possible not to accept non-public sector transfers-in going forward. However, the low volume of cases currently accepted would suggest that the impact on the Fund in terms of a potential reduction in liabilities would be immaterial. The impact on administration would also be minimal due to the low volumes experienced.

Also, for new local government employees such a change would discriminate between those able to transfer pension benefits arising from other public sector employment and those with pension benefits accrued elsewhere. It is also arguable that such a position would be contrary to the national policy position which is to encourage freedom and choice in relation to pensions.

Recommendation

That a policy be approved and adopted where:

- Requests to transfer into the Fund are generally accepted provided that the transfer is made within the expected 12 month time period, except that:
- cases where the scheme member might expect to retire within 12 months of the transfer are not automatically accepted. The decision to accept in these cases is made jointly, at the discretion of the Fund and the relevant Employer and;
- cases falling outside the 12 month time period are accepted where administrative issues have caused the delay or where exceptional circumstances apply. The decision to accept in these cases is made jointly, at the discretion of the Fund and the relevant Employer.

Appendix 'C'

Commutation

The LGPS regulations allow the commutation of 'small pension pots' under various pieces of overriding legislation*. The new Freedom and Choice in Pensions legislation provides further flexibility in respect of commuting small pensions, the most notable being that some members of the Scheme can commute small pension pots from age 55 (previously age 60).

The LGPS regulations set out that the Fund may make the following payments:

1. A commutation payment (where the value of LGPS-only small pension pots must not exceed a lump sum payment of £10,000)
2. A trivial commutation lump sum (where the total actuarial value of all LGPS and non LGPS small pension pots does not exceed £30,000)
3. A trivial commutation lump sum death benefit (where the value of all LGPS death benefits does not exceed a lump sum payment of £30,000)

**The LGPS regulations set out that the above terms are defined, in the case of (2) and (3), within the Finance Act 2004 and, in the case of (1), within the Registered Pension Schemes (Authorised Payments) Regulations 2009.*

The principle of commutation relates to converting a 'small' pension entitlement into a one-off cash lump sum payment to be made by the Fund, effectively discharging any further liability.

'Small' Pension Pots

The commutation framework described above applies to 'small' pension pots only. Generally speaking, a 'small' pension pot's capital value is £30,000 or less. For the sake of clarity, and as a useful benchmark, the value of a person's pension 'pot' is approximately 20 times the value of the pension they have accrued; so for example a £30,000 pension pot would provide an annual pension of £1,500.

Difference Between 'Commutation' and 'Conversion' of Pension

All scheme members have the option to <u>convert</u> some of their pension entitlement into a lump sum, whereas **some** members have the option to <u>commute</u>. The following text from the YPS website explains conversion:

"You can take a tax-free lump sum by giving up some of your annual pension. You can take up to 25% of the capital value of your LGPS benefits as a lump sum[5]. For every £1 of annual pension that you give up you will receive a £12 lump sum. In the same way, giving up £100 of your annual pension would give you £1,200 lump sum, and so on."

This principle applies to any value of pension pot and differs from commutation, which applies only to 'small' pots – the reason for the differentiation is linked to the taxation treatment of pensions.

Small pension pots have a different conversion factor as opposed to the 12:1 factor described above; as there are no tax implications, the conversion factors are different; for example a 60 year old male's small pension entitlement would be commuted by a factor of 18.28 (e.g. £1,000 pension would commute to a lump sum of £18,280), a female of the same age would see a factor of 19.23 (£1,000 pension commutes to £19,230).

The difference in lump sum dependent on gender helps illustrate the philosophy supporting commutation: the factors are set by the Government Actuary's Department (GAD) such that, all things being equal, there should be no financial gain or loss to either pensioner or fund, upon commutation.

Financial Impact of Commutation within the Lancashire Fund

Whilst the GAD factors are calculated on the basis of equity, the fact that they are fixed means that local differences in fund performance and longevity can mean that, on a technical level, a small gain or loss to individuals or the fund could occur upon commutation.

The conclusion of the Fund's actuary is that in the current environment it is broadly beneficial to the calculation of the Fund's liabilities to commute pensions. However, this benefit is the difference between the theoretical value of paying benefits over an estimated lifetime when compared to an actual sum paid over to an individual, and it is impossible to prospectively estimate whether an individual will receive a greater level of benefit from commuting or continuing to receive a pension. The key issue is that the choice lies with the scheme member, who will need to consider the options available to them in the context of their own financial position.

Fund Perspective

The most significant benefits to the Fund from any significant increase in the level of commutation would be in the area of reduced administrative costs, and an increased level of certainty within future valuations given the crystalisation of more liabilities at an earlier point.

Demographics of Commutation

An equality analysis is set out at Annex 1.

Average annual pensions paid by LCPF are:

Female £2.9k per annum

Male £6.7k per annum

Given that on average female pensions are lower, this would infer that proportionately more females than males would be able to take advantage of the option to commute. However, as indicated the actuarial factors provide a higher value of lump sum to women (reflecting differential life expectancy) and it is a matter of individual choice whether or not to commute.

Current Policy and Practice

The Fund's current policy is to commute small pensions where they meet the relevant criteria. However, in practice commutation has been both age limited and inflexible and consequently current practice, as opposed to the actual policy, has been to include reference to commutation within the normal retirement process but not to offer commutation in isolation. The information required to satisfy the trivial commutation lump sum criteria shown at 2. above is particularly difficult to obtain and assess.

Potential Change

In the light of the intention to increase flexibility provided by the new freedom and choice in pensions legislation, it would appear to be appropriate now to reinforce the Fund policy to commute small pensions where the relevant criteria are met. It should be noted that it would not be possible to 'impose' commutation 'reinforce' in this context would mean that commutation would become the 'standard offer' and that, operationally, prospective pensioners would be given clearer information on their choices in pre-retirement paperwork, e.g. "You have the option of receiving a lump sum of £x or an annual pension of £y". However, all options would be explained at retirement and ultimately, pensioners would make an informed choice which suited their circumstances.

In reinforcing commutation as the Fund's standard offer where the relevant criteria are met, there is no doubt that this would result in a reduction in administrative effort in terms of processing a commutation as opposed to processing an actual retirement, and including the additional ongoing effort involved in maintaining pensioner payroll records. In addition it is clear that discharging any future liability would also be beneficial to the Fund. Day to day processing of commutation payments as business as usual should not result in any significant cashflow issues.

Current practice has resulted in a significant number (around 10,000) of pensioners and deferred pensioners with very small pension entitlements that could potentially be commuted. The Fund Actuary has been asked to consider the potential impact on both the Fund's cashflow and liabilities, of carrying out an exercise to commute these pensions. Clearly the cost of undertaking such an exercise would need to be weighed against the benefits of potentially discharging the ongoing liability in full but nonetheless the affected pensioners and deferred pensioners could be offered the option to commute in line with future practice.

It is also possible to commute pensions payable to a Child dependent. Children's pensions can be paid up to age 23 so long as the child is in higher education. Assumptions would need to be made in calculating a commuted children's pension as to how long they will be in higher education, but again it would be beneficial to the Fund to commute where possible, and would again be in line with national policy intentions.

Recommendation

That a policy be approved and adopted where:

- Commutation is the Fund's standard offer when a member retires or leaves the Scheme, where the pension value satisfies the £10k commutation criteria described at 1. above
- All other retirement/leaver cases are offered the option to commute where possible i.e. where they satisfy the criteria described at 2. and 3. above.
- Child dependant pensions will be commuted where possible.
- Where a child is aged 16 or over and still in full time education, the commutation will be based on an assumption that the pension would be paid until the age of 23.
- In respect of certain protected members, it may be possible to pay an ill-health commutation, and the policy would continue to be that this provision be applied where possible.

In addition, following consideration of advice from the Fund Actuary, a one-off exercise will be undertaken with a view to commuting current pension and deferred pensions where they satisfy the criteria described at 1. above.

Appendix 'D'

Admissions and Terminations

Certain employers and their staff are 'allowed' to participate in LGPS by virtue of being specifically designated. Other employers can be admitted to the scheme, at the discretion of the AA. 'Admissions and Terminations' is the term used to describe the process by which new employers gain entry to, and leave, LGPS.

Dealing with admissions or exits from LCPF consumes staffing resource and incurs other costs, and can create risk to the fund. It is therefore desirable to:

- reduce administrative costs borne by the fund;
- reduce the complexity of the current admissions process as far as possible; and
- put in place measures to manage risk.

In a typical year between 20 and 40 admissions or terminations may occur, at an estimated administrative cost of £60k to £100k. Recently the bulk of admissions have occurred due to schools contracting out catering or cleaning functions, usually involving very small numbers of LGPS members.

- **Scheduled Employers and Admitted Bodies**

There are over 200 active employers in the LCPF, ranging from the very large to the very small in terms of employee numbers. Employers are categorized into two types:

- 'Scheduled Employers'; and
- 'Admitted Bodies'

Scheduled employers have a statutory 'right' to participate in LGPS and include councils and academies.

Admitted bodies are 'allowed' to participate at the discretion of the AA and include organisations which contract with scheme employers following a contracting-out exercise, housing associations, universities and charities.

Admitted bodies gain entry to LCPF by means of an admission agreement; scheduled employers do not need an admission agreement.

Employers can also leave LGPS, for example when an admitted body's contract with a scheme employer ends. An admission agreement would end at the time of leaving so long as any debts due to LCPF are paid.

- **Admission Agreements**

An admitted body joins LGPS by means of an Admission Agreement – this is a formal legal document which spells out responsibilities, risk management arrangements and financial issues etc. and requires agreement between the parties involved.

- **Contracting out by Scheduled Employers**

Where scheduled employers contract work out to third parties, those staff who transfer under the contract have a right to remain with LGPS or otherwise be offered membership of a 'broadly comparable pension scheme'. In practice this means that whilst there is a wider element of discretion in allowing who to admit under admitted body status, LCPF to all intents and purposes **must** admit certain employers where this is requested by a scheduled employer.

- **Valuing Liabilities, Risks, and Setting Contribution Rates**

In dealing with admissions and departures from the fund, LGPS regulations require an assessment of employers' incoming and outgoing liabilities, and future contribution rates; historically this has been achieved through a very detailed process, the cost of which often bears little relation to number of employees or liabilities involved. This existing process works in such a way as to ensure that ceding employers either pass on (to the new employer), or guarantee, any existing 'liability risk' and pay contributions at a level which will not increase liability risk in future. Clearly, this risk management process provides an element of security to the Fund.

Liability risk is a term used to describe the risk to the pension fund of an employer's pensions liabilities falling upon other employers, if the original employer becomes insolvent or otherwise unable to meet its commitments.

When a new employer is admitted, its liability risk is managed either by requiring a scheme employer to guarantee any liabilities or by requiring the admitted body to obtain an insurance bond which would cover any future shortfall in the event of insolvency.

- **Administrative Issues**

As stated previously, admissions cost the fund upwards of £60k per annum in staff time and legal costs. Generally speaking actuarial costs are passed onto new employers. LCPF publishes detailed guidance documents to assist employers in understanding and managing the admissions process, and engages with employers regularly, however a number of persistent problems exist, such as:

- chasing employers to sign documents (time and resource);
- Employers wanting to change the LCPF standard admission agreement (time and legal costs); and
- Employers not keeping the AA up to date about planned contracting out exercises or the potential creation of new aspirant admission bodies (causing the AA to backdate admission agreements).

- **Outdated Admission Agreements**

In some instances existing admission agreements have become obsolete due to changes in LGPS regulations. Many of the older admission agreements do not contain provisions which require employers to provide security against their liability risk. It is the intention of the AA, following consultation, to draw up a new template admission agreement, specifying a requirement to provide security, which would not normally be subject to negotiation with individual employers on an admission-by-admission basis.

Given such a position it would seem unreasonable to 'impose' a new admission agreement on existing employers, however the proposed AA position will be that admitted employers either sign up to the new admission agreement, or consider whether they wish to remain in LCPF. Whilst this may appear a relatively assertive position, the AA does not wish to enter protracted negotiations but instead move to a standardized admission agreement, quickly and without prolonged debate or legal arguments. This course of action is required to reduce risk to the Fund.

Current LCPF policy and practice

This is generally to:

- accept admissions from aspirant admitted bodies so long as adequate risk management arrangements (largely insurance bonds or ceding employer guarantees) are put in place; and
- require a detailed actuarial calculation in respect of liabilities and contribution rates for any admission;
- absorb the costs of legal and administrative time in dealing with admissions and terminations;
- negotiate admission agreements with individual employers; and
- accept late admissions.

Potential Changes

- ➢ **Actuary's Proposal to Simplify Admissions and Terminations**

The LCPF actuary, Mercer, has proposed a new model to manage admissions and set initial contribution rates which will simplify processes significantly, and reduce costs. It is proposed to adopt this approach.

- ➢ **Passing on Costs to Employers and Moving to a Standard Admissions Model**

It is proposed that the recommendations below would help ensure that employers, rather than the Fund, meet the costs of the admissions process and additionally would provide some imperative for employers to actively engage in/support the wider objective of simplifying and speeding up administrative processes.

Recommendations

That a policy be approved and adopted where:

- the Mercer proposal for a simplified approach to the setting of initial contribution rates be adopted by LCPF;

- that entry to LCPF be restricted in future only to those employers whom the fund is required to admit; in practical terms this means excluding any new admissions except where these occur as a result of scheduled employers contracting out work;
- a philosophy of 'no changes to the fund's standard admission agreement' be applied unless exceptional circumstances apply;
- a charging framework for the processing of admission agreements be introduced;
- this charging framework to additionally reflect any costs associated with changing template admission agreements;
- LCPF refuse to accept backdated admission agreements unless exceptional circumstances apply; where this is the case the charging framework applying to employers will be twice as high as 'on time' admissions; and
- existing admitted employers with outdated admission agreements be required to sign up to the current template admission agreement.

Appendix 'E'

Bulk Transfers

This term covers pensions issues surrounding the transfer of pension rights either:

- From the LGPS to another pension scheme ; or
- From one LGPS scheme to another LGPS scheme, where the numbers of staff involved exceed 2 or 10 respectively.

Pension legislation is framed generally so as to protect members' pension rights, should these rights be transferred between schemes, due to decisions made by their employers, central government, etc. In essence, the value of a person's pension rights in the old scheme must equal those transferred into the new scheme.

The transfer of pension rights ultimately involves cash moving from one pension scheme to another, and if a transfer, due to the numbers of staff involved, falls under the bulk transfer definition, a detailed calculation is required to be carried out by the respective funds' actuaries. In simple terms the transferring out scheme wishes to minimise cash paid out, whilst the receiving scheme would seek the opposite.

When bulk transfers occur, respective funds must agree on a basis of calculation, specifically each schemes' actuaries must agree a methodology between themselves and with the agreement of the schemes' managers.

Current Policy and Practice

Existing policy and practice is to treat each bulk transfer, with the agreement of parties involved, on a case-by-case basis.

Potential Change

Pensions legislation and regulations prescribe the bulk transfer philosophy, but not the mechanics of calculation. Due to the potential complexities and unique circumstances involved, it is not advisable to draw up a detailed bulk transfer policy, but rather than to state general principles.

Recommendation

To approve and endorse current bulk transfer practice in accordance with regulations and law, but to state additionally the following principles:

- LCPF will work with its actuary to determine the terms and assumptions used as a starting position for any bulk transfer exercise;
- LCPF will always seek to obtain, following actuarial advice, the best outcome for the fund and its members;

- LCPF will seek to work with receiving schemes and their actuaries in a positive and constructive manner, seeking both to minimise its actuarial fees and time taken, and to obtain the best outcome for the fund and its members.

Annex 1

Section 4

Equality Analysis Toolkit

Commutation of Small Pensions

For Decision Making Items

September 2015

Lancashire County Council

www.lancashire.gov.uk

What is the Purpose of the Equality Decision-Making Analysis?

The Analysis is designed to be used where a decision is being made at Cabinet Member or Overview and Scrutiny level or if a decision is being made primarily for budget reasons. The Analysis should be referred to on the decision making template (e.g. E6 form).

When fully followed this process will assist in ensuring that the decision-makers meet the requirement of section 149 of the Equality Act 2010 to have due regard to the need: to eliminate discrimination, harassment, victimisation or other unlawful conduct under the Act; to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and to foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Having due regard means analysing, at each step of formulating, deciding upon and implementing policy, what the effect of that policy is or may be upon groups who share these protected characteristics defined by the Equality Act. The protected characteristic are: age, disability, gender reassignment, race, sex, religion or belief, sexual orientation or pregnancy and maternity – and in some circumstance marriage and civil partnership status.

It is important to bear in mind that "due regard" means the level of scrutiny and evaluation that is reasonable and proportionate in the particular context. That means that different proposals, and different stages of policy development, may require more or less intense analysis. Discretion and common sense are required in the use of this tool.

It is also important to remember that what the law requires is that the duty is fulfilled in substance – not that a particular form is completed in a particular way. It is important to use common sense and to pay attention to the context in using and adapting these tools.

This process should be completed with reference to the most recent, updated version of the Equality Analysis Step by Step Guidance (to be distributed) or EHRC guidance at

http://www.equalityhumanrights.com/private-and-public-sector-guidance/public-sector-providers/public-sector-equality-duty

This toolkit is designed to ensure that the section 149 analysis is properly carried out, and that there is a clear record to this effect. The Analysis should be completed in a timely, thorough way and should inform the whole of the decision-making process. It must be considered by the person making the final decision and must be made available with other documents relating to the decision.

The documents should also be retained following any decision as they may be requested as part of enquiries from the Equality and Human Rights Commission or Freedom of Information requests.

Support and training on the Equality Duty and its implications is available from the County Equality and Cohesion Team by contacting

AskEquality@lancashire.gov.uk

Specific advice on completing the Equality Analysis is available from your Service contact in the Equality and Cohesion Team or from Jeanette Binns

Jeanette.binns@lancashire.gov.uk

Name/Nature of the Decision

Review and clarification of Pension Fund policy in the light of recent legislative changes, which allow pension funds to extend the choice to commute 'small' pensions to a wider group than previously existed. **To endorse an exercise to offer the new commutation freedoms to existing eligible pensioners.**

What in summary is the proposal being considered?

To implement a policy whereby 'small' pensions (according to a specific definition) are commuted to a lump sum as the 'standard offer' for those taking their pension for the first time; additionally to carry out an exercise to commute existing eligible 'small' pensions which are already in payment. Note that the term 'standard offer' implies that, operationally, information for prospective pensioners would promote the commutation route as well as other options, for example by the relevant paperwork and retirement process, but the choice not to commute would remain for prospective and current eligible pensioners.

Is the decision likely to affect people across the county in a similar way or are specific areas likely to be affected – e.g. are a set number of branches/sites to be affected? If so you will need to consider whether there are equality related issues associated with the locations selected – e.g. greater percentage of BME residents in a particular area where a closure is proposed as opposed to an area where a facility is remaining open.

The proposal would have no specific geographical impact. Note that around 90% of pensioners live in Lancashire.

Could the decision have a particular impact on any group of individuals sharing protected characteristics under the Equality Act 2010, namely:

- Age
- Disability including Deaf people
- Gender reassignment
- Pregnancy and maternity
- Race/ethnicity/nationality
- Religion or belief
- Sex/gender
- Sexual orientation
- Marriage or Civil Partnership Status

In considering this question you should identify and record any particular impact on people in a sub-group of any of the above – e.g. people with a particular disability or from a particular religious or ethnic group.

It is particularly important to consider whether any decision is likely to impact adversely on any group of people sharing protected characteristics to a disproportionate extent. Any such disproportionate impact will need to be objectively justified.

Yes

If you have answered "Yes" to this question in relation to any of the above characteristics, – please go to Question 1.

If you have answered "No" in relation to all the protected characteristics, please briefly document your reasons below and attach this to the decision-making papers. (It goes without saying that if the lack of impact is obvious, it need only be very briefly noted.)

Question 1 – Background Evidence

What information do you have about the different groups of people who may be affected by this decision – e.g. employees or service users (you could use monitoring data, survey data, etc to compile this). As indicated above, the relevant protected characteristics are:

- Age
- Disability including Deaf people
- Gender reassignment/gender identity
- Pregnancy and maternity
- Race/Ethnicity/Nationality
- Religion or belief
- Sex/gender
- Sexual orientation
- Marriage or Civil Partnership status (in respect of which the s. 149 requires only that due regard be paid to the need to eliminate discrimination, harassment or victimisation or other conduct which is prohibited by the Act).

  In considering this question you should again consider whether the decision under consideration could impact upon specific sub-groups e.g. people of a specific religion or people with a particular disability. You should also consider how the decision is likely to affect those who share two or more of the protected characteristics – for example, older women, disabled, elderly people, and so on.

Data held about pension fund members is limited to age, gender, marital status only. This means that no information is available around personal details as above.

The policy would affect existing and future pensioners aged 55 or above, and a small number of children whose (scheme member) parents die in service. Members (except in very limited circumstances such as ill health cannot access their pension pot before the age of 55)

Average pensions paid to females are lower than those paid to males (£2.9k pa and £6.7k pa respectively). This means that proportionately more females than males would be able to take advantage of the commutation option.

Question 2 – Engagement/Consultation

How have you tried to involve people/groups that are potentially affected by your decision? Please describe what engagement has taken place, with whom and when.

(Please ensure that you retain evidence of the consultation in case of any further enquiries. This includes the results of consultation or data gathering at any stage of the process)

Ongoing engagement/consultation will take place at a members' conferences and via regular communication via roadshows, pension surgeries, newsletters etc. Your Pensions Service provides a continuous service to members allowing face-to-face consultation and advice etc. across the county.

Question 3 – Analysing Impact

Could your proposal potentially disadvantage particular groups sharing any of the protected characteristics and if so which groups and in what way?

It is particularly important in considering this question to get to grips with the actual practical impact on those affected. The decision-makers need to know in clear and specific terms what the impact may be and how serious, or perhaps minor, it may be – will people need to walk a few metres further to catch a bus, or to attend school? Will they be cut off altogether from vital services? The answers to such questions must be fully and frankly documented, for better or for worse, so that they can be properly evaluated when the decision is made.

Could your proposal potentially impact on individuals sharing the protected characteristics in any of the following ways:

- Could it discriminate unlawfully against individuals sharing any of the protected characteristics, whether directly or indirectly; if so, it must be amended. Bear in mind that this may involve taking steps to meet the specific needs of disabled people arising from their disabilities

- Could it advance equality of opportunity for those who share a particular protected characteristic? If not could it be developed or modified in order to do so?

- Does it encourage persons who share a relevant protected characteristic to participate in public life or in any activity in which participation by such persons is disproportionately low? If not could it be developed or modified in order to do so?

- Will the proposal contribute to fostering good relations between those who share a relevant protected characteristic and those who do not, for example by tackling prejudice and promoting understanding? If not could it be developed or modified in order to do so? Please identify any findings and how they might be addressed.

None anticipated. The advice received from the Fund's actuary indicates that, from a relatively technical perspective, some pensioners could marginally 'lose out' by commuting, whereas others could 'gain' by a similar margin . However it must be stressed that the factors used in reaching this conclusion do vary according to fund performance, actuarial assumptions etc., and would very probably change in future. Additionally, the commutation factors used in relevant calculations are periodically revised by the Government Actuary, to ensure gender equity. Against any technical marginal loss or gain must be weighed up questions of amenity and choice etc., and it should be emphasised that

the choice whether or not to commute remains with the individual.

Question 4 –Combined/Cumulative Effect

Could the effects of your decision combine with other factors or decisions taken at local or national level to exacerbate the impact on any groups?

For example - if the proposal is to impose charges for adult social care, its impact on disabled people might be increased by other decisions within the County Council (e.g. increases in the fares charged for Community Transport and reductions in respite care) and national proposals (e.g. the availability of some benefits) . Whilst LCC cannot control some of these decisions, they could increase the adverse effect of the proposal. The LCC has a legal duty to consider this aspect, and to evaluate the decision, including mitigation, accordingly.

If Yes – please identify these.

Receiving a lump sum of up to £30,000, as can happen under a 'small' pension commutation, could affect a person's entitlement to means-tested benefits, or result, for example, in paying higher charges for social care. In line with the Freedom and Choice agenda, pensioners must make the best decision which fits their circumstances and aspirations.

The retirement process will need to provide relevant signposting to ensure awareness of such risks.

Question 5 – Identifying Initial Results of Your Analysis

As a result of your analysis have you changed/amended your original proposal?

Please identify how –

For example:

Adjusted the original proposal – briefly outline the adjustments

Continuing with the Original Proposal – briefly explain why

Stopped the Proposal and Revised it - briefly explain

Not at this stage. The risk to any means-tested benefits must be pointed out to pensioners or prospective pensioners, by Your Pension Service, at the time a decision is made.

Question 6 - Mitigation

Please set out any steps you will take to mitigate/reduce any potential adverse effects of your decision on those sharing any particular protected characteristic. It is important here to do a genuine and realistic evaluation of the effectiveness of the mitigation contemplated. Over-optimistic and over-generalised assessments are likely to fall short of the "due regard" requirement.

Also consider if any mitigation might adversely affect any other groups and how this might be managed.

The proposed change is that commutation of small pensions will become the service's standard offer; although prospective and current pensioners will be able to choose not to commute. The final decision will always that of the pensioner.

Question 7 – Balancing the Proposal/Countervailing Factors

At this point you need to weigh up the reasons for the proposal – e.g. need for budget savings; damaging effects of not taking forward the proposal at this time – against the findings of your analysis. Please describe this assessment. It is important here to ensure that the assessment of any negative effects upon those sharing protected characteristics is full and frank. The full extent of actual adverse impacts must be acknowledged and taken into account, or the assessment will be inadequate. What is required is an honest evaluation, and not a marketing exercise. Conversely, while adverse effects should be frankly acknowledged, they need not be overstated or exaggerated. Where effects are not serious, this too should be made clear.

It is not perceived that there will be any adverse impact on pensioners or the fund – the choice of options to take a pension or commutation will remain after any change in policy. There would be a positive impact in terms of administrative costs should take up be significant. Additionally the fund would see a reduction in both liabilities and assets, but could benefit by reducing the amount of uncertainty in future strategic investment planning, valuation strategy etc.

Question 8 – Final Proposal

In summary, what is your final proposal and which groups may be affected and how?

To make commutation of 'small' pensions the standard offer for those about to take their pension for the first time; to offer existing 'small' pensioners the option to commute their existing 'small' pension. To implement any policy or practice change starting in 2016 To retain choice for all current and prospective pensioners. To enable pensioners to take advantage of 'the Freedom and Choice' agenda To see a potential improvement in wellbeing, as accessing a lump sum could enable, for example, holidays, a new car etc. to be purchased. Such options may not be available to those on limited incomes (who for example may struggle to obtain credit to purchase a new car). To provide information to prospective and current eligible pensioners to enable them to make an informed choice as to the option which suits their circumstances.

Question 9 – Review and Monitoring Arrangements

Describe what arrangements you will put in place to review and monitor the effects of your proposal.

Feedback from pensioners; monitoring of take up etc. Feedback provided to the Pensions Committee and Pension Board

Equality Analysis Prepared By Andy Brown

Position/Role Policy and Operations Manager

Equality Analysis Endorsed by Line Manager and/or Service Head Diane Lister

Decision Signed Off By

Cabinet Member or Director

Please remember to ensure the Equality Decision Making Analysis is submitted with the decision-making report and a copy is retained with other papers relating to the decision.

Where specific actions are identified as part of the Analysis please ensure that an EAP001 form is completed and forwarded to your Service contact in the Equality and Cohesion Team.

Service contacts in the Equality & Cohesion Team are:

Karen Beaumont – Equality & Cohesion Manager

Karen.beaumont@lancashire.gov.uk

Contact for Adult Services ; Policy Information and Commissioning (Age Well); Health Equity, Welfare and Partnerships (PH); Patient Safety and Quality Improvement (PH).

Jeanette Binns – Equality & Cohesion Manager

Jeanette.binns@lancashire.gov.uk

Contact for Community Services; Development and Corporate Services; Customer Access; Policy Commissioning and Information (Live Well); Trading Standards and Scientific Services (PH), Lancashire Pension Fund

Saulo Cwerner – Equality & Cohesion Manager

Saulo.cwerner@lancashire.gov.uk

Contact for Children's Services; Policy, Information and Commissioning (Start Well); Wellbeing, Prevention and Early Help (PH); BTLS

Pam Smith – Equality & Cohesion Manager

Pam.smith@lancashire.gov.uk

Contact for Governance, Finance and Public Services; Communications; Corporate Commissioning (Level 1); Emergency Planning and Resilience (PH).

Thank you

Pension Fund Committee
Meeting to be held on 30 September 2015

Electoral Division affected: None

Annual Report and Statement of Accounts of Lancashire County Pension Fund for the year ended 31 March 2015
(Appendix 'A' refers)

Contact for further information:
Abigail Leech, (01772) 530808, Head of Corporate Finance, Financial Resources,
abigail.leech@lancashire.gov.uk

Executive Summary

This report sets out the Lancashire County Pension Fund Annual Report for the year ended 31 March 2015.

Recommendation

The Committee is asked:

(i) To review and approve the Lancashire County Pension Fund Annual Report for the year ended 31 March 2015 as set out at Appendix 'A';
(ii) Note that the report will be submitted to the meeting of Full Council on 22 October 2015.

Background and Advice

The Local Government Pension Scheme (Administration) Regulations 2008 (No 239) requires each administering authority to prepare an annual report for the pension fund and publish it before 1 December following the year end. The regulations prescribe that the following should be included in the annual report:

- a report on the management and financial performance of the fund during the year;
- an explanation of the investment policy;
- a report on the administrative arrangements for the fund;
- a statement from the actuary on the latest funding level;
- the current version of the governance compliance statement;
- the fund account and net asset statement with supporting notes and disclosures;
- the extent to which the fund has achieved its required performance levels; and
- the current version of the funding strategy statement, the statement of Investment principles and communications policy and any other information the authority considers appropriate.

The terms of reference of the Pension Fund Committee requires the Committee to approve the annual report to be submitted to Full Council.

A copy of the Lancashire County Pension Fund Annual Report for the year ended 31 March 2015 is attached at Appendix 'A'. The Annual Report includes the following sections:

An overview of the management and financial performance of the Fund
This highlights both the challenges and changes that have impacted on the Fund during the year 2014/15.

Governance of the Fund
This highlights compliance or otherwise with the guidance given by the Secretary of State.

Administration of the Fund
An update on issues arising from the administration of the fund during the year, including any changes to the administration regulations.

Knowledge and skills framework
A summary of the framework and approach used to ensure that the right knowledge and skills mix exists to meet the financial management needs of the pension fund. Reference is also made to the Lancashire County Pension Fund Training Plan agreed on 29 November 2013 and complying with the Public Service Pension Act 2013.

Investment policy and performance
A summary of the investment activity during the year and an analysis of performance of the investments of the Fund.

The accounts and financial statements
The draft accounts and financial statements of the pension fund approved by the Interim Director of Financial Resources on 29 June 2015 are shown in the County Council's Statement of Accounts and also in the Pension Fund Annual Report. The accounts have been audited by the external auditor and the auditor's opinion, will be included in the published Annual Report.

Actuarial valuation
A summary of the latest actuarial valuation carried out at March 2013 and applicable for the three years commencing 1 April 2014.

Standing documents
The following standing policy statements are referred to in the Annual Report as available from the Pension Fund and from its web-site at Your Pension Service - Lancashire Fund Information

- The Annual Governance Statement
- The Governance Policy Statement
- The Communication Policy Statement
- The Funding Strategy Statement
- The Statement of Investment Principles

Consultations

The Investment Panel is consulted on all investment policy issues.

Implications:

This item has the following implications, as indicated:

Risk management

The policy on risk is outlined in the Funding Strategy Statement and the Statement of Investment Principles.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Appendix 'A'

Lancashire County Pension Fund Annual Report

2014-15

Lancashire County Council

www.lancashire.gov.uk

Lancashire County Pension Fund

Annual Report 2014/15

Contents

A. Management Structure

Administering Authority
Lancashire County Council

Lancashire County Council Pension Fund Committee
L Beavers
D Borrow
M Brindle
T Burns (Chair at 31 March)
G Dowding
K Ellard (current Chair)
J Gibson
J Oakes
M Otter
M Parkinson (Deputy Chair)
A Schofield
K Sedgewick
D Westley
B Yates

Co-opted Blackburn with Darwen Borough Council representative
R Whittle

Co-opted Blackpool Council representative
P Crewe

Co-opted Lancashire Leaders' Group representative
P Leadbetter
E Pope

Co-opted Trade Union representative
RP Harvey (until 27 March 2015)
J Tattersall (from 27 March 2015)

Co-opted HE/FE sector representative
A Milloy

Custodian
Northern Trust

Independent Investment Advisers
E Lambert
N Mills
A Devitt

Director of Lancashire County Pension Fund
G Graham

Director of Financial Resources (Interim)
D Lawrenson CPFA

Actuary
Mercer

Auditor
Grant Thornton

Property Solicitors
Pinsent Masons
DWF

Independent Property Valuer
Cushman & Wakefield

Corporate Governance Adviser
PIRC

Performance Measurement
Northern Trust

AVC Providers
Prudential
Equitable Life

Legal Advisors (other than property)
In-House
MacFarlanes
Eversheds
Clifford Chance
Allen and Overy
Taylor Wessing
Addleshaw Goddard

Tax Advisors
KPMG

Bankers
National Westminster

Fund Managers

AGF Investments
Arclight Capital Partners
Ares Management

Babson Capital Management
Baillie Gifford
Bluebay Asset Management

Capital Dynamics
Christofferson, Robb & Company

EQT

Hayfin Capital Management
Highbridge Capital Management
HSBC Global Asset Management

I Squared Capital
Icon Investments
Invesco

King Street Capital Management
Knight Frank Investors

M&G Investments
MFG Investments
MFS Investment Management
Monarch Alternative Capital
Morgan Stanley Investment Management

Natixis Global Asset Management
Neuberger Berman
NN Investment Partners

Oaktree Capital Management

Pacific Investment Management Company
Pictet Asset Management
Prima Capital Advisors

Robeco Asset Management

THL Credit

B. Foreword by County Councillor Kevin Ellard, Chair of the Pension Fund Committee

Every year the foreword to this annual report talks about the Fund having to manage through a period of change, and this year is no different.

The largest change we have had to deal with is the introduction of the new 2014 scheme under which benefits are calculated on a career average, rather than a final salary basis. This has required a massive amount of work from our Pensions Administration Team within Your Pension Service, as well as by all the Fund's employers and we are extremely grateful to those employers who have worked with us to introduce a new data exchange process which provides us with the information needed to calculate career average benefits, as well as improving the overall accuracy of our data, which is critical to good pensions administration.

The new scheme has brought with it the creation of the new Local Pension Board to oversee the work of the county council as Administering Authority, and we have seen significant changes towards the end of the year in the way in which the services that support the Fund are organised and managed. This has led for the first time to the creation of the role of the Director of the Fund, bringing together the various teams who make the Fund work into one service. As a result of this set of changes, we said goodbye to Gill Kilpatrick, the previous Treasurer of the Fund who did much to put the Fund into the strong position in which it now finds itself.

Gill's major legacy to the Fund was overseeing the creation of the in-house investment team who have continued to go from strength to strength, this year challenging the giants of the investment world for a share of the government's stake in Eurostar and in the process, winning a European Innovation Award from Chief Investment Officer Magazine.

Central Government continues to look to the LGPS funds to achieve both better returns and reduce costs. We believe that our strong pensions administration service together with the strength of our investment team put us in a good place to be able to achieve this by working with others to achieve even greater economies of scale. To this end we have been working with the London Pension Fund Authority to create an innovative Asset and Liability Management Partnership which will allow us to share resources and achieve the better results which evidence shows comes from larger pools of assets. We are not waiting for the Government to finally announce their response to last year's consultation process, we are, as is our way, just getting on with it and building a new approach to managing funds within the LGPS.

Given these changes, the coming year looks as though it will be as challenging as the last one.

County Councillor Kevin Ellard
Chair of the Pension Fund Committee

C. Governance of the Fund

Lancashire County Pension Fund Governance Policy Statement

While the Pension Fund is not technically a separate legal entity, it does have its own specific governance arrangements and controls which sit within Lancashire County Council's overall governance framework.

Under regulation 55 of the LGPS Regulations 2013, all Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Governance Policy Statement setting out whether the authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority. The Fund's Governance Policy Statement as revised in March 2015 is at the following link.
Your Pension Service - Lancashire Fund Information

Comprehensive terms of reference have been established for all areas of governance of pension fund activities including the Pension Fund Committee, the Investment Panel, the Lancashire Pension Board and issues delegated to the Director of the Lancashire County Pension Fund.

The Pension Fund Committee has considered the governance arrangements relating to the administration and investments of the Fund in the light of guidance issued by the Department for Communities and Local Government (DCLG) and the requirement to complete a Governance Compliance Statement for all areas of governance of pension fund activities.

The Fund’s Governance Compliance Statement is shown on the following page:

Page 83

LANCASHIRE COUNTY PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

Principle		Full Compliance
A. Structure	*(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council*	✓
	(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee(1)	**Partial** See note 1 below
	(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	✓
	(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	✓
B. Representation	*(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1)* *These include:* *employing authorities (including non-scheme* *employers, e.g. admitted bodies)* *(ii) scheme members (including deferred and pensioner scheme members)* *(iii) independent professional observers (2)* *(iv) expert advisers (on an ad hoc basis)*	**Partial** (see notes 1& 2 below)

Page 84

Reasons for Partial Compliance

Note 1: Unitary Councils, District Councils and Further and Higher Education employers, are represented. Other admitted bodies only represent 7% of contributors to the fund and are therefore not represented. However, all employers receive a full annual report and are alerted to important events. Although employee representatives, i.e. Trade Unions, do not formally represent deferred and pensioner scheme members, it is accepted that representation is available to deferred and pensioners members via this route where necessary and/or appropriate. In addition the interests of all scheme members and employers are specifically represented in the composition of the Local Pension Board.

Note 2: Guidance envisaged that an independent professional observer could be invited to participate in governance arrangements to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels which would improve the public perception that high standards of governance are a reality and not just an aspiration. This role is currently performed by the Fund's independent advisers and officers and it is not apparent what added value such an appointment would bring.

C. **Selection and Role of Lay Members**	*(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.* *(It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all times.)*	✓
D. **Voting**	*(a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.*	✓
E. **Training / Facility Time / Expenses**	*(a) that in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.*	✓

	(b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	✓
F. **Meetings – Frequency**	*(a) that an administering authority's main committee or committees meet at least quarterly.* *(b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.* *(c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.*	✓ ✓ ✓
G. **Access**	*(a) that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.*	✓
H. **Scope**	*(a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.*	✓
I. **Publicity**	*(a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.*	✓

D. Administration of the Pension Fund

Background to Lancashire County Pension Fund and the Local Government Pension Scheme

The Local Government Pension Scheme is a statutory public sector pension scheme which operates on a "defined benefit basis". Lancashire County Council as "Administering Authority" is required by law to administer the Scheme within the geographical area of Lancashire.

Pension administration services are provided to Lancashire County Pension Fund by Lancashire County Council's award winning pensions administration service; Your Pension Service (YPS).

Review of the Year

2014/15 has been a busy year of embedding the new LGPS 2014 CARE Scheme.

A "My Pension Online" service has been developed and promoted to members of the Pension Scheme which allows members to access their pension information online.

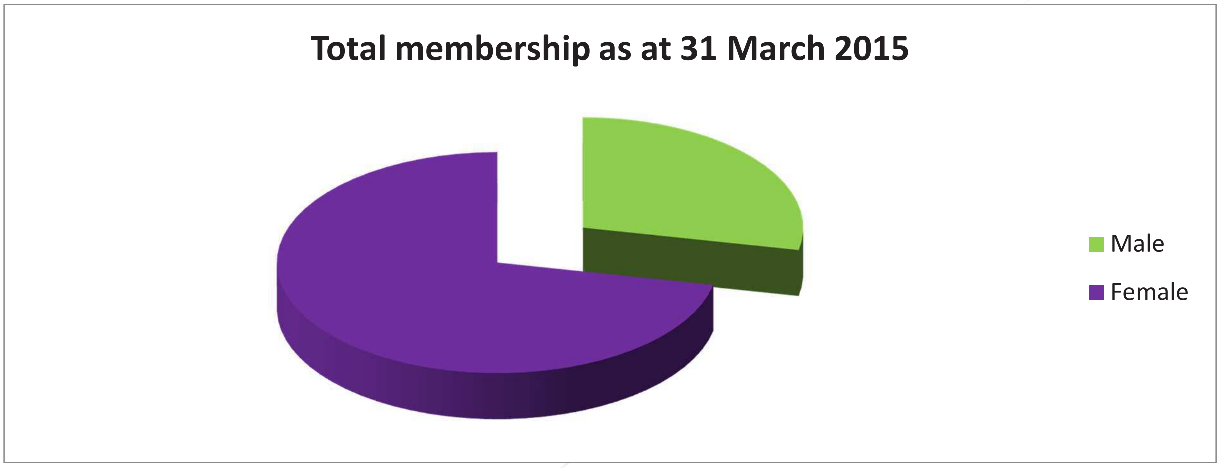
Membership and employers

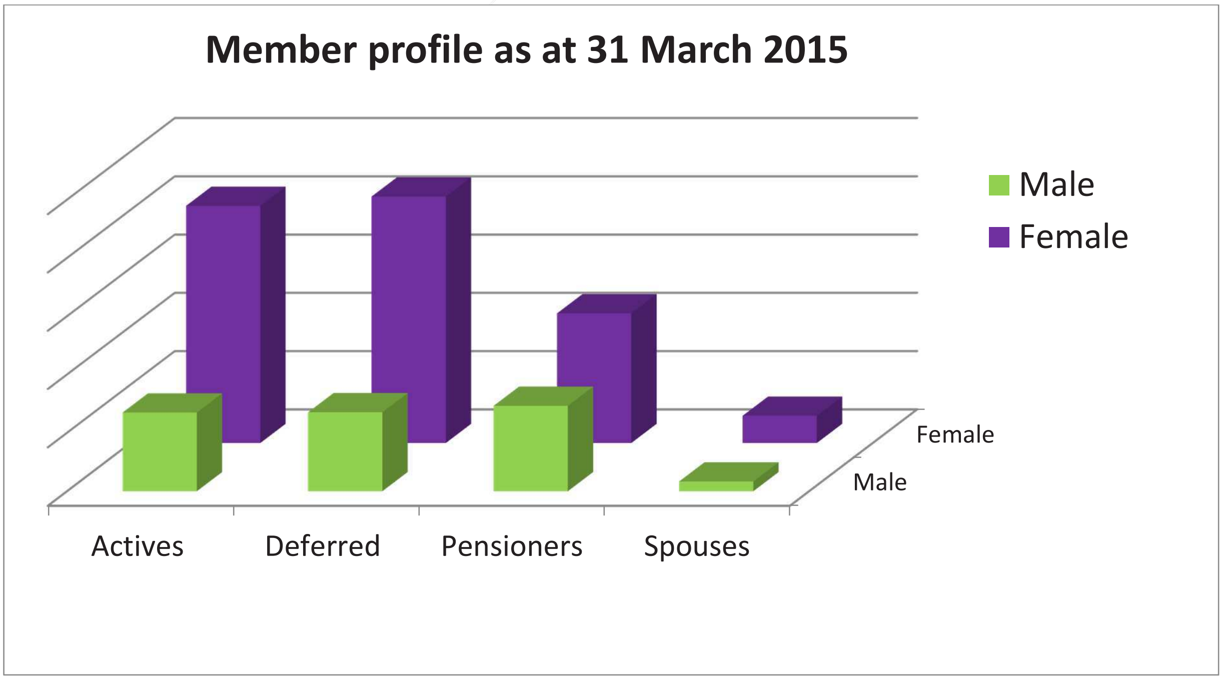
The Scheme is administered on behalf of over 300 organisations including local authorities, further and higher education colleges, voluntary and charitable organisations and private contractors undertaking a local authority function following outsourcing to the private sector.

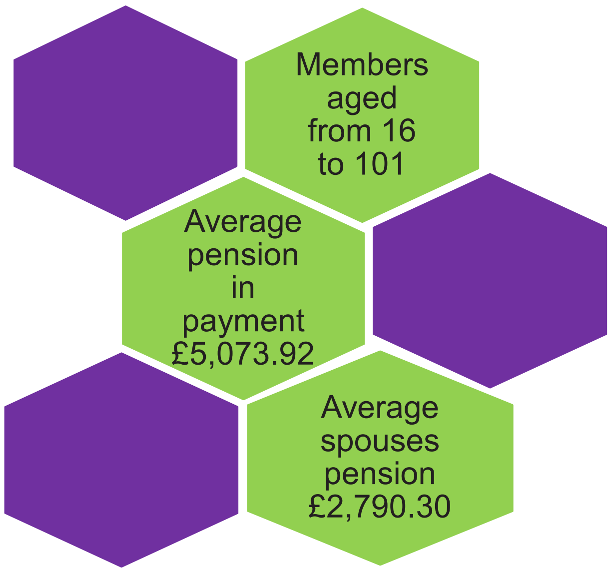
Membership of the LGPS is automatic although employees are able to opt-out of membership if they choose. However, employees are re-enrolled every 3 years under the Government's auto-enrolment regulations.

LGPS membership

As at 31 March 2015	**Active scheme members**	**Deferred pensioners**	**Pensions in payment**	**Total**
Scheduled bodies	49,357	51,496	40,340	141,193
Admitted bodies	4,822	4,317	2,871	12,010
Total	**54,179**	**55,813**	**43,211**	**153,203**
As at 31 March 2014				
Scheduled bodies	50,765	50,374	39,629	140,768
Admitted bodies	3,979	3,521	2,649	10,149
Total	**54,744**	**53,895**	**42,278**	**150,917**


Total membership as at 31 March 2015
Male
Female


Member profile as at 31 March 2015
Male
Female
Female
Male
Actives
Deferred
Pensioners
Spouses


Members aged from 16 to 101
Average pension in payment £5,073.92
Average spouses pension £2,790.30

Performance

Lancashire County Council's Pension Fund Committee receives regular reports on the administration of the Fund ensuring that best practice standards are satisfied and met and to satisfy itself and justify to all stakeholders, including employers that the Fund is being run on an efficient and effective basis. A Service Level Agreement (SLA) exists between the Pension Fund and the service provider. The SLA contains specific service level standards and corresponding service level targets and an Annual Administration Report is presented to the Pension Fund Committee.

YPS continues to exceed SLA targets and consistently exceeds its key performance indicator;

'to calculate and pay all retirement benefits within 10 working days'

Overall achievement against SLA targets over the year was 98%.

Over the year more than 108,600 online benefit statements were produced for active and deferred Scheme members. Annual newsletters are also posted online alongside statements.

Customer service

The service's dedicated partnerships team undertakes a variety of events, courses and presentations each year. In addition the team visits scheme employers to maintain and improve working relationships. The partnerships team also undertakes annual pension surgeries and pension drop-in sessions as well as facilitating an annual employer conference.

A dedicated telephone helpdesk is the first point of contact for pension scheme members and employers. Over the year 94% of calls were successfully answered against a target of 90%.

Legislative changes

On 1 April 2014, the new Local Government Pension Scheme (LGPS) came into effect being a Career Average Revalued Earnings (CARE) Scheme and replaced the final salary scheme.

The new scheme:

- Has a normal pension age equal to state pension age (minimum age 65);
- Gives a pension for each year at a rate of 1/49th of pensionable pay received in that year;
- Provides increased flexibility for members wishing to retire early;
- Allows members to pay reduced contributions as an alternative to opting out;
- Provides for previous years' CARE benefits to be inflation proofed in line with the Consumer Price Index while the member is still paying in;
- Requires members to have at least 2 years' membership to qualify for pension benefits.

Additionally, protection is given to members who were paying in prior to 1 April 2014.

On 28 January 2015, amendment regulations were laid before Parliament which, came into effect on 1 April 2015. These regulations set up a national scheme advisory board to advise the government on the desirability of changes to the LGPS. Provision was made for each fund to set up a local pension board to assist it with the effective and efficient management and administration of the scheme.

Service developments

Since 1 April 2014 scheme employers have been submitting monthly files to YPS. These replace many of the forms that employers used to complete and enable the accurate reconciliation of contributions and pensionable pay to individual scheme member records. YPS use an internally designed system called "EPIC" to do this. EPIC has helped YPS to ensure that scheme member data is accurate and up to date.

Charges

YPS makes a charge to Lancashire County Pension Fund on a per member basis which is restricted to the lower quartile as reported in national government LGPS benchmarking returns. The on-going level of charge to the Fund is kept under review.

Other information

For further information relating to the administration of the scheme please refer to the Communication Policy Statement and the Pensions Administration Strategy Statement.

Your Pension Service can be contacted at:

PO Box 100
County Hall
Preston
PR1 0LD
Telephone: 0300 123 6717
E-mail: AskPensions@lancashire.gov.uk
http://www.yourpensionservice.org.uk

E. Knowledge & Skills Framework

CIPFA Pensions Finance Knowledge and Skills Framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) published its Code of Practice on Public Sector Pensions Finance Knowledge and Skills in October 2011. The Code was devised in response to Lord Hutton's recommendation that every public sector pension scheme (and individual LGPS fund) should have a properly constituted, trained and competent "Pensions Board". The Code represents a key element in complying with the relevant principles of investment practice laid out in Local Government Pension Scheme (Management and Investment of funds) regulations 2009 regarding Effective Decision making.

The Code is intended to be used in conjunction with the CIPFA Pension Finance Knowledge and Skills Frameworks (KSF) which aims to enhance levels of knowledge and skill across all those involved in the management and oversight of public sector pension funds whether members or officers.

The Code became effective from 1 April 2012 and is mandatory for CIPFA members as part of their standards of professional practice. The Code was adopted by the Pension Fund Committee at its meeting on 3 February 2012 in order to ensure good governance and training practices and provide support to those officers who, as CIPFA members, have a professional requirement to comply with the Code.

At its meeting on 7 June 2013, the Pension Fund Committee agreed that, in order to ensure best practice within the Fund and compliance with the Public Service Pensions Act 2013, a training plan should be developed annually for those charged with governance and financial management of the Lancashire County Pension Fund (Committee members and officers).

Central to this is the tenet that, having assessed the professional competence of those involved in pension scheme financial management and those with a policy, management or oversight role, the Fund should secure appropriate training.

It is not a requirement for each individual to demonstrate a level of expertise in every aspect of scheme governance and management but important to ensure that, as a group, the Fund's Officers and the Committee have a level of knowledge and skills which ensures effective decision making.

Committee members and officers are also required to undertake training to satisfy obligations placed upon them by the:

- Myners Principles (as detailed in the Statement of Investment Principles);
- Pensions Regulations and the Pensions Regulator;
- CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills; and the LGPS Governance Compliance Statement.

Approach

The Fund's approach to training is supportive in nature with the intention of providing committee members and officers with regular sessions that contribute to their level of skills and knowledge. Though primarily based on pre-committee meeting training sessions, knowledge is enhanced through updates and insights from officers and independent advisers, and details of external events are circulated as appropriate. This is in addition to an expectation that committee members will undertake some self-directed learning outside of the formal training. Fund officers are also available to provide additional support and advice.

The key elements of the plan are designed to support members of the Committee in gaining the necessary knowledge and skills as a collective group over the following areas required by the CIPFA Knowledge and Skills Framework:

- Pension Fund governance;
- Accounting and Audit standards;
- Procurement of financial services;
- Investment performance and risk management;
- Financial markets and product knowledge;
- Actuarial methods and valuation.

Training comprises a combination of internally developed training sessions, updates from officers and independent advisers, external events, and self-directed learning.

Planning and monitoring that committee members and scheme officers comply with these various requirements was provided for through the adoption of a training plan (2013-2015) agreed by the Pension Fund Committee on 29 November 2013.

Details of training provided and attended during 2014/15 are given below:

Date	Subject	Training provider	Venue	Number of attendees
02/09/14	Introduction to Lancashire County Pension Fund for new Committee Members	Internal – Deputy County Treasurer	County Hall, Preston	4
05/09/14	Risk Management in the Local Government Pension Fund	Eversheds - Webinar	County Hall, Preston	15
18/09/14	Introduction to the Local Government Pension Scheme	CIPFA Pensions Network	London	2
01/10/14	Elected Member Educational Event	330 Consulting	London	2
28/11/14	Development session on engagement and socially responsible investment	PIRC	County Hall, Preston	18
11-13/03/15	'Living Longer, Investing Smarter' Investment Conference	NAPF	Edinburgh	1
18/03/15	'LGPS Reform-Ethical, Efficient, Effective 2015'	GovToday	London	3
19/03/15	'Local Authority Pension Fund Investment Strategies and Current Issues' conference	SPS Conferences	London	2
27/03/2015	Presentation on Infrastructure Investment	Internal – Investment Manager	County Hall - Preston	15

F. Investment Policy and Performance

Performance

In the year to 31 March 2015, LCPF delivered 14.87% return on assets. The value of the Fund's assets at 31 March 2015 was £5,830.7m, up from £5,188.1m at 31 March 2014.

The Fund is invested to meet its own liabilities over the medium to long-term and therefore its performance should be judged against those objectives and over a corresponding period. Annual returns can be volatile, as seen in 2008/09 (Fund down 20%) and 2009/10 (Fund up 35%) and do not necessarily indicate the underlying health of the Fund.

Asset Allocation

In line with the investment strategy adopted by the Pension Fund Committee in 2010 and more detailed sub-strategies adopted since then, the Fund's investments are divided into four principal sub groups as follows:

Equities

The Fund holds both public and private equity investments. The public equity investments are managed by five active managers who operate differing and complementary styles of investment selection and two unitised investment funds. The remit of six of these seven pools is unconstrained, high conviction investment in global equities. The final manager has a remit to invest in emerging market equities. Private equity investments are held through a variety of closed-ended limited partnerships, invested over a wide range of inception dates and managed by a diverse collection of different managers.

Property

The Fund invests in a significant portfolio of directly owned UK commercial properties which are managed by Knight Frank. The Fund re-tendered the property management mandate during the year, resulting in Knight Frank's reappointment. An allocation to local investment opportunities was put in place as were some new investments in property development opportunities. The Fund has a small allocation to a unitised European real estate investment fund managed by M&G.

Infrastructure

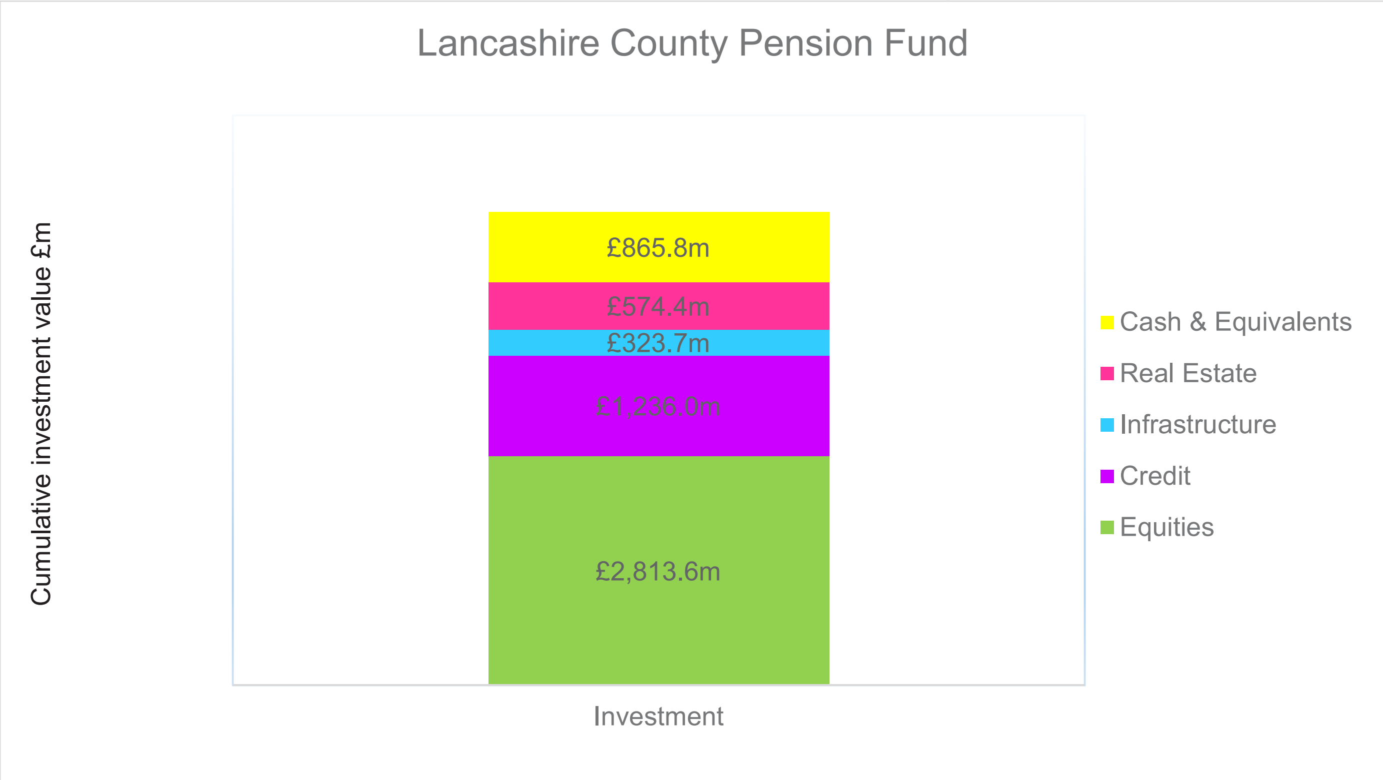
The Fund has allocations to a number of different global infrastructure funds, and also invests directly in renewable energy infrastructure projects throughout the world through its majority-owned infrastructure partnership, Red Rose Infrastructure LLP.

Credit strategies

The Fund has an internally managed portfolio of different types of credit investment, split into four broad categories – emerging markets sovereign debt, non-investment grade secured lending, cyclical credit opportunities and long-dated debt secured on real assets. These investments include both direct loans made by the Fund and a variety of different externally managed funds.

While the Fund continues to commit to investments in line with its investment strategy, amounts earmarked for future investments are held in cash, liquid bond funds and directly held investment grade bonds.

A summary of asset allocation, as at 31 March 2015, is shown below.



Implementation of the investment strategy is ongoing and 2014/15 saw further investment commitments which will be drawn down over coming years.

Commitments made in the years since the investment strategy was adopted in 2010 have started to deliver investment returns, and the results of the substantial changes resulting from that strategy are starting to have a stronger influence on investment performance.

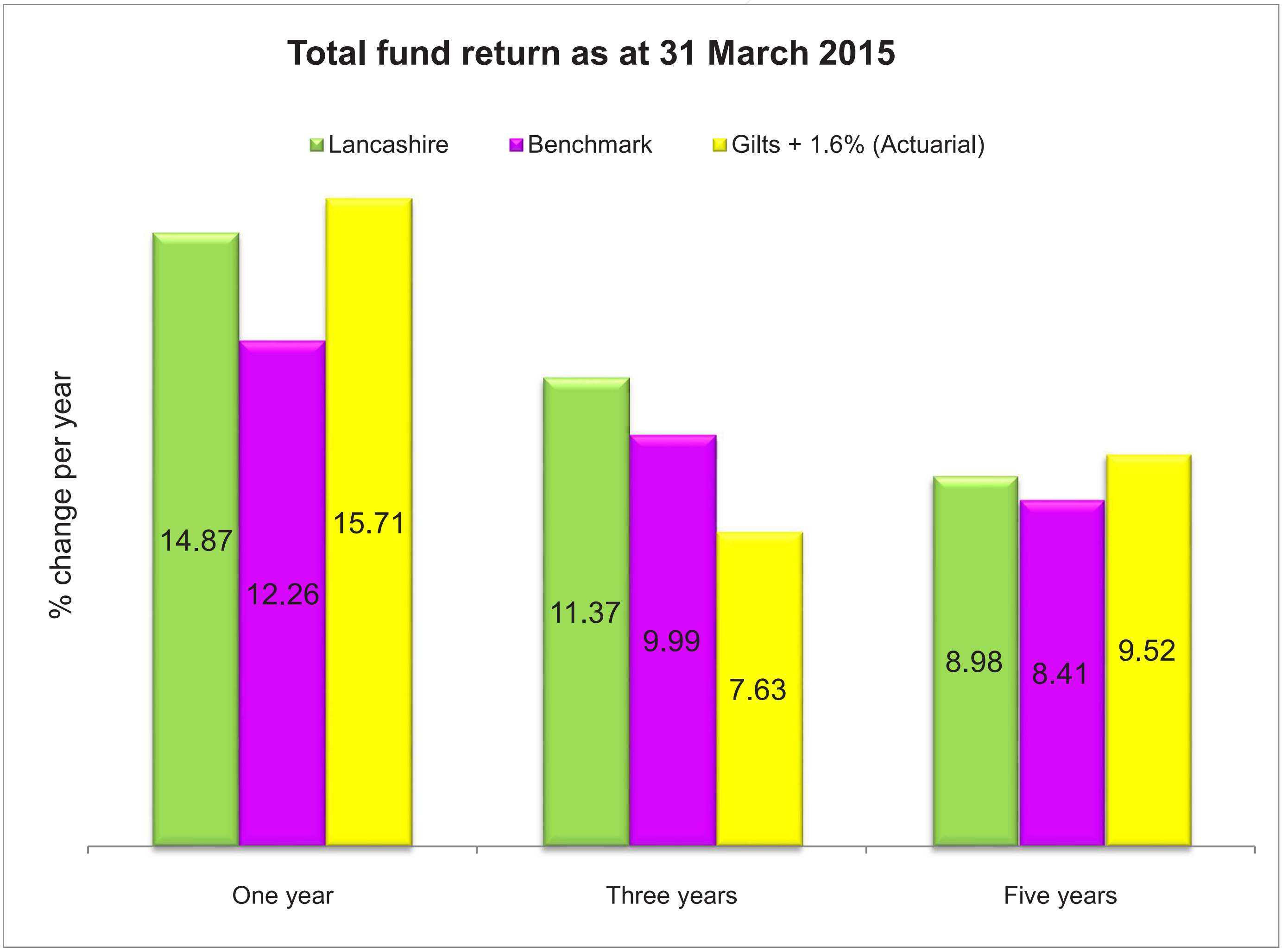
Performance Monitoring

Performance is measured against a number of specific benchmarks with individual managers being given performance targets which are linked to the expected market returns for the assets they manage. Details of these can be found in the Statement of Investment Principles. The performance of investment managers is reviewed on a regular basis by the investment management team and Investment Panel and any recommendations arising from those reviews are considered by the Committee.

The Fund subscribes to the annual independent WM Survey of UK Local Authority Pension Funds, which shows comparisons with other local authority pension funds. Absolute performance versus other local authority funds, which will certainly have different investment strategies designed to meet their own liability profile, may be misleading, however. The average local authority fund performance according to the WM survey was 13.2% (LCPF: 14.9%) and LCPF's performance placed it in the 26th percentile out of 85 participating funds.

Whilst this performance is pleasing, the Fund's primary objective, to have assets available to meet pension liabilities as they fall due, requires the Fund to consistently match or outperform the actuarial assumption of investment returns, being UK gilts+1.6%.

The chart below shows the total return of the Fund compared to the overall fund specific benchmark and the actuarial fund return assumption of gilts+1.6% measured over 1, 3, and 5 years to 31 March 2015:



In the year to 31 March 2015, the total fund return amounted to 14.9% against a benchmark return of 12.3%. The gilts+1.6% actuarial return assumption for the same period was 15.7%.

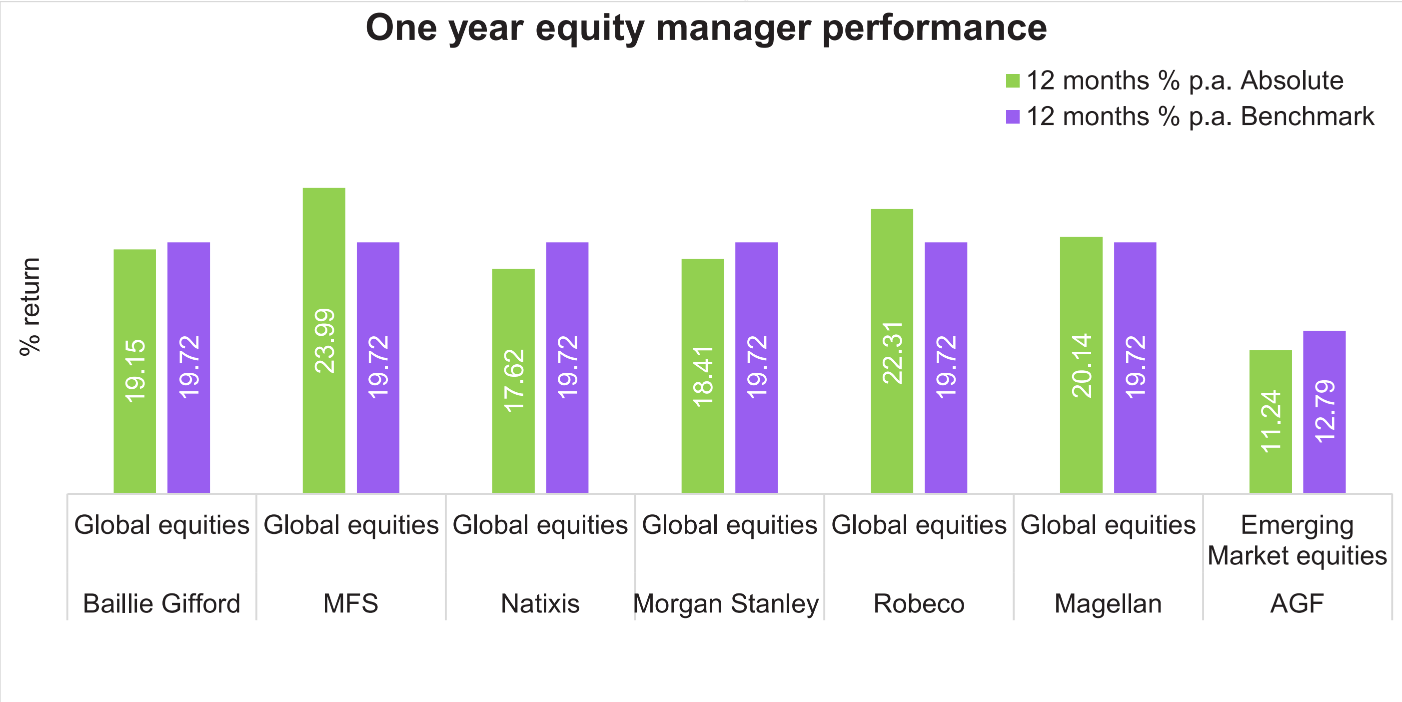
The more important five year performance of the Fund shows annualised returns for the Fund of 9% pa versus the benchmark return of 8.4% and the actuarial measure of 9.5%.

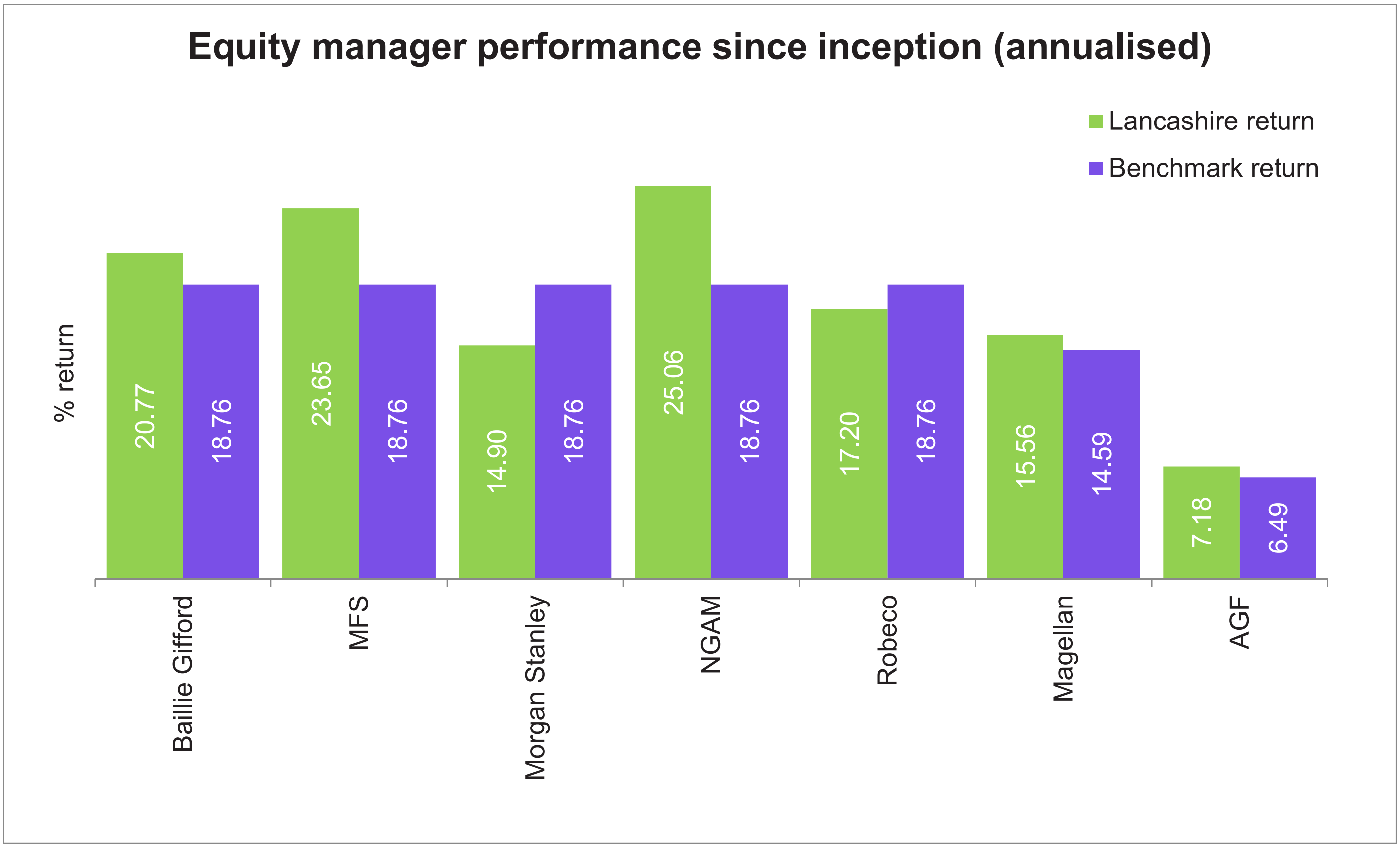
The Fund's strategy is to seek out investments with the most favourable characteristics in the long run, wherever these may be situated globally. Currency fluctuations have an increased impact on short-term investment performance but over the long-term this impact should diminish, to be outweighed by the superior investment characteristics of the new strategy.

During the course of the year, Sterling weakened significantly against the Dollar from a rate of $1.66 at 31 March 2014 to a rate of $1.48 on 31 March 2015, causing appreciation in the Sterling valuation of dollar denominated assets of 12.2%. In the same period, Sterling strengthened against the Euro from €1.21 at 31 March 2014 to €1.38 on 31 March 2015, reducing the value of Euro denominated assets by 13.3%.

Despite these factors which can make performance data hard to interpret, underlying investment performance continues to be strong, with local currency investment returns in line with, or ahead of, expectations.

The performance of active equity managers is shown in the chart that follows.





Active managers have discretion to make investments that deviate from the benchmark allocation, within agreed constraints and tolerances. These decisions will reflect their views on market conditions within various countries or between different types of instrument.

As part of an overall equity portfolio strategy Robeco and Morgan Stanley were installed as defensive managers. As expected in a strongly performing market they have underperformed their benchmark. Baillie Gifford, NGAM, MFS and Magellan were appointed with a growth bias and their out-performance against the benchmark since inception reflects this. It is pleasing that these investment managers appear to be performing as expected.

AGF focus entirely on Emerging Market equities and have performed slightly ahead of benchmark in a period of extreme volatility. We would expect a high conviction manager which does not seek to track the index to be able to reproduce excess performance versus the benchmark over time, especially in such a diverse universe as emerging market equities.

The period over which performance is being measured for all of these managers, however, is not yet significant enough to draw any solid conclusions.

During the course of the year, the Fund disposed of £300m of public equities in an exercise to rebalance the portfolio weightings.

The largest ten direct equity holdings of the Fund as at 31 March 2015 were:

Equity	**Market value as at 31 March 2015**	**Percentage of net assets of the Fund**
	£m	**%**
Nestle SA	58.8	1.01
Visa Inc	43.1	0.74
Reckitt Benckiser Group Plc	34.2	0.59
Accenture Plc	30.6	0.53
Time Warner Inc	30.3	0.52
British American Tobacco Plc	29.5	0.51
Diageo Ord Plc	29.2	0.50
Royal Caribbean Cruises Ltd	27.2	0.47
Naspers	26.8	0.46
Walt Disney Corp	26.2	0.45
	335.9	**5.78**

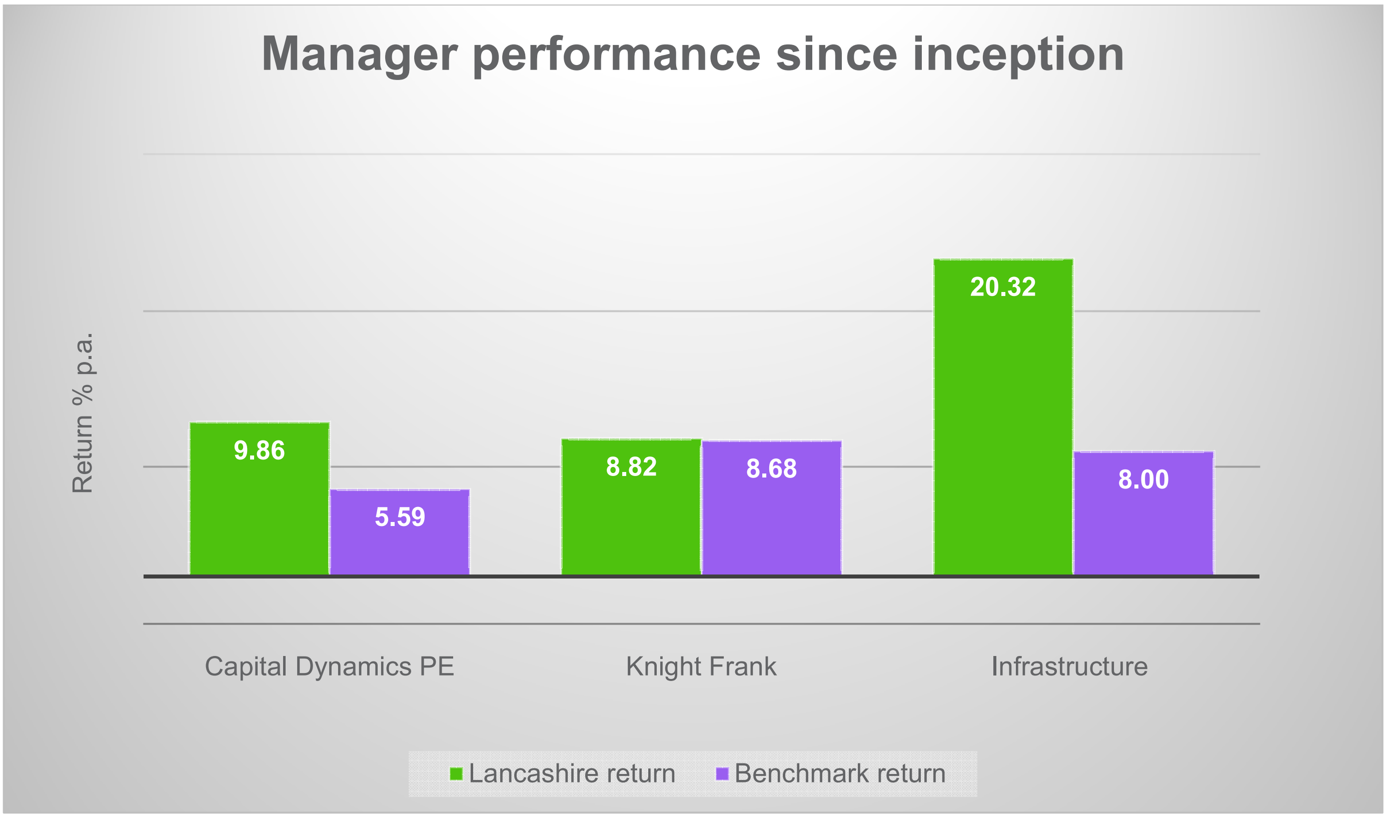
Private equity and real assets

Private equity and infrastructure investments performed strongly ahead of benchmark during this period, reversing what appeared to be poor performance in the previous year.

Conversely, property appears to have performed less well against benchmark during this period (having performed strongly last year), largely reflecting initial transaction and stamp duty costs of the push to increase the portfolio size, as well as the lag in valuation uplift likely to occur in relation to property development activity. In the long term, real estate investments are slightly ahead of the benchmark return.

Annual valuations of these less liquid asset types can be affected by a number of factors and as with all of the Fund's investments, it is long term performance and the role that an investment plays in meeting the overall needs of the Fund that is key.

Most importantly, therefore, the long term performance since investments in these asset classes were made is strongly positive.



Private equity investments provide alternative opportunities to generate returns linked to movements in stock markets, but because of the higher level of engagement by asset managers in the investee companies, gives an expectation of better long term returns. This return expectation has to be balanced with the higher risk profile and the lack of liquidity of these investments, which typically have to be held from 7-10 years before gains can be realised.

Infrastructure investments offer long-term returns that are expected to closely match the Fund's investment needs and in addition provide an important source of diversification. As well as investing in traditional infrastructure funds, the Fund has made a number of direct investments in global infrastructure, notably in the renewable energy sector. The ability to invest directly minimises fee costs and has enabled the Fund to negotiate favourable investment terms which have delivered excellent performance since inception.

Property investments play an important role in the Fund, both because of the diversification benefits that they bring and also because of the generated rental income which can be used to fund member benefits without the need to liquidate other investments. This role will become increasingly important as the gap between contributions and member benefits will inevitably grow with time.

The largest ten direct property holdings of the Fund as at 31 March 2015 were:

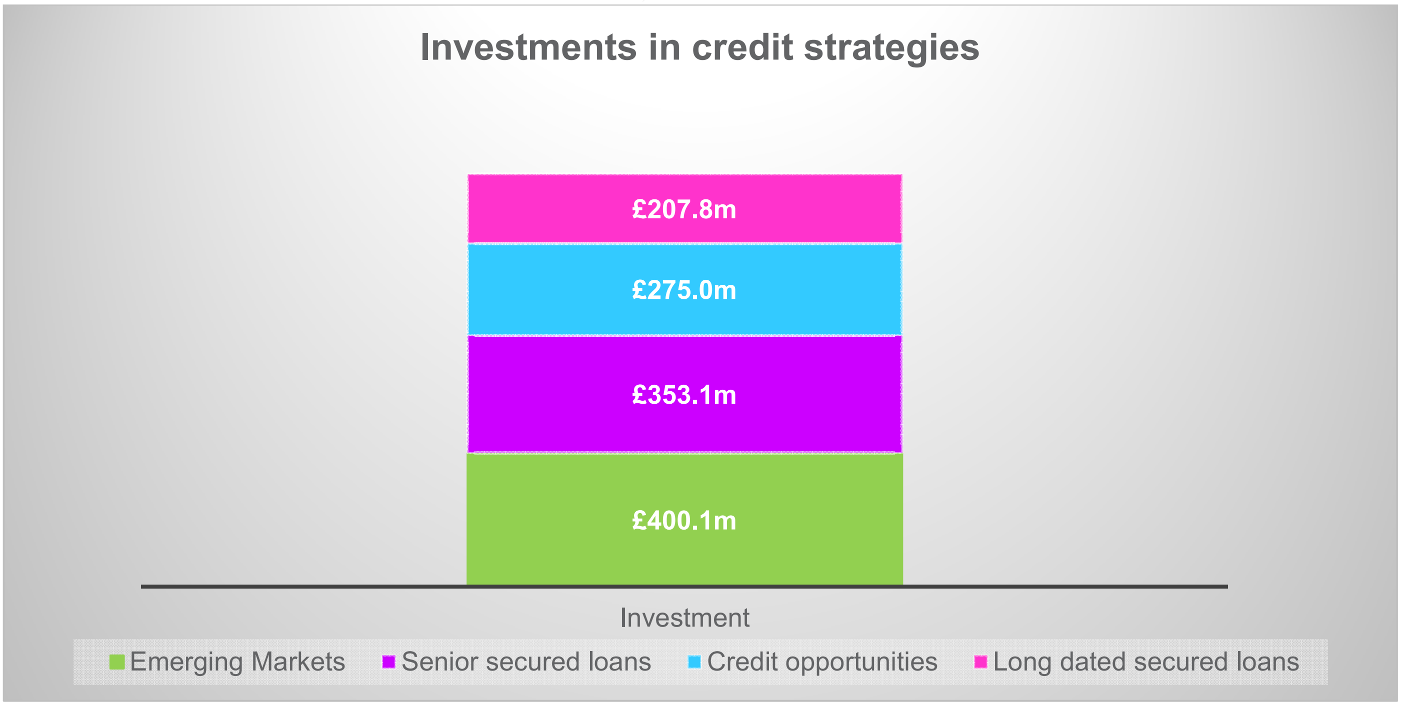
Property	**Sector**	**Market Value as at 31 March 2015 £m**
Sainsbury's, Chesham	Shops	31.2
Princes Mead Shopping Centre, Farnborough	Shopping Centre	28.8
1-3 Dufferin St, London	Offices	25.4
St Edmondsbury Retail Park, Bury St Edmunds	Retail / Warehouse	21.0
Benson House, Leeds	Offices	20.5
Tuscany Park, Wakefield	Industrial / Warehouse	19.5
1 & 2 Woodbridge Meadows, Guildford	Multi let commercial	17.6
Weir Road, Wimbledon	Industrial / Warehouse	17.4
St Peter Street, St Albans	Multi let commercial	16.3
Oxonian Park, Oxford	Industrial / Warehouse	15.7
		213.4

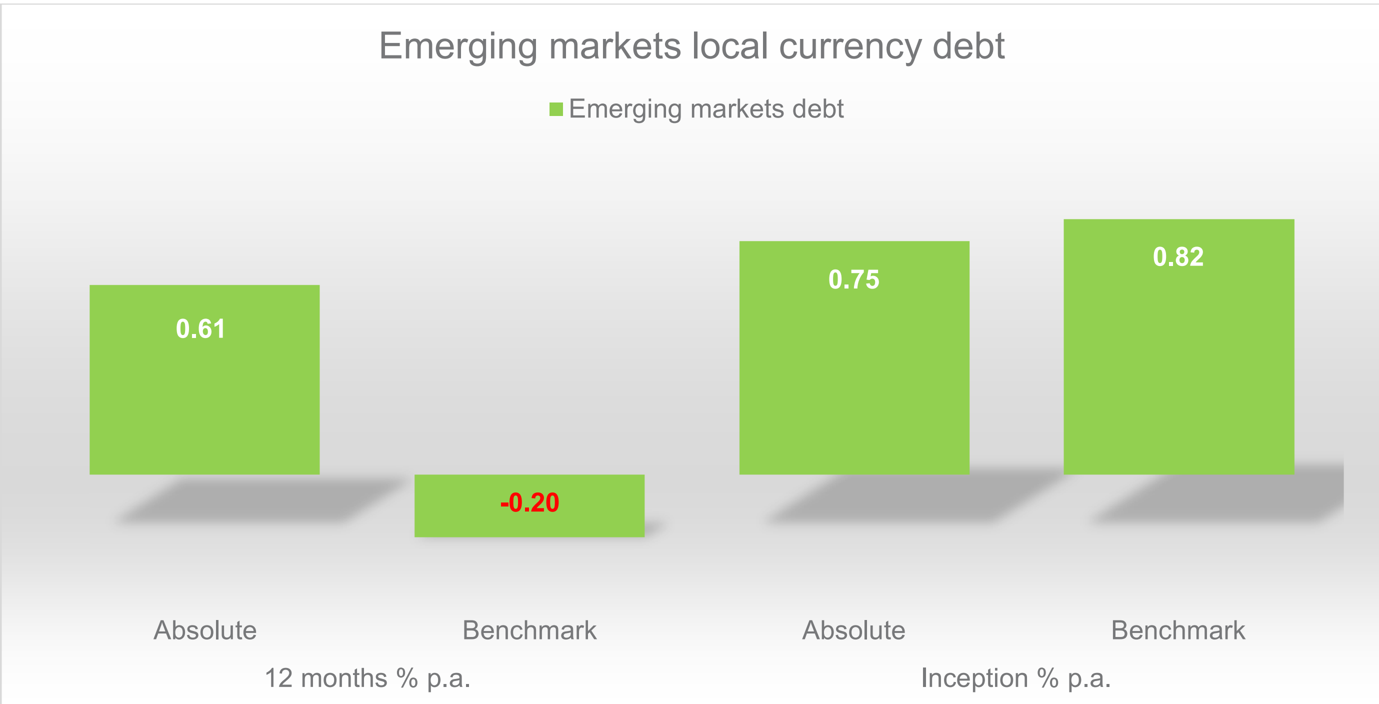
In the year the Fund has extended its property development activity as a way of acquiring investment assets at competitive prices and focused a part of its property investment allocation on local investment in the County of Lancashire. At 31 March 2015 the Fund had two projects under construction in the private rented and student accommodation sectors with a gross development value of £50m.

Credit strategies

Credit strategies follow four themes. Investments in Emerging Market debt amounted to £400.1m (6.88% of the Fund), £353.1m (6.02%) was invested in non-investment grade secured lending, £275m (4.73%) in cyclical credit opportunities and £207.8m (3.58%) in debt secured on real assets.

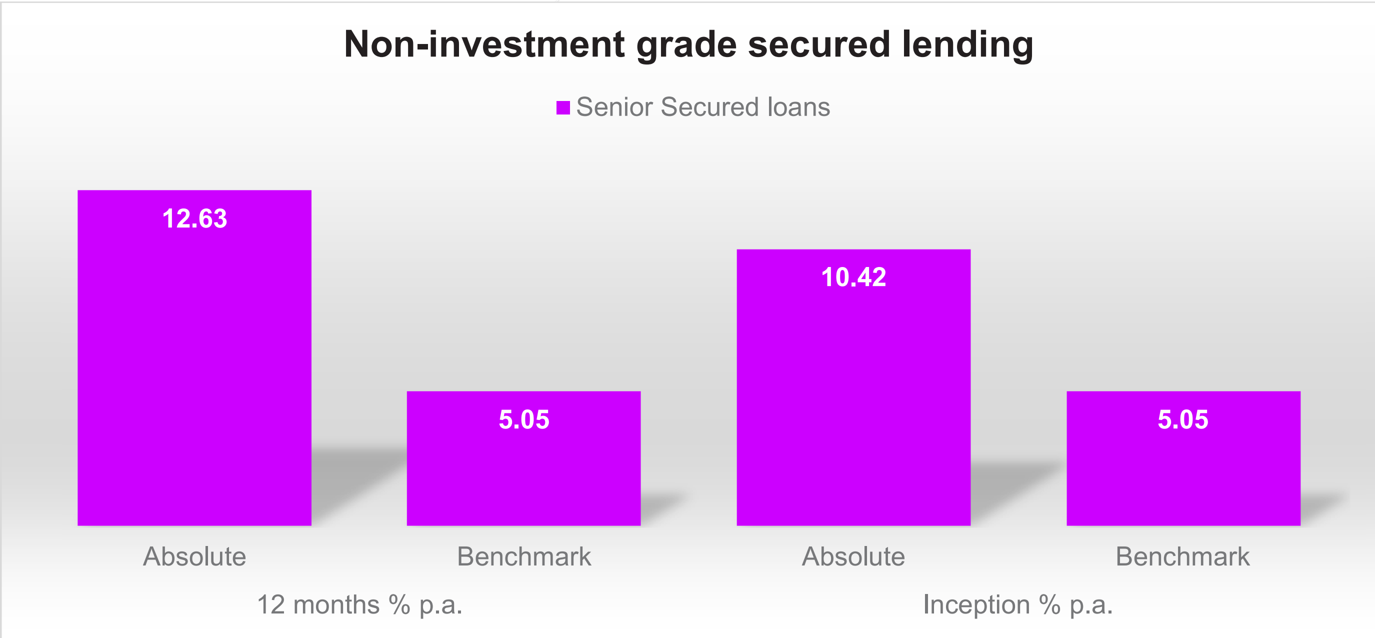
Target levels of investment are approximately £440m in each category and further commitments were made during 2014/15. Investment levels will approach targets over the coming years as those commitments are drawn down.





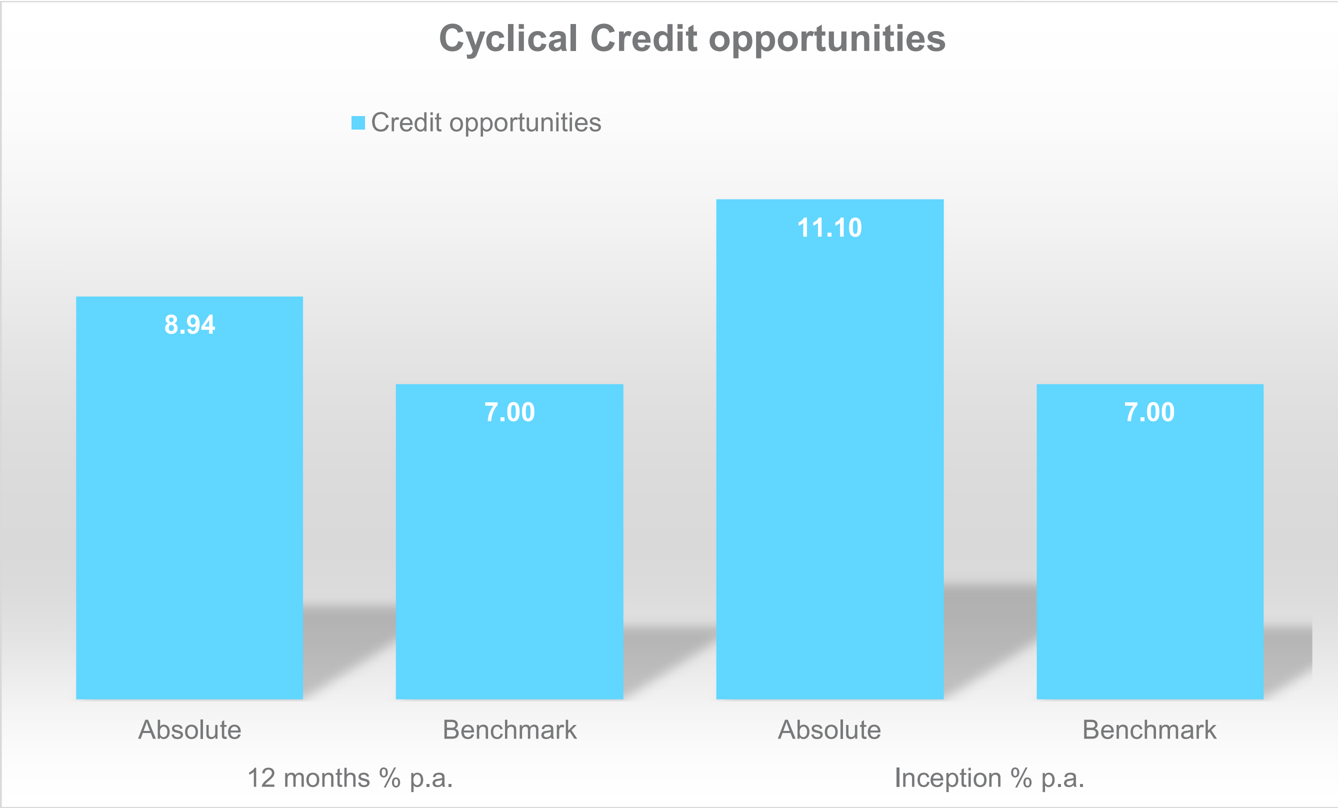
Emerging markets sovereign debt returns suffered from a number of different effects, notably ongoing crises in a number of jurisdictions, continuing depression in global economic demand growth and the reversal of fiscal stimulus in the USA which has led to a withdrawal of significant amounts of international investment.

The Fund's investments in emerging markets debt returned a small return of 0.61% versus a benchmark of -0.20%. These investments are considered likely to benefit from long-term global economic growth and strengthening of the currencies of emerging economies, even if there is some short term volatility. In addition, the asset class provides useful diversification from other more mainstream credit investments.

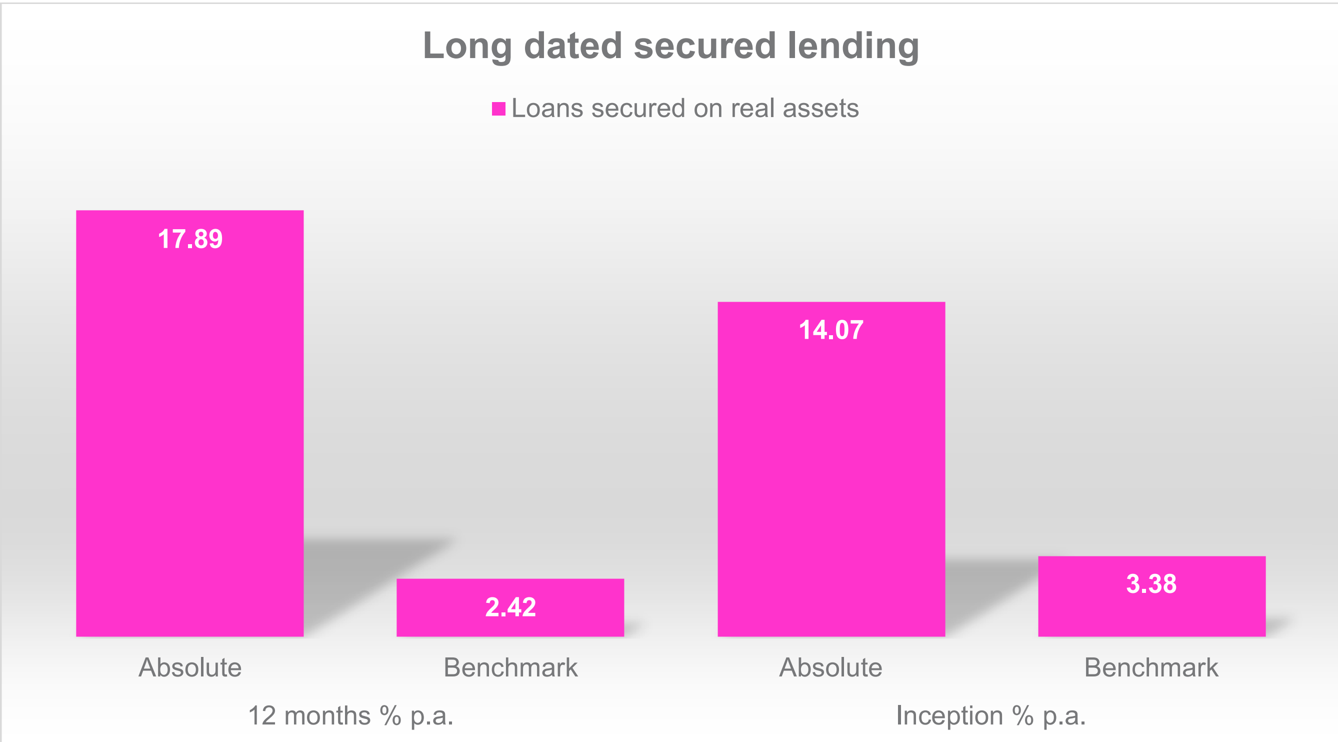


Investments in non-investment grade secured debt recorded a return of 12.63% during the period versus a benchmark of 5.05%. These investments deliver regular cash flows that are reinvested and the investment team believes that they provide an excellent risk/reward profile when compared to traded non-investment grade bonds.

The Fund added further investments to this credit category during the year, diversifying geographical and currency exposure and adding direct lending to small and medium size enterprises to the portfolio.



Investments in cyclical credit opportunities delivered 8.94% versus a benchmark of 7.00%. These investments seek to take advantage of specific opportunities where 'technical' factors mean that assets can be acquired at a discount to their long-term economic value. Generating returns in this credit category requires manager skill in identifying investment opportunities and in managing investments to achieve maximum value. The investments may be illiquid, having to be held to maturity in order to realise gains. They provide a diversification benefit and the expectation of excess returns over the medium term; however valuations require a degree of manager judgement and so return figures should be treated with caution until the portfolio is mature and has a significant track record of realising mark-to-market gains.



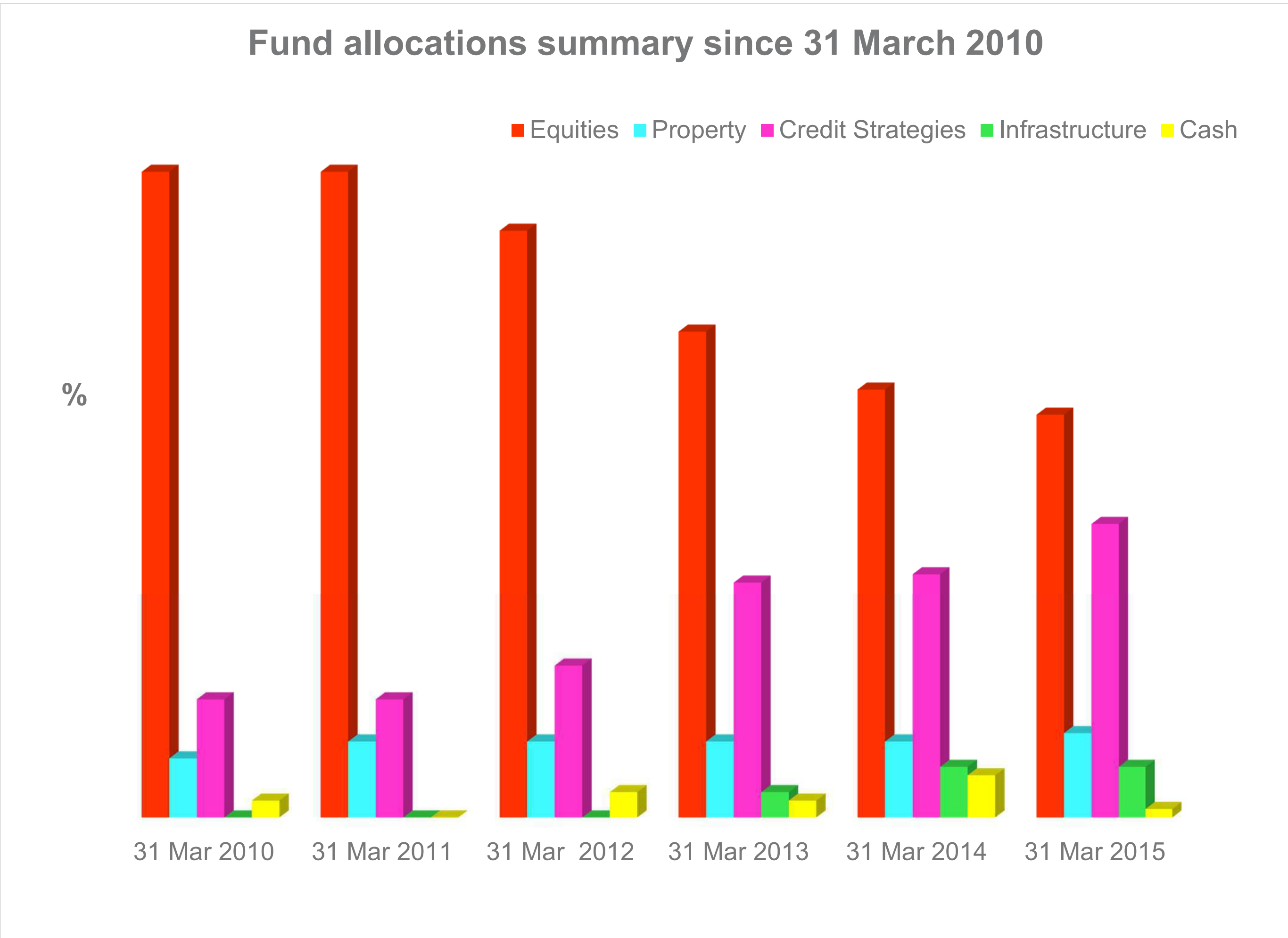
Debt secured on real assets showed significant returns during the period, 17.89% versus a benchmark of 2.42%. However this is an immature portfolio, largely denominated in US Dollars so much of the return comes from disproportionate currency effects.

These investments are typically long dated in nature and provide a very low risk profile, being secured, typically, on real estate. Properly underwritten and managed, there is a very low expectation of loss. Whilst generating lower expectations of long term return, these investments should provide a very good match for the long term needs of the Fund to generate income and protect the value of the portfolio.

Trend

The Fund's investment strategy focusses on reducing reliance on assets such as listed equities, in favour of asset classes such as infrastructure and floating rate credit, and to deliver increased diversification, for example through increased allocations to real estate and other alternative asset types.

This move towards a diverse range of asset classes has resulted in equity accounting for 48% of the Fund at 31 March 2015, compared with 77% five years ago. In the same period, infrastructure and credit investments have increased from 16% to 41%.



At 31 March 2015, equity holdings were towards the middle of their target range (40%-60%), property remained at the bottom of its target range (10%-20%), and credit, infrastructure and cash

were at the top of range (20%-40%). The Fund was holding higher levels of cash than would be the strategic level, due to the impact of transitioning between different asset classes.

As at 31 March 2015, the Fund had committed to invest a further £241m in infrastructure investments, £288.7m in private equity funds, £32m in property developments and £304.1m in various credit strategies. These commitments will be met from the holdings of cash and cash equivalents that the Fund holds (£865.8m) plus from distributions from the maturity of existing investments.

Cashflow

Total cash inflows during the year consisted of £333.5m and cash outflows were £375.7m. This deficit was contributed to, by a significant increase in the number of retirement lump sums paid out as a result of Lancashire County Council's transformation program which has led to a short term increase in early retirements. Furthermore, the Fund was exposed to a significant cash outflow of £89.6m relating to the mandatory transfer of pension assets relating to the probation service under a central government initiative.

The total net cash outflow of £42.2m (net withdrawals from members plus investment income) was comfortably covered by Fund investment performance, leading to a net growth in the fund during the year of £642.6m.

Governance

There are four levels of responsibility for the investment management of the Lancashire County Pension Fund.

1. The County Council's Pension Fund Committee takes major policy decisions and monitors overall performance. The Pension Fund Committee comprises fourteen County Councillors and seven voting co-optees representing other interested organisations;

2. The Investment Panel recommends specific investment allocations in line with the Committee's policy decisions, approves individual investments and monitors the activity of the Fund's external managers. At the 31st March 2015 the Investment Panel consisted of two independent external investment advisers, the Chief Investment Officer, the Deputy County Treasurer and the Treasurer to the Pension Fund, who acted as Chair. Subsequently from the 1st April 2015 the Investment Panel changed and the Director of the Pension Fund, who now acts as Chair and the Head of Investment Compliance replaced the County Treasurer and Deputy County Treasurer.

3. The investment management team of Fund employees undertake day-to-day investment fund selection, monitoring and due-diligence;

4. Finally, external investment managers (or managers of unitised investments held by the Fund) fix precise weightings and select the individual investments within their particular remit.

A more detailed description of the responsibilities of the Committee, its Sub-Committees and the Panel is found in the Governance Policy Statement. Governance Policy Statement

Social, environmental and ethical considerations

The Fund takes an active stance on corporate governance issues. It uses Pensions Investment Research Consultants ("PIRC") to vote on its behalf at shareholder meetings. PIRC advises on Socially Responsible Investment issues and issues voting guidance and commentary for shareholder meetings. PIRC is instructed to vote the Fund's shares in accordance with its guidelines unless an Investment Manager requests a different vote for investment management reasons. In the latter case, the Director of the Fund will decide how best to cast the vote in the long-term financial interest of the Fund.

The Fund is a member of the Local Authority Pension Fund Forum ("LAPFF"), which is a group of like-minded local authority pension funds that meet to discuss and act / engage in respect of Socially Responsible Investment and Corporate Governance issues.

Policy on Voting

For many years, the Fund has followed the voting recommendations of PIRC with the Fund's managers being instructed to vote at shareholder meetings in accordance with PIRC's recommendations. PIRC has been acting as the Fund's proxy since 2011 and casting the Fund's votes directly at shareholder meetings.

The Fund's investment managers receive advance notice of PIRC's voting intentions and may raise concerns with the Fund if they do not believe the recommended stance on a vote is in the best financial interests of the Fund.

The Committee delegates its agreement of any significant departure from the guidelines proposed by the managers, to the Director as Chair of the Investment Panel. In all voting decisions the long-term financial interests of the Fund are paramount. There were no occurrences of this during 2014/15.

Policy on Risk

The consideration of investment risk forms part of the Pension Fund's overall risk register, which is presented to Pension Fund Committee on a bi-annual basis. The key risks and associated mitigations are replicated in the Funding Strategy Statement.

The overriding objective of the Fund in respect of its investments is to minimise risk and maximise return while reducing volatility. The structure of the investment management arrangements has been implemented in order to produce a balanced spread of risk for the portfolio.

Operational risk is minimised by having custody of the Fund's financial assets provided by a regulated, external, third party, professional custodian.

The Fund's Global Custodian is Northern Trust. All public market investments are held in nominee accounts of Northern Trust. All private market investments, including interests in private equity, property and other pooled funds are held directly in the name of Lancashire County Council as administering authority of the Lancashire County Pension Fund. Northern Trust provides detailed investment accounting and reconciliation services for all private market investments.

The title deeds in respect of the Fund's property holdings are held by Lancashire County Council and its property solicitors.

Compliance with Myners Principles

The Fund is compliant with the Myners Principles, details of which can be found in the Statement of Investment Principles. Statement of Investment Principles

G. Accounts of the Fund

Responsibilities for the statement of accounts

The responsibilities of the administering authority

The administering authority is required:

- To make arrangements for the proper administration of the financial affairs of the Lancashire County Pension Fund (Pension Fund), and to ensure that an officer has the responsibility for the administration of those affairs. For Lancashire County Council, the respective officer is the Section 151 Officer, who is also the Section 151 Officer to the Pension Fund;

- To manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets.

The responsibilities of the Section 151 Officer to the Pension Fund

The Section 151 Officer to the Pension Fund is responsible for the preparation of the Pension Fund's statement of accounts. In accordance with the CIPFA Code of Practice on Local Authority Accounting in Great Britain (the Code), the statement is required to present fairly the financial position of the Pension Fund at the accounting date, and its income and expenditure for the year then ended.

In preparing this statement of accounts, the Section 151 Officer to the Pension Fund has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

In addition, the Section 151 Officer to the Pension Fund has:

- Kept proper accounting records which were up to date;
- Taken responsible steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts relate to the financial year ended 31 March 2015 and include the Fund Account and the Statement of Net Assets which are prepared in accordance with standard accounting practice as outlined in the notes to the accounts of the Pension Fund.

Abigail Leech ACA

Acting Section 151 Officer

28th September 2015

Annual Governance Statement 2014/15

Introduction

The Lancashire County Pension Fund is a Pension Fund within the Local Government Pension Scheme (LGPS) which is a funded pension scheme created under the terms of the Superannuation Act 1972. Lancashire County Council is the body appointed under statute to act as the Administering Authority for the Fund.

At 31st March 2015 the Lancashire County Pension Fund provides a means of pension saving and retirement security for 153,203 members across 218 organisations with active members and a range of other organisations with only deferred or pensioner members. The Fund is one of the largest funds within the LGPS.

While the Fund is technically not a separate legal entity it does have its own specific governance arrangements and controls which sit within Lancashire County Council's overall governance framework. Given both the scale of the Pension Fund and the very different nature of its operations from those of Lancashire County Council more generally it is appropriate to conduct a separate annual review of the governance arrangements of the Pension Fund and this statement sets out that review.

The Pension Fund's Responsibilities

The Pension Fund is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that what is, in effect, pensioners' money provided in large part from the public purse is safeguarded and properly accounted for. The Fund has a responsibility under local government legislation to make arrangements which secure continuous improvement in the way in which its functions are delivered.

In discharging this overall responsibility the Pension Fund is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including arrangements for the management of risk.

The Fund has adopted its own Governance Policy Statement in line with the relevant regulations concerning the governance of funds within the LGPS. This statement has regard to relevant standards such as the Myners' principles. The Governance Policy Statement is available through the following link:

http://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33736&e=e

In addition the operation of the Fund is subject to Lancashire County Council's Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework *"Delivering Good Governance in Local Government"*. The code is available from the County Council's website at the following link:

http://www3.lancashire.gov.uk/corporate/atoz/a_to_z/service.asp?u_id=1821&tab=1

This statement sets out both how the Pension Fund has complied with its own Governance Policy Statement and Lancashire County Council's Code of Corporate Governance and also meets the requirements of the Accounts and Audit (England) Regulations which require all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Pension Fund is directed and controlled and the activities through which it engages with and informs stakeholders, including both fund members and employers. It enables the Fund to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective outcomes.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot, particularly in the investment context, eliminate all risk and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Fund's objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This statement reports on the annual review of the governance framework by officers which confirms that the framework has been in place within the Pension Fund for the year ended 31 March 2014.

The Fund's Governance Framework
The key elements of the systems and processes that comprise the Fund's governance framework are:

The identification and communication of the Fund's purpose objectives and intended outcomes to Fund members and employers.
The Fund has an established planning process focussed around the triennial actuarial review and the various teams providing services to the Fund produce annual service plans within the County Council's overall business planning framework.

Review of the Fund's objectives and intended outcomes and implications for the Fund's governance arrangements
Senior Managers review new and proposed legislation and the results of activities such as the triennial valuation on an ongoing basis and propose any necessary changes either to objectives and outcomes or the governance arrangements to the Pension Fund Committee.

The Pension Fund Committee meets regularly and considers the various plans and strategies developed in order to meet the strategic objectives of the Fund and to monitor progress on the delivery of the strategic objectives.

All reports considered by the Pension Fund Committee identify how the key risks involved in any proposed decision and the nature of mitigation, together with any legal or other issues that might arise.

Measurement of the quality of services provided to Fund members and employers, ensuring they are delivered in line with the Fund's objectives and ensuring that they represent the best use of resources and value for money.
The Pension Fund Committee has approved a strategic plan for the Fund setting out specific objectives in relation to the 4 dimensions of the running of a pension fund. These are reflected in the tasks included in the various team service plans for the year progress against which is measured through the County Council's overall performance management framework, which includes processes for monitoring and managing both individual and team performance.

Reports on the performance of the Investment Strategy (and consequently the results achieved by the Investment Management Team) are reported to each meeting of the Pension Fund Committee. This reporting focuses not just on the performance of investments but on the scale of the Fund's liabilities. Asset allocation strategies are as efficient as possible in providing the best returns (net of fees) for the appropriate amount of risk and an appropriate level of fees.

A six monthly report on the performance of the administration service is presented to the Pension Fund Committee each year and made available to all Fund members and stakeholders. This report shows, amongst other things, performance against target for a range of industry standard process targets.

A programme of ongoing review of both procedures and processes is maintained and the cost of the administration service charged to the Fund is maintained below the lower quartile cost of comparable authorities as published by the Department of Communities and Local Government.

Definition and documentation of the roles and responsibilities of those involved in the management of the Fund with clear delegation arrangements and protocols for communication.
Clear job descriptions exist for all staff involved in the management of the Fund and the delivery of services to Fund members and employers, and together with appropriate guidance documents and constitutional documents such as the Governance Policy Statement provide the basis on which the management of the Fund is undertaken within a defined framework of procedural governance. Matters reserved for the Pension Fund Committee and Senior officers are defined in the Governance Policy Statement and more widely (for example in relation to staffing matters) in the County Council's Constitution.

Development communication and embedding codes of conduct, definition of the standards of behaviour for members and staff.
These matters are defined in law and the various codes of conduct and protocols contained within the County Council's constitution. Staff are reminded of the requirements of these codes on a regular basis, while specific training in relation to matters such as declarations of interest is provided to elected members following each set of County Council elections.

Review of the effectiveness of the Fund's decision making framework including delegation arrangements and robustness of data.
The interaction between the Pension Fund Committee and the Investment Panel, including levels of delegation, has been reviewed and revised to better meet the needs of the Fund in terms of effective delivery of the Investment Strategy, and this is reflected in specific reporting arrangements in relation to investment activity. These arrangements will be reviewed in the light of the new statutory and regulatory framework that will be put in place by April 2015.

The development of a more liability aware investment strategy and changes in the arrangements for data collection from fund employers will increase the amount and quality of information available to support decision making and therefore serve to strengthen the decision making process.

Review and update of standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals which define how decisions are taken and the processes and controls required to manage risks.
At the top level these requirements are set out in the Governance Policy Statement and within the County Council's Constitution. These are reviewed on a regular basis and are supported by a range of detailed materials appropriate to specific activities.

The management of risk is central to the Fund's activities and efforts have been made to formalise the Fund's risk register as well as increase awareness of risk in various contexts including:

- Investment decision making
- Project Management and Delivery
- Data Quality
- Fund Employer Risks

Fulfilling the core functions of an Audit Committee
In relation to the Fund this role is performed by Lancashire County Council's Audit and Governance Committee, which conducts an annual review of its effectiveness in undertaking this role.

The ensuring of compliance with relevant laws and regulations, internal policies and procedure and that expenditure is lawful
The key area of compliance from an operational point of view is with the various Local Government Pension Scheme Regulations covering both the structure and benefits payable by the Fund and the investment of funds.

Compliance with the Scheme Regulations is ensured by a dedicated technical team and the use of a pensions administration system specifically designed for the LGPS.

The Fund's investments are managed in line with the relevant regulations with independent assurance in relation to compliance provided both by the Fund's custodian and an Investment Compliance Team which is managerially independently from the Investment Management Team.

The Fund and its officers must also comply with a range of other laws and regulations applicable either to local authorities generally or to any organisation. These are managed through the specific accountabilities of individual managers or through the wider County Council's business processes with the Monitoring Officer providing advice on the impact of legislative changes when necessary.

The basic system of financial control mirrors that of Lancashire County Council, and is centred on principles of appropriate segregation of duties, management supervision, delegation and accountability.

Managers undertake maintenance of and input into the system, including review and reporting of actual performance against plans and budgets in the context of investments, administration and accounting.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner.

The Fund participates in the National Fraud Initiative, previously managed by the Audit Commission and actively investigates all data matches found as a result of this process. The results of this work are reported to the Pension Fund Committee. More generally Lancashire County Council's procedures for investigating allegations of fraud and corruption apply equally to the Fund.

Whistle blowing and receiving and investigating complaints from the public
The Fund is covered by the County Council's whistle blowing policy, the effectiveness of which is reported to the Audit and Governance Committee annually.
Complaint handling is carried out in line with either the Internal Dispute Resolution Procedure (in relation to complaints by members in relation to the level of benefit awarded) or the County Council's complaints procedure (in relation to other matters). These policies are publicly available and the numbers and outcomes of complaints under the Internal Dispute Resolution Procedure are reported annually in the Annual Administration Report.

Identifying the development needs of members and senior officers in relation to their roles and supporting them through appropriate training.
Elected members undertake training needs analysis linked to the CIPFA Knowledge and Skills Framework. This has resulted in the provision of access to a range of specific reading material and the provision of a programme of learning opportunities targeted at specific areas of identified need. In addition prior to major decisions coming before the Pension Fund Committee topic based

training relating to the decision at hand is provided. The delivery of this programme is the responsibility of the Head of Investment Compliance.

All staff are subject to an annual appraisal process which identifies specific training requirements and any knowledge gaps relevant to their role. Staff who are members of professional bodies also have ethical obligations to undertake Continuing Professional Development relevant to their role.

Establishment of clear channels of communication with all stakeholders ensuring accountability and encouraging open consultation.

The Fund maintains a Communications Policy Statement as part of its policy framework which sets out the way in which the Fund will engage with specific audiences and on what issues. The key channels of communication are:

- Newsletters for active, deferred and pensioner members;
- Campaign materials focussed around scheme changes;
- Workshops, conferences and guidance materials provided to employers
- The Fund's website, which contains an increasing transactional capability.
- An annual "brief" for Finance Directors of employer organisations providing information on the performance of the Fund and an update on specific issues of interest, such as the triennial valuation.
- The publication of committee papers, minutes and various annual reports and policy documents on the internet.

The Incorporation of good governance arrangements in respect of partnerships and other group working and reflecting these in the Fund's overall governance arrangements.

The Fund is bound by Lancashire County Council's partnership protocol, which highlights the need for such arrangements to reflect good practice in terms of governance. The Fund itself has a limited number of "partnerships", which are largely in the form of jointly procured contracts for the provision of services for which suitable governance arrangements are in place. However, for all arrangements where there is a relationship between the Fund and another organisation the Fund seeks to spell out clearly the expectations and requirements on each party, whether in contractual form where appropriate or through a form of "service level agreement" where a contract is not appropriate.

The Fund seeks to comply with the principles set out in CIPFA's Statement "The Role of the Chief Finance Officer in Local Government", and the arrangements within Lancashire County Council comply with the principles of this statement. The Fund, however, is not a local authority in its own right and therefore the applicability of some elements of the statement within the context of the Fund is limited. During 2014/15 the County Treasurer, as the County Council's Chief Finance Officer, was separately appointed by the Full Council as Treasurer to the Lancashire County Pension Fund and consequently the Chief Officer responsible for fulfilling the County Council's duties as administering authority. Following a restructure of the County Council's management from 1st April 2015 the functions of Chief Finance Officer have passed to the Director of Financial Resources while the responsibility for fulfilling the County Council's functions as administering authority have passed to the Director of the Lancashire County Pension Fund.

The Fund seeks to comply with the requirements of CIPFA's Knowledge and Skills Framework. Training is ongoing and will continue to be focussed on the needs identified through an analysis of training needs.

The Fund has, in line with the relevant LGPS regulations taken steps to separate its banking arrangements from those of the County Council and these have been reviewed by both internal and external auditors and been seen to be satisfactory. The Fund is also continuing to develop the way in which it uses its accounting system in order to gain greater efficiency in back office operations and make tasks such as accounts preparation easier.

Review of Effectiveness

The Pension Fund Committee is responsible for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the senior managers responsible for the delivery of the Fund's various activities, who have a responsibility for the maintenance and development of the governance environment, the Chief Internal Auditor's annual report, and also reports of the external auditor and other review agencies such as the Pensions' Regulator and Pensions' Ombudsman.

The key planned activities of the Fund during 2014/15 were:

- To work with the Pension Fund Committee to define more clearly the overall objectives and strategic planning framework for the Fund;
- To review and refresh, as necessary, those elements of the Fund's policy framework that have not yet been subject to review as part of the process of introducing LGPS 2014.
- To review the Fund's governance arrangements in the light of the Government's proposals for reform as part of LGPS 2014, including preparation for the new role for the Pensions' Regulator.
- To work with members of the Pension Fund Committee and officers involved in the running of the Fund to ensure that they are able to comply with the requirements set out in the CIPFA Knowledge and Skills Framework.
- To develop and begin the implementation of a more "liability aware" strategy for the management of the Fund's investments, in particular reflecting the individual circumstances of employing organisations;
- To embed the processes associated with the Fund's risk register in the management of the Fund.
- To review the transparency and scale of charges made by the County Council for services provided to the Fund.
- To produce a formal Compliance Manual for the Fund consolidating currently disparate guidance notes and memoranda.
- To formalise the arrangements for the management of the Fund's internal cash holdings by County Council staff into a clear investment mandate.

The Committee has overseen each of these processes and has continued the Governance arrangements of its predecessor which delegate executive authority to officers in appropriate circumstances with effective accountability and scrutiny arrangements. This process has embedded the arrangements agreed by the previous Pension Fund Committee which are set out in the Governance Policy Statement. In particular the Committee has reviewed and approved a formalisation of the Fund's overall arrangements for the management of the different categories of risk to which it is exposed.

During the Year changes were made to the Fund's overall governance arrangements to accommodate the creation of the new statutory Local Pension Board as an oversight body. This resulted in the discontinuation of the Pension Fund Administration Sub Committee, which oversaw a range of administration related matters.

The Investment Panel ensures that appropriate due diligence is undertaken on new investments and ensures that they comply with the LGPS Investment Regulations. The Panel is chaired by the Treasurer and includes the Fund's two Independent Investment Advisers. The Panel continues to operate under delegated authority from the Pension Fund Committee.

Lancashire County Council's Democratic Services Team is responsible for supporting the Committee and its chair in managing Committee, Sub Committee and Investment Panel meetings. The County Secretary and Solicitor (from 1st April 2015 the Director of Finance, Governance and Public Services) as the County Council's Monitoring Officer carries the same responsibilities in relation to the Fund.

The Fund's Internal Audit Service is provided by the County Council's Internal Audit Service and the Chief Internal Auditor (from 1st April 2015 the Head of Service – Internal Audit) was during the year managerially accountable to the County Treasurer, and from 1st April 2015 will be managerially accountable to the Director of Legal and Democratic Services. The Chief Internal Auditor provides both a separate annual audit plan and annual report to the Pension Fund Committee, which are subject to approval by the Committee. The work of Internal Audit is carried out:

- In accordance with the standards set out in relevant professional guidance promulgated by CIPFA and the Institute of Internal Auditors and the requirements of International Public Sector Auditing Standards.

- Informed by an analysis of the risks to which the Fund is exposed. The Internal audit plan is developed with and agreed by the Chief Internal Auditor and the various senior managers responsible for aspects of the Fund's operations.

- During the year the Chief Internal Auditor's reports include Internal Audit's opinion on the adequacy and effectiveness of the Fund's system of control.

The Chief Auditor's Annual Report for 2014/15 indicates that she is able to provide substantial assurance over the controls operated by the Fund.

External audit of the Fund is provided by Grant Thornton who were appointed by the Audit Commission as a consequence of being appointed as auditor for Lancashire County Council.

- The work is performed to comply with international auditing standards.

- The auditors take a risk based approach to audit planning as set out in the Code of Audit Practice. Grant Thornton will report on the audit of the Fund's financial statements.

- The audit will include a review of the system of internal control and the Annual Governance Statement within the context of the conduct of those reviews relating to the County Council.

- Grant Thornton were appointed for five years following a procurement process managed by the Audit Commission.

Actions Planned for 2015/16

The following specific actions are proposed for completion during 2014/15.

- A decision on whether to proceed with the development of a formalised collaborative arrangement with the London Pension Fund Authority that could require fundamental changes to the Fund's Governance arrangements.
- A review of the Fund's governance arrangements in the light of both the proposed formal collaboration and the creation of the new Local Pension Board.

- The further review of the Fund's policies and discretions in the light of LGPS 2014.
- The development of new routes for engagement with both fund employers and fund members across a wider range of issues.
- The formalisation of employer risk assessment activity within the Fund's overall governance arrangements.

County Councillor K Ellard
Chair of the Pension Fund Committee

George Graham
Director
Lancashire County Pension Fund

5 June 2015

Independent auditor's statement to the members of Lancashire County Council on the Pension Fund financial statements included in the Pension Fund annual report.

Lancashire County Pension Fund
Fund account

	Note	2014/15 £m	2013/14 £m
Dealing with members, employers and others directly involved in the Fund			
Contributions	6	238.0	214.0
Transfers in from other pension funds	7	4.8	7.1
		242.8	221.1
Benefits	8	(240.2)	(221.1)
Payments to and on account of leavers	9	(100.1)	(15.3)
Management expenses	10	(35.4)	*(31.3)
		(375.7)	*(267.7)
Net withdrawals from dealings with members		**(132.9)**	***(46.6)**
Returns on investments			
Investment income	11	90.7	105.3
Profit and losses on disposal of investments and changes in the market value of investments	14	684.7	*118.4
Net return on investments		**775.4**	***223.7**
Net increase / (decrease) in the net assets available for benefits during the year		**642.5**	**177.1**

*Prior year restated to include all investment fees directly incurred by the Fund, including those charged on pooled fund investments previously accounted for within the valuation of investments.

Lancashire County Pension Fund

Net assets statement

as at 31 March 2015

	Note	31/03/15 £m	31/03/14 £m
Investment assets	14	6,383.1	4,877.3
Cash deposits	14	60.0	315.5
		6,443.1	5,192.8
Investment liabilities	14	(629.6)	(21.3)
Current assets	20	28.1	28.3
Current liabilities	21	(10.9)	(11.7)
Net assets of the Fund available to fund benefits at the period end		**5,830.7**	**5,188.1**

The Pension Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

This statement of accounts is that upon which the auditor should enter his certificate and opinion. It presents fairly the position of the Lancashire County Pension Fund as at 31 March 2015 and its income and expenditure for the year then ended.

Abigail Leech ACA

Acting Section 151 Officer

County Councillor Terry Brown

Chair of the Audit and Governance Committee

Notes to the financial statements

1. Pension Fund operations and membership

The Lancashire County Pension Fund is part of the Local Government Pension Scheme and is administered by Lancashire County Council. The County Council is the reporting entity for this Pension Fund.

The published accounts show that in 2014/15 cash inflows during the year consisted of £333.5 million and cash outflows were £375.7 million, representing a net cash outflow of £42.2 million (compared with an inflow of £58.7 million in the previous year). Benefits payable amounted to £240.2 million and were partially offset by net investment income of £90.7 million (including £11.7 million accrued dividends); contributions of £238 million and transfers in of £4.8 million. A bulk transfer out of £89.6 million in relation to the transfer of employment from the Probation Trust to Greater Manchester Pension Fund contributed to the overall cash outflow, as did the temporary investment of cash in liquid bond funds and directly held investment grade bonds to commit to investments in line with the Fund's investment strategy.

The following description of the Fund is a summary only. For more detail, reference should be made to the Lancashire County Pension Fund Annual Report 2014/15 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) regulations.

1.1 General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

The Fund is a contributory defined benefit pension scheme administered by Lancashire County Council to provide pensions and other benefits for pensionable employees of Lancashire County Council, the district councils in Lancashire and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and fire-fighters are not included within the Fund as they come within other national pension schemes.

The Fund is overseen by the Lancashire Pension Fund Committee, which is a committee of Lancashire County Council.

The investments of the Pension Fund are managed by both external and in-house investment managers. The asset allocation and policy in respect of the investments of the Fund is determined by the Pension Fund Committee, which meets four times a year with the Investment Panel in attendance. The Investment Panel meet at least quarterly, or otherwise as necessary. The Panel are responsible for making recommendations to the Pension Fund Committee in relation to the investment strategy of the Fund as well as monitoring the activities and performance of the investment managers. Full details of the Panel and Committees responsibilities are published in the Funds Statement of Investment Principles and are available from the Funds website at Your Pension Service - Lancashire Fund Information

1.2 Membership

Membership of the LGPS is automatic although employees are able to opt-out of membership if they choose. However, employees are re-enrolled every 3 years under the government's auto-enrolment regulations.

Organisations participating in the Lancashire County Pension Fund include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 320 employer organisations (2013/14: 297 employer organisations) within Lancashire County Pension Fund including the County Council itself, of which 218 have active members (2013/14: 210) as detailed below:

Lancashire County Pension Fund	**31/03/15**	**31/03/14**
Total number of employers	320	297
Number of employers with active members	218	210
Number of active scheme members		
County Council	27,405	27,501
Other employers	26,774	27,243
Total	54,179	54,744
Number of pensioners		
County Council	21,765	21,068
Other employers	21,446	21,210
Total	43,211	42,278
Number of deferred pensioners		
County Council	29,148	28,058
Other employers	26,665	25,837
Total	55,813	53,895
Total membership	**153,203**	**150,917**

1.3 Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation relevant to the year ended 31st March 2015 was done at 31 March 2013. Currently employer contributions range from 3.0% to 25.8% of pensionable pay.

1.4 Benefits
Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, as detailed in the following summary:

	Service Pre 1 April 2008	Service post 31 March 2008	Service post 1 April 2014
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary	Each year worked is worth 1/49th x the pensionable pay for that year (or 1/98th of pensionable pay if member opts for the 50/50 section of the scheme)
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2014/15 which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in note 25 of these accounts.

3. Accounting policies

3.1 Fund Account - revenue recognition

3.1.1 Contribution income
Normal contributions both from the members and from the employer are accounted for on an accruals basis at the percentage rate recommended by the scheme actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

3.1.2 Transfers to and from other schemes

Transfer values represent amounts received and paid during the period for individual members who have either joined or left the Fund during the financial year and are calculated in accordance with Local Government Pension Scheme Regulations.

Individual transfers in/out are accounted for when received/paid, which is when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

3.1.3 Investment income

3.1.3.1 Interest income

Interest income is recognised in the fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

3.1.3.2 Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3.1.3.3 Distribution from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3.1.3.4 Property–related income

Property-related income consists primarily of rental income.

Rental income from operating leases on properties owned by the Fund is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

3.1.3.5 Movement in the net market value of investments
Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

3.2 Fund account – expense items

3.2.1 Benefits payable
Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed on the net assets statement as current liabilities.

3.2.2 Taxation
The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

3.2.3 Management expenses
The code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses management expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Costs". The comparative figures for 2013/14 have been restated to reflect the implementation of the CIPFA guidance.

3.2.4 Administrative expenses
All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged directly to the Fund. Management, accommodation, finance and other overheads are apportioned in accordance with council policy.

3.2.5 Oversight and governance expenses
All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund.

3.2.6 Investment management expenses
All investment management expenses are accounted for on an accruals basis.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of investments under their management and therefore increase or reduce as the value of these investments change.

The Fund has negotiated performance related fees with a number of managers.

Where an investment manager's fee note has not been received by the net assets statement date, an estimate based upon the market value of their mandate as at the end of the year is used for the inclusion in the fund account. In 2014/15, £2.3m of fees is based on such estimates (2013/14: £2.8m).

The costs of the council's in-house fund management team are charged direct to the Fund and a proportion of the council's costs representing management time spent by officers on investment management are also charged to the Fund.

3.3 Net assets statement

3.3.1 Financial assets

Financial assets, other than loans and receivables, are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised by the Fund.

The values of investments as shown in the net assets statement have been determined as follows:

3.3.2 Market-quoted investments

The value of an investment for which there is a readily available market price is determined by bid market price ruling on the final day of the accounting period.

3.3.3 Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

3.3.4 Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.

Where securities are subject to takeover offer, the valuation is based on the consideration offered, less realisation costs.

Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.

Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

3.3.5 Limited partnerships
Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

3.3.6 Pooled investment vehicles
Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

3.3.7 Freehold and leasehold properties
The properties were valued at open market value at 31 March 2015 by Simon Smith MRICS of independent valuers Cushman and Wakefield LLP in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arms-length terms.

3.3.8 Acquisition costs of investments
The acquisition costs of investments are included within the purchase price.

3.3.9 Valuation of investments
Investments are shown at their fair value as at 31 March 2015. The fair value is the current bid price for quoted securities and unitised securities.

3.3.10 Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at the end of the reporting period. Any gains or losses are treated as part of a change in market value of investments.

3.3.11 Derivatives
The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in fair value of derivative contracts are included in change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

3.3.12 Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Fund's loans and receivables comprise of trade and other receivables and cash deposits.

3.3.13 Cash and cash equivalents
Cash comprises of cash in hand and on demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

3.3.14 Financial liabilities
The Fund recognises financial liabilities at fair value at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to a liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

3.3.15 Financial liabilities at amortised cost
Financial liabilities at amortised cost are the default category for financial instruments that do not meet the definition of financial liabilities at fair value through profit or loss.

3.3.16 Actuarial present value of promised retirement benefits
The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under IAS 26 the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net asset statement (note 25).

3.3.17 Additional voluntary contributions
Lancashire County Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Pension Fund. The AVC providers to the Pension Fund are Equitable Life and Prudential. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the Pension Fund accounts in accordance with section 4(2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (note 19).

3.3.18 Securities lending
Investments lent under securities lending arrangements continue to be recognised in the net assets statement to reflect the scheme's continuing economic interest in the securities and are measured in accordance with the accounting policy for assets 'at fair value through profit and loss' or 'available for sale' as appropriate.

Collateral is marked to market, and adjusted daily. As the Fund has an obligation to return the collateral to the borrowers, collateral is excluded from the fund valuation.

4. Critical judgements in applying accounting policies

4.1 Unquoted private equity and infrastructure investments
It is important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equities and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association.

4.2 Pension Fund liability
The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 24. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. Assumptions made about the future and other major sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the net assets statement date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could be materially different from the assumptions and estimates.

The items in the Pension Fund's net assets statement at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Impact if actual results differ from assumptions
Private equity and infrastructure investments.	Private equity and infrastructure investments are valued at fair value in accordance with British Private Equity and Venture Capital Association guidelines / International Private Equity and Venture Capital Valuation guidelines or equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The market value of private equity and infrastructure investments in the financial statements totals £601.2m. There is a risk that these investments might be under or overstated in the accounts.
Long-term credit investments	Long-term credit investments are valued as the Fund's percentage share of the independently audited Net Asset Value of each individual strategy as provided by the relevant manager. In some cases the underlying investments will comprise level three assets whose valuations involve a degree of management judgement.	The market value of long-term credit investments in the financial statements totals £1,236.0m. There is a risk that these investments might be under or overstated in the accounts.

Bonds secured on affordable housing assets.	The bonds are held at the best estimate of market value. The value is based on long term expectations of interest rates, inflation and credit spreads in the housing association sector. Exact market benchmarks for these estimates may not be easily observable.	The market value of housing authority bonds totals £42.6m in the financial statements. There is a risk that this may be under or overstated.
Indirect property valuations.	Indirect properties are valued at the current open market value as defined by the RICS Appraisal and Valuation Standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Indirect property investments in the financial statements total £43m. There is a risk that these investments may be under or overstated in the accounts.
Actuarial present value of retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Mercer) is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.25% reduction in the discount rate assumption would increase the value of the liabilities by approximately £450m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £200m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £170m.

6. Contributions receivable

By category	**2014/15 £m**	**2013/14 £m**
Employers	183.2	160.0
Members	54.8	54.0
	238.0	214.0

By authority

	2014/15 £m	**2013/14 £m**
County Council	102.1	91.3
Scheduled Bodies	115.4	104.4
Admitted Bodies	20.5	18.3
	238.0	214.0

By type	2014/15 £m	2013/14 £m
Employee's normal contributions	54.8	54.0
Employer's contributions*	171.7	154.6
Employer's augmentation contributions**	11.5	5.4
	238.0	214.0

* 2014/15 employer's contributions include £47.3m in respect of deficit contributions.

**Augmentation contributions comprise additional pension benefits awarded to scheme members in line with the general conditions of employment.

Within the employee contributions figure for 2014/15, £0.4m is voluntary and additional regular contributions. (2013/14: £0.4m)

7. Transfers in from other Pension Funds

	2014/15 £m	2013/14 £m
Individual transfers in from other schemes	4.8	7.1
	4.8	7.1

8. Benefits payable

By category	2014/15 £m	2013/14 £m
Pensions	192.0	183.9
Lump sum retirement benefits	41.7	33.2
Lump sum death benefits	6.5	4.0
	240.2	221.1

By authority	2014/15 £m	2013/14 £m
County Council	106.3	93.4
Scheduled Bodies	118.5	112.9
Admitted Bodies	15.4	14.8
	240.2	221.1

9. Payments to and on account of leavers

	2014/15 £m	2013/14 £m
Refunds to members leaving service	0.2	0.0
Individual transfers	10.3	12.9
Group transfers	89.6	2.4
	100.1	15.3

As part of a Ministry of Justice review, Greater Manchester Pension Fund (GMPF) was chosen to administer the Local Government Pension Scheme for the National Probation Service from 1st June 2014. This resulted in a bulk transfer being made to transfer Lancashire Probation Trust's share of assets to the GMPF.

10. Management expenses

	2014/15 £m	2013/14 £m
Administrative costs	3.5	3.6
Investment management expenses	29.2	*25.1
Custody fees	0.2	0.2
Oversight and governance costs	2.5	2.4
	35.4	*31.3

*Prior year restated in accordance with CIPFA guidance on accounting for management expenses. Investment and management expenses include £15.5m of investment fees directly incurred by the fund and previously accounted for within the valuation of investments.

Investment management expenses include £1m (2013/14: £1.5m) in respect of performance-related fees paid/payable to the Fund’s investment managers. Investment management expenses also include £1.8m in respect of transaction costs (2013/14: £1.4m).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

11. Investment income

	2014/15 £m	2013/14 £m
Fixed interest securities	2.9	31.5
Equity dividends	40.6	36.8
Index linked securities	0.0	1.6
Pooled investment vehicles	15.0	6.4
Net rents from properties	24.3	23.5
Interest on cash deposits	0.5	3.2
Other	7.4	2.3
	90.7	105.3

12. Property income

	2014/15 £m	2013/14 £m
Rental income	29.7	27.4
Direct operating expenses	(5.4)	(3.9)
Net income	24.3	23.5

13. Stock lending

Northern Trust, the Fund's custodian, are authorised to release stock to a third party under stock lending arrangements up to the statutory limits for this activity. Stock lending income generated in 2014/15 was £2.2m (2013/14: £1.2m)

Securities on loan at the 31st March 2015 were £86m (2014: £131.7m) and are included in the net assets statement to reflect the scheme's continuing economic interest in the securities. This consisted of £86m of equities (2014: £129.9m equities and £1.8m bonds).

Collateral is marked to market, and adjusted daily. Additional collateral of between 2% and 5% is requested as an additional measure of industry standard practice to mitigate risk. As the Fund has an obligation to return the collateral to the borrowers, collateral is excluded from the fund valuation. The collateral is non cash and totalled £92m of equities (2014: £139.8m bonds).

14. Reconciliation of movements in investments and derivatives

	Market value as at 1 April 2014 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Market value as at 31 March 2015 £m
Fixed interest securities	233.0	328.1	(411.6)	(0.7)	148.8
Equities	1,921.1	356.8	(611.0)	333.8	2,000.7
Index linked securities	0.0	1,133.4	(873.3)	57.8	317.9
Pooled investment vehicles	2,238.9	761.1	(503.0)	243.2	2,740.2
Direct property	450.5	59.7	(29.4)	50.6	531.4
	4,843.5	2,639.1	(2,428.3)	684.7	5,739.0
Derivative contracts:					
Forward currency contracts asset value	21.4				632.4
Cash deposits	315.5				60.0
Investment accruals	12.4				11.7
Investment assets	5,192.8				6,443.1
Forward currency contracts liability value	(21.3)				(629.6)
Portfolio value	**5,171.5**				**5,813.5**

	Market value as at 1 April 2013 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Market value as at 31 March 2014 £m
Fixed interest securities	843.6	190.2	(765.9)	(34.9)	233.0
Equities	1,749.3	972.5	(954.8)	154.1	1,921.1
Index linked securities	164.9	92.9	(248.5)	(9.3)	0.0
Pooled investment vehicles	1,601.2	1,248.5	(559.9)	(50.9)	2,238.9
Direct property	434.9	15.0	(43.3)	43.9	450.5
	4,793.9	2,519.1	(2,572.4)	102.9	4,843.5
Derivative contracts:					
Forward currency contracts asset value	121.4				21.4
Cash deposits	170.5				315.5
Investment accruals	21.6				12.4
Investment assets	5,107.4				5,192.8
Forward currency contracts liability value	(118.4)				(21.3)
Portfolio value	**4,989.0**				**5,171.5**

Investments analysed by fund manager

		31/3/15 £m	%	31/3/14 £m	%
Public equity					
External managers	Baillie Gifford	734.1	12.6%	793.0	15.3%
	MFS	334.2	5.7%	269.6	5.2%
	Morgan Stanley	283.5	4.9%	239.4	4.6%
	NGAM	230.8	4.0%	285.8	5.5%
	Robeco	448.5	7.7%	366.7	7.1%
UCITS funds	AGF	266.9	4.6%	239.9	4.6%
	MFG (Magellan)	238.1	4.1%	197.5	3.8%
		2,536.1	**43.6%**	**2,391.9**	**46.1%**
Private equity					
External managers	Capital Dynamics	269.9	4.7%	221.5	4.3%
Direct	Standard Life	7.6	0.1%	0.0	0.0%
		277.5	**4.8%**	**221.5**	**4.3%**
Long-term credit investments					
Senior secured loans	Ares Institutional	123.2	2.1%	106.5	2.1%
	Babson	72.8	1.3%	62.9	1.2%
	Hayfin	44.2	0.8%	20.4	0.4%
	Highbridge	57.1	1.0%	49.6	1.0%
	THL	55.8	1.0%	48.1	0.9%
Loans secured on real assets	Heylo Housing	42.6	0.7%	0.0	0.0%
	Prima	153.5	2.6%	0.0	0.0%
	Westmill	11.7	0.2%	11.9	0.2%
Emerging market debt	Bluebay	128.8	2.2%	81.7	1.6%
	HSBC	58.2	1.0%	47.0	0.9%
	Investec	83.5	1.4%	71.0	1.4%
	Pictet	129.6	2.2%	108.8	2.1%
Credit opportunities	CRC- Christofferson Robb & Co	34.4	0.6%	2.2	0.0%
	EQT	44.3	0.8%	20.0	0.4%
	MFO King Street	54.8	1.0%	47.0	0.9%
	Monarch	53.8	0.9%	48.5	0.9%
	Neuberger Berman	58.8	1.0%	35.5	0.7%
	Pimco Bravo	28.9	0.5%	8.5	0.2%
		1,236.0	**21.3%**	**769.6**	**14.9%**

		31/3/15 £m	%	31/3/14 £m	%
Liquid credit (cash and bonds)					
External managers	Babson	226.9	3.9%	60.0	1.2%
	ING	181.9	3.1%	206.6	4.0%
	Janus	0.0	0.0%	120.1	2.3%
	JP Morgan	0.0	0.0%	120.0	2.3%
	In-house	457.0	7.9%	514.6	10.0%
		865.8	**14.9%**	**1,021.3**	**19.8%**
Infrastructure					
Direct	Arclight Energy	35.9	0.6%	30.1	0.6%
	Capital Dynamics Cape Byron	65.6	1.1%	54.1	1.0%
	Capital Dynamics Clean Energy	32.9	0.6%	25.5	0.5%
	Capital Dynamics Red Rose	92.8	1.6%	93.2	1.8%
	Capital Dynamics US Solar	0.0	0.0%	14.3	0.3%
	EQT Infrastructure	13.1	0.2%	12.3	0.2%
	Global Infrastructure Partners	15.9	0.3%	17.2	0.3%
	Highstar Capital	33.4	0.6%	19.3	0.4%
	Icon Infrastructure	29.8	0.5%	25.4	0.5%
	ISQ Global Infrastructure	4.3	0.1%	0.0	0.0%
		323.7	**5.6%**	**291.4**	**5.7%**
Property					
Direct	Knight Frank	531.4	9.1%	450.5	8.7%
Indirect	Gatefold Hayes	12.9	0.2%	0.0	0.0%
	M&G Europe fund	30.1	0.5%	25.3	0.5%
		574.4	**9.8%**	**475.8**	**9.2%**
Portfolio Value		**5,813.5**	**100.0%**	**5,171.5**	**100.0%**

	31/03/15 £m	31/03/14 £m
Fixed interest securities		
UK corporate bonds quoted	94.2	76.0
Overseas corporate bonds quoted	54.6	157.0
	148.8	233.0

	31/03/15 £m	31/03/14 £m
Equities		
UK quoted	212.3	231.3
Overseas quoted	1,788.4	1,689.8
	2,000.7	1,921.1

	31/03/15 £m	31/03/14 £m
Index linked securities		
UK quoted	317.9	0.0
	317.9	0.0

	31/03/15 £m	31/03/14 £m
Pooled investment vehicles		
UK managed funds:		
Fixed income funds	58.2	47.0
Venture capital	278.5	264.8
Property funds	12.9	0.0
Overseas managed funds:		
Equity funds	505.0	644.1
Fixed income funds	1,443.8	970.3
Cash funds	0.5	0.0
Property funds	30.1	25.1
Venture capital	411.2	287.6
	2,740.2	2,238.9

	31/03/15 £m	31/03/14 £m
Properties		
UK – freehold	460.6	389.8
UK – long leasehold	70.8	60.7
	531.4	450.5

Property holdings

The Fund's investment in property comprises of investments in pooled property funds along with a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows.

	31/03/15 £m	31/03/14 £m
Balance as at start of the year	450.5	434.9
Additions:		
Purchases	57.3	15.0
Construction	2.4	0.0
Disposals	(26.1)	(43.3)
Net gain/loss on fair value	47.3	43.9
Balance as at the end of the year	531.4	450.5

Operating leases

The Fund leases out property under operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2014/15 £m	2013/14 £m
Leases expiring in the following year	4.0	2.0
Leases expiring in two to five years	13.1	11.9
Leases expiring after five years	13.5	12.4
Total	30.6	26.3

There are no contingent rents as all rents are fixed until the next rent review (generally on 5 year review patterns) and then are either reviewed to market rent, a fixed uplift or in line with an index.

The income is contractually secured against a wide range of tenants who in turn operate in a range of market sectors. Income is generally reviewed to market rent five yearly, and there is also an element of the portfolio income that is indexed or has fixed uplifts (generally being in the range of 2-4% per annum). The portfolio also features a number of vacant properties for which the future income depends on the terms agreed by tenants, and the investment manager is working with letting agents to fill these voids.

Analysis of derivatives

Objectives and policies for holding derivatives
Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives maybe used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

Forward foreign currency
In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place which is managed by the global custodian and the Fund's internal managers.

Derivative contracts (forward currency positions)

Settlements	Currency bought*	Local value m	Currency sold*	Local value m	Asset value £m	Liability value £m
Up to one month	GBP	300.0	USD	(442.9)	300.0	(298.4)
Up to one month	USD	445.9	GBP	(300.0)	300.4	(300.0)
One to six months	AUD	3.5	USD	(2.8)	1.8	(1.9)
One to six months	USD	30.4	CHF	(28.7)	20.5	(20.1)
One to six months	USD	5.3	AUD	(5.9)	3.6	(3.0)
One to six months	CHF	8.7	USD	(9.2)	6.1	(6.2)
Open forward currency contracts at 31 March 2015					632.4	(629.6)
Net forward currency contracts at 31 March 2015						2.8
Prior year comparative					£m	£m
Open forward currency contracts at 31 March 2014					21.4	(21.3)
Net forward currency contracts at 31 March 2014						0.1

*Currencies are referred to above using International Standards Organisation codes.
GBP – British Pound, USD – US Dollar, AUD – Australian Dollar, CHF – Swiss Franc

	31/03/15 £m	31/03/14 £m
Cash deposits		
Sterling	35.0	148.0
Foreign currency	25.0	167.5
	60.0	315.5

15. Financial instruments classification

The accounting policy on financial instruments describes how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

Direct property, although included in the total market value of net assets, is excluded from the table since this is categorised as investment property under IAS40 rather than as a financial instrument.

31/03/15	Fair value through profit or loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m
Financial assets			
Fixed interest securities	148.8	-	-
Equities	2,000.7	-	-
Index linked securities	317.9	-	-
Pooled investment vehicles	2,740.2	-	-
Derivative contracts	632.4	-	-
Cash deposits	-	60.0	-
Investment accruals	11.7	-	-
Debtors	-	28.1	-
Total financial assets	**5,851.7**	**88.1**	**-**
Financial liabilities			
Derivative contracts	629.6	-	-
Creditors	-	-	10.9
Total financial liabilities	**629.6**	**-**	**10.9**

31/03/14	Fair value through profit or loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m
Financial assets			
Fixed interest securities	233.0	-	-
Equities	1,921.1	-	-
Pooled investment vehicles	2,238.9	-	-
Derivative contracts	21.4	-	-
Cash deposits	-	315.5	-
Investment accruals	12.4	-	-
Debtors	-	28.3	-
Total financial assets	**4,426.8**	**343.8**	**-**
Financial liabilities			
Derivative contracts	21.3	-	-
Creditors	-	-	11.7
Total financial liabilities	**21.3**	**-**	**11.7**

16. Net gains and losses on financial instruments

The net gain on financial assets at fair value through profit and loss is £634.1m (2013/14: £59m)

17. Financial instruments – valuation

17.1 Valuation of financial instruments carried at fair value
The valuation of financial instruments carried at fair value has been classified into three levels according to quality and reliability of information used to determine fair values.

17.1.1 Level 1
Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Examples include quoted equity investments, unit trusts, UK pooled fixed income funds, overseas pooled fixed income funds, UK and overseas quoted fixed interest securities. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

17.1.2 Level 2
Level 2 investments are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Such instruments include bonds secured on affordable housing assets. The technique for valuing these assets is independently verified.

The bonds secured on affordable housing assets are based on long term expectations of interest rates, inflation and credit spreads in the housing association sector.

17.1.3 Level 3
Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments include internally managed overseas equity funds, overseas quoted fixed income investments, pooled UK fixed income investments, private equity, infrastructure and indirect overseas property investments, which are valued using various valuation techniques that require significant management judgement in determining appropriate assumptions, including earnings, public market comparatives and estimated future cash flows.

The values of the investment in private equity and infrastructure are based on valuations provided to the private equity and infrastructure funds in which Lancashire County Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines or equivalent, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually mainly, and at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

The value of the overseas indirect property fund investment is based on valuations provided to the overseas indirect property fund in which Lancashire County Pension Fund has invested. These valuations are at the current open market value, as defined by the RICS Appraisal and Valuation Standards. These valuations are performed monthly.

The following table provides an analysis of the financial assets and liabilities (excluding direct property and cash) of the Pension Fund grouped into level 1 to 3 based on the level of which the fair value is observable. Loans and receivables are excluded from this table as they are held at amortised cost.

31/03/15	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Financial assets at fair value through profit and loss	4,047.9	368.8	1,420.5	5,837.2
Total financial assets				
Financial liabilities				
Financial liabilities at fair value through profit and loss	629.6	-	-	629.6
Total financial liabilities	**629.6**			**629.6**

31/03/14	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Financial assets at fair value through profit and loss	3,314.6	179.9	929.9	4,424.4
Total financial assets	**3,314.6**	**179.9**	**929.9**	**4,424.4**
Financial liabilities				
Financial liabilities at fair value through profit and loss	21.3	-	-	21.3
Total financial liabilities	**21.3**			**21.3**

18. Nature and extent of risks arising from financial instruments

18.1 Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flow.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's operations. Policies are reviewed regularly to reflect change in activity and in market conditions.

18.2 Market risk

Market risk is risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings.

The objective of the Fund's risk management strategy is to identify, manage and keep market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.

18.3 Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivatives price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the fund investment strategy.

18.3.1 Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risks are reasonably possible for the 2014/15 reporting period.

Asset type	Potential market movements (+/-)
Total bonds (including index linked)	6.0%
Total equities	9.6%
Alternatives	9.6%
Total property	2.1%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in value of the asset. The sensitivities are consistent with the assumption contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market place would have been as follows (the prior year comparator is also shown):

Asset type	31/03/15 £m	Percentage change %	Value on increase £m	Value on decrease £m
Investment portfolio assets:				
Total bonds (including index linked)	1,968.6	6.0%	2,086.7	1,850.5
Total equities	2,871.7	9.6%	3,147.4	2,596.0
Alternatives	324.3	9.6%	355.4	293.2
Total property	574.4	2.1%	586.4	562.3
Total assets available to pay benefits	**5,739.0**		**6,175.9**	**5,302.0**

Asset type	31/03/14 £m	Percentage change %	Value on increase £m	Value on decrease £m
Investment portfolio assets:				
Total bonds (including index linked)	1,250.3	4.8%	1,310.3	1,190.3
Total equities	2,826.5	11.9%	3,162.8	2,490.1
Alternatives	291.2	3.8%	302.3	280.1
Total property	475.5	2.7%	488.3	462.7
Total assets available to pay benefits	**4,843.5**		**5,263.7**	**4,423.2**

18.4 Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors. The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31/03/15 £m	31/03/14 £m
Cash and cash equivalents	60.0	315.5
Fixed interest securities	1,650.8	1,250.3
Total	**1,710.8**	**1,565.8**

18.4.1 Interest rate risk - sensitivity analysis

The Fund has recognised that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 110 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy (1BPS = 0.01%). The Fund's investment advisor has advised that long–term average rates are expected to move less than 110 basis point for one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type		Change in year in net assets available to pay benefits	
	31/03/15 £m	+100BPS £m	-100BPS £m
Cash and cash equivalents	60.0	0.6	(0.6)
Fixed interest securities	1,650.8	16.5	(16.5)
Total change in assets available	**1,710.8**	**17.1**	**(17.1)**

Asset type		Change in year in net assets available to pay benefits	
	31/03/14 £m	+100BPS £m	-100BPS £m
Cash and cash equivalents	315.5	3.1	(3.1)
Fixed interest securities	1,250.3	12.5	(12.5)
Total change in assets available	**1,565.8**	**15.6**	**(15.6)**

18.5 Currency risk

Currency risk represents the risk that the fair value cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£). The Fund holds both monetary and non-monetary assets denominated in currencies other than £.

The Fund's currency rate risk is routinely monitored by the Fund and its investment advisors in accordance with the Fund's risk management strategy.

The following table summarises the Fund's currency exposure as at 31 March 2015 and as at the previous year end:

Currency exposure – asset type	**31/03/15**	**31/03/14**
	£m	**£m**
Overseas bonds (including index linked)	1,498.3	1,127.3
Overseas equities	2,513.8	2,466.3
Overseas Alternatives	191.4	155.2
Overseas property	30.1	25.1
Total overseas assets	**4,233.6**	**3,773.9**

18.5.1 Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 6.2% (as measured by one standard deviation).

A 6.2% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant (previous year = 6%).

A 6.2% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type		**Change in year in net assets available to pay benefits**	
	31/03/15	**+6.2%**	**-6.2%**
	£m	**£m**	**£m**
Overseas bonds (including index linked)	1,498.3	1,591.2	1,405.4
Overseas equities	2,513.8	2,669.6	2,357.9
Overseas Alternatives	191.4	203.3	179.5
Overseas property	30.1	32.0	28.2
Total change in assets available	**4,233.6**	**4,496.1**	**3,971.0**

Currency exposure - asset type		**Change in year in net assets available to pay benefits**	
	31/03/14	**+6.0%**	**-6.0%**
	£m	**£m**	**£m**
Overseas bonds (including index linked)	1,127.3	1,194.9	1,059.7
Overseas equities	2,466.3	2,614.2	2,318.3
Overseas Alternatives	155.2	164.5	145.9
Overseas property	25.1	26.6	23.6
Total change in assets available	**3,773.9**	**4,000.2**	**3,547.5**

18.6 Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial asset and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimise the credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remain outstanding, and the cost of replacing the derivatives position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivatives contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial instructions unless they are rated independent and meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.

The Fund's cash holding under its treasury management arrangements at 31st March 2015 was £60m (31 March 2014: £315.5m.) This was held with the following institutions:

Summary	Rating	31/03/15	31/03/14
Bank deposit accounts		**£m**	**£m**
Ulster bank	Baa3	0.0	5.0
Northern Trust	A2	30.8	248.0
Svenska Handelsbanken	Aa3	30.0	61.4
Bank current accounts			
Natwest account	Baa2	(0.8)	1.1
Total		**60.0**	**315.5**

18.7 Liquidity risks

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments.

The Fund has immediate access to its cash holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flow. The appropriate strategic level of cash balances to be held forms part of the Funds investment strategy.

All financial liabilities at 31 March 2015 are due within the one year.

19. Additional voluntary contributions (AVC's)

Members participating in these AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year. A summary of the information provided by Equitable Life and Prudential is shown below. (This summary has not been subject to Audit and the Pension Fund relies on the individual contributors to check deductions made on their behalf are accurately reflected in the statements provided by the AVC providers). The figures relate to the financial year 1 April 2014 to 31 March 2015 for Prudential and 1 September 2013 to 31 August 2014 for Equitable Life and are not included in the Pension Fund accounts in accordance with Regulations 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998.

	Equitable Life £m	Prudential £m	Total £m
Value at start of the year	1.1	19.8	20.9
Income (incl. contributions, bonuses, interest & transfers in)	0.0	5.4	5.4
Expenditure (incl. benefits, transfers out & change in market value)	(0.1)	(4.1)	(4.2)
Value at the end of the year	**1.0**	**21.1**	**22.1**

20. Current assets

	31/03/15 £m	31/03/14 £m
Contributions due - employers	14.4	14.4
Contributions due - members	4.6	4.4
Debtors - bodies external to general government	9.1	9.5
	28.1	28.3

Analysis of debtors	31/03/15 £m	31/03/14 £m
Other local authorities	15.6	15.5
NHS bodies	0.0	0.1
Public corporations and trading funds	0.0	0.1
Other entities and individuals	12.5	12.6
	28.1	28.3

21. Current liabilities

	31/03/15 £m	31/03/14 £m
Unpaid benefits	0.1	0.6
Accrued expenses	10.8	11.1
	10.9	11.7

Analysis of creditors	**31/03/15 £m**	**31/03/14 £m**
Other local authorities	4.2	4.0
Other entities and individuals	6.7	7.7
	10.9	11.7

22. Contractual Commitments

The commitments relating to outstanding call payments due to unquoted limited partnership funds held in the venture capital and infrastructure part of the portfolio totalled £529.7m. The amounts 'called' by these funds are irregular in both size and timing and commitments to these partnerships are drawn down over a number of years. The term of an individual investment can be up to 10 years. Realisation of these investments in the form of distributions normally occurs towards the end of the investment period, when portfolio companies have built value and can be liquidated.

Commitments to outstanding call payments due to certain credit strategies stood at £304.1m. The majority of these amounts are expected to be called over the coming two years and relate to various different investments including direct lending and distressed credit opportunities which are expected to begin repaying capital after 5 years. In order to maintain a steady level of investment in the long term, the Fund will enter into further commitments to fund this type of strategy over the coming years.

The commitments on direct property development contracts relating to properties under construction held in the direct property part of the portfolio totalled £11.3m at 31st March 2015. These amounts are expected to be drawn down over the next 15 months based on valuation certificates.

The commitment on indirect property of £20.7m at 31st March 2015 relates to a property under construction held in an indirect fund. This amount is expected to be drawn down over the next 15 months based on valuation certificates for a scheduled completion in May 2016.

23. Related Party Transactions

In accordance with IFRS, the financial statements must contain the disclosures necessary to draw attention to the possibility that the reported financial position of the Pension Fund may have been affected by the existence of related parties and associated material transactions. They include:

- At 31 March 2015, Damon Lawrenson, CPFA, was Treasurer to the Pension Fund and Interim Director of Financial Resources for Lancashire County Council.

- The Pension Fund includes 136 scheduled and 184 admitted bodies.

- Members of the Pension Fund Committee, comprising 14 County Councillors, 2 Councillors from Unitary Authorities, 2 Councillors from District Councils, 2 Trade Union representatives, 1 representative from the Higher/Further education establishments and the Investment Advisory Panel.

The Pension Fund Committee members and senior officers of the Pension Fund were asked to complete a related party declaration for 2014/15. This revealed no material transactions between the council and the members / officers and their families affecting involvement with the Pension Fund. Each member of the Pension Fund Committee formally considers conflicts of interest at each meeting.

23.1 Lancashire County Council
The Lancashire County Pension Fund is administered by Lancashire County Council. Consequently there is a strong relationship between the council and the Pension Fund.

The council incurred costs of £4.5m (2013/14: £4.2m) in relation to the administration of the Fund. This includes a proportion of relevant officers' salaries in respect of time allocated to pension and investment issues. The council was subsequently reimbursed by the Fund for these expenses. The council is also the single largest employer of the members of the Pension Fund and contributed £79.5m to the fund in 2014/15 (2013/14: £69.1m). All monies owing to and due from the Fund were paid in year.

23.2 Key management personnel
Paragraph 3.9.4.3 of the Code exempts local authorities from key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7 (2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit (Wales) Regulations 2005) satisfy the key management disclosure requirements of paragraph 16 of IAS24.

This applies in equal measure to the accounts of the Lancashire County Pension Fund.

The disclosure required by Regulation 7 (2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of Lancashire County Council.

24. Funding arrangements

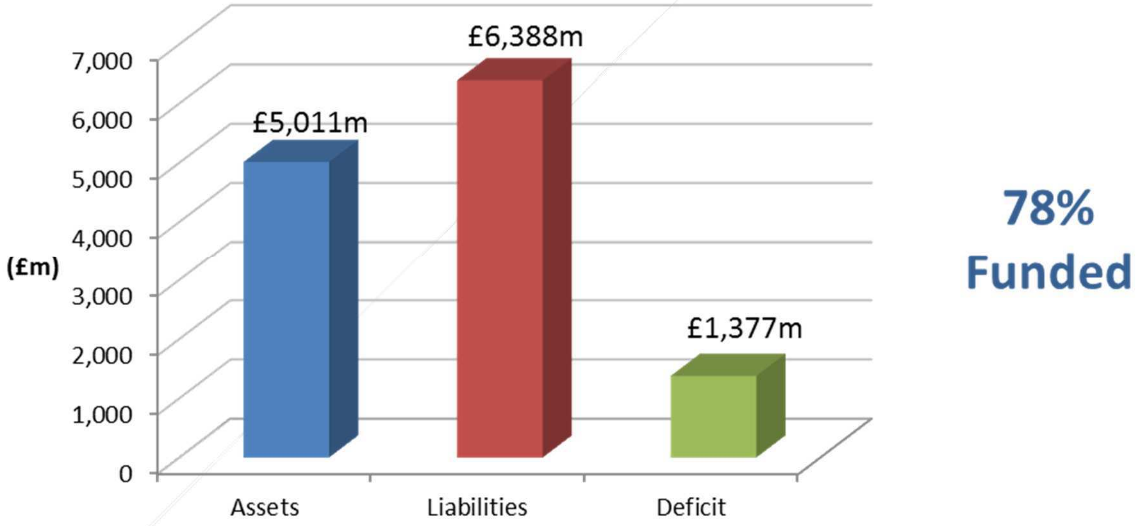
Accounts for the year ended 31 March 2015 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2013 to determine the contribution rates with effect from 1 April 2014 to 31 March 2017. Full details of the valuation are available as part of the funding strategy statement.

Your Pension Service - Lancashire Fund Information

On the basis of the assumptions adopted, the Fund's assets of £5,011 million represented 78% of the Fund's past service liabilities of £6,388 million (the "Funding Target") at the valuation date. The deficit at the valuation date was therefore £1,377 million.



The valuation also showed that a common rate of contribution of 13.1% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 82% with a resulting deficit of £1,088 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £65m per annum increasing at 4.1% per annum (equivalent to 7.6% of projected Pensionable Pay at the valuation date) for 19 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the common contribution rate were as follows:

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.8% per annum	5.6% per annum
Rate of pay increases (long term)*	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of that valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

25. Actuarial present value of promised retirement benefits

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	3.9% per annum	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.0% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields increased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (3.3% p.a. versus 4.5% p.a.). In addition, the expected long-term rate of CPI inflation fell during the year, resulting in a lower assumption for pension increases at the year-end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £6,917m. The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by approximately £1,251m. Adding interest over the year increases the liabilities by approximately £309m, and allowing for net benefits accrued/paid over the period (including allowance for the Probation transfer) decreases the liabilities by approximately £107m (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is £8,370m.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2015

26. Events after the net assets statement date

On 2nd July 2015 the Pension Fund Committee of Lancashire County Council and the Board of the London Pension Fund Authority each separately agreed to seek regulatory approvals for the creation of an Asset and Liability Management Partnership. This partnership, which is a response to the Government's reform agenda for the Local Government Pension Scheme, has the potential to fundamentally change the way in which the two Funds are managed and achieve significant reductions in the cost of running the Funds.

The Partnership will oversee the creation of a pool of investment assets (made up of the assets of the two funds) which will be jointly invested, as well as a pension services organisation which will carry out both investment management and pension administration functions. Both the asset pool and the investment management activities will be regulated by the Financial Conduct Authority.

The Pension Fund Committee of Lancashire County Council and the Board of the LPFA will each make a final decision on the Partnership based on a full business plan at simultaneous meetings during November 2015.

H. Actuarial Valuation

An actuarial valuation of the Fund is carried out every three years by the Fund's actuary Mercer. The most recent valuation carried out was at 31 March 2013 which determines contribution rates effective from 1 April 2014 to 31 March 2017.

The Funding objective is to achieve and then maintain assets equal to the Funding Target. The Funding Target is the present value of 100% of projective accrued liabilities, including allowance for projected final pay. This is to comply with the requirements of the LGPS regulations to secure the solvency of the Fund and is in accordance with the Funding Strategy Statement. The methodology and assumptions by which the Funding Targets and contribution rates are calculated have also been determined in accordance with the Funding Strategy Statement.

The Funding Strategy Statement specifies a maximum period for achieving full funding of 19 years, this is the same as the maximum period of years adopted at the 2010 valuation in accordance with the then published FSS. Where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put into place which requires additional contributions to correct the shortfall.

The valuation (effective from 1 April 2014) revealed a funding level of 78% and an average employer's contribution rate of 13.1% plus a deficit contribution of £81m per annum increasing at 4.1% per annum for 19 years. Since 31 March 2013 there have been significant changes in the financial market position. In particular there has been an increase in gilt yields, which underpin the assessment of the past service liability values and therefore the long term funding target. Considering changes in the major financial factors only, as at 31 August 2013 the impact of market changes has meant the funding level has increased to approximately 82% (from 78% at 31 March).

An extract from the certified Actuarial Valuation produced by Mercer as at 31 March 2013, detailing the breakdown of the 78% funding level is as follows:

	£m	
	31 March 2013	31 March 2010
Total assets	5,011	3,962
Liabilities:		
Active members	2,440	2,221
Deferred pensioners	1,088	614
Pensioners	2,860	2,120
Total liabilities	6,388	4,955
Past service surplus / (shortfall)	(1,377)	(993)
Funding level	78%	80%

The employer contributions for 2014/2015 are based on the 2013 valuation and the recommended employer contributions for the period 1 April 2014 to 31 March 2017 are set out in the Schedule to the Rates and Adjustments of this report.

The projected unit method of valuation was used for the valuation and is in common use for funding Pension Funds in the United Kingdom. The Valuation results depend on financial and demographic assumptions and these are detailed in full in the Actuarial Valuation and at Annex 1 of the Funding Strategy Statement.
https://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33736&e=e

The Rates and adjustments certified and accompanying schedule extracted from the actuarial valuation are as follows:

Rates and Adjustments Certificate issued in accordance with Regulation 36 of the Administration Regulations

Name of Fund	**Lancashire County Pension Fund**

Primary Contribution Requirements

I hereby certify that, in my opinion, the common rate of employers' contributions payable in each year of the period of three years beginning 1 April 2014 should be at the rate of 13.1 per cent of Pensionable Pay (including those in respect of members of the LGPS under the 50:50 option).

I hereby certify that, in my opinion, the amount of the employers' contributions payable in each year of the period of three years beginning with 1 April 2014, as set out above, should be individually adjusted as set out in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) unless otherwise noted in a separate agreement with an individual employer, and the contributions in the attached schedule take account of any such agreements.

Further Adjustments

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's Actuary and the Administering Authority.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer in total over the 3 years covered by the certificate. Additional contributions or a different pattern of contributions may be paid if requested by the employer concerned at the sole discretion of the Administering Authority as agreed with the Actuary. The total contributions payable by each employer will be subject to a minimum of zero.

The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

In cases where an element of an existing Scheme employer's deficit is transferred to a new employer on its inception, the Scheme employer's deficit recovery contributions, as shown on the schedule to this Certificate in Appendix H, may be reallocated between the Scheme employer and the new employer to reflect this, on advice of the Actuary and as agreed with the Administering Authority so that the total payments remain the same overall.

The Administering Authority and employer with advice from the Fund's Actuary can agree that contributions payable under this certificate can be sourced under an alternative financing arrangement which provides the Fund with equivalent cash contributions.

Regulation 36(8)

No allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions. Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

Signature:
Date of signing: 31 March 2014

Name: John Livesey
Qualification: Fellow of the Institute and Faculty of Actuaries

Schedule to the Rates and Adjustment Certificate dated 31 March 2014

	2014/15		2015/16		2016/17	
Employers	**Individual Adjustment %**	**Total Contribution Rate %**	**Individual Adjustment %**	**Total Contribution Rate %**	**Individual Adjustment %**	**Total Contribution Rate %**
Academy at Worden	1.4% plus £12,100	14.5% plus £12,100	1.4% plus £12,600	14.5% plus £12,600	1.4% plus £13,100	14.5% plus £13,100
Accrington & Rossendale College	0.0% plus £254,200	13.1% plus £254,200	0.0% plus £285,700	13.1% plus £285,700	0.0% plus £317,600	13.1% plus £317,600
Accrington Academy	-2.6%	10.5%	-2.6%	10.5%	-2.6%	10.5%
Albany Academy	2.2% plus £21,800	15.3% plus £21,800	2.2% plus £22,700	15.3% plus £22,700	2.2% plus £23,600	15.3% plus £23,600
All Saints C.E. Primary School (Academy)	-2.5% plus £13,700	10.6% plus £13,700	-2.5% plus £14,300	10.6% plus £14,300	-2.5% plus £14,900	10.6% plus £14,900
Alternative Futures Group Ltd	-9.3%	3.8%	-9.3%	3.8%	-9.3%	3.8%
Andron	0.8%	13.9%	0.8%	13.9%	0.8%	13.9%
Andron (Kennington Primary School)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Andron (Ribblesdale High School)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Arnold Schools Ltd	6.5% plus £22,900	19.6% plus £22,900	6.5% plus £23,800	19.6% plus £23,800	6.5% plus £24,800	19.6% plus £24,800

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Bacup Rawtenstall GS (Academy)	0.6% plus £20,500	13.7% plus £20,500	0.6% plus £21,300	13.7% plus £21,300	0.6% plus £22,200	13.7% plus £22,200
Balfour Beatty (Blakewater/Crosshill)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Balfour Beatty (Pleckgate School)	0.5%	13.6%	0.5%	13.6%	0.5%	13.6%
Balfour Beatty Ltd (Darwen Vale)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Balfour Beatty Ltd (Witton Park Cleaning)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Belthorn Primary Academy	4.3% plus £3,700	17.4% plus £3,700	4.3% plus £5,600	17.4% plus £5,600	4.3% plus £7,500	17.4% plus £7,500
Bishop Rawstorne High Academy	1.9% plus £19,100	15.0% plus £19,100	1.9% plus £23,500	15.0% plus £23,500	1.9% plus £27,900	15.0% plus £27,900
Blackburn College	-1.0% plus £215,200	12.1% plus £215,200	-1.0% plus £225,200	12.1% plus £225,200	-1.0% plus £235,500	12.1% plus £235,500
Blackburn St Mary's	-0.1% plus £19,500	13.0% plus £19,500	-0.1% plus £23,400	13.0% plus £23,400	-0.1% plus £27,400	13.0% plus £27,400
Blackburn With Darwen Borough Council	-0.7% plus £4,403,900	12.4% plus £4,403,900	-0.7% plus £4,584,500	12.4% plus £4,584,500	-0.7% plus £4,772,500	12.4% plus £4,772,500
Blackpool & The Fylde College	-0.8% plus £358,400	12.3% plus £358,400	-0.8% plus £373,100	12.3% plus £373,100	-0.8% plus £388,400	12.3% plus £388,400
Blackpool Airport (post 07/04)	6.7% plus £9,000	19.8% plus £9,000	6.7% plus £13,200	19.8% plus £13,200	6.7% plus £17,500	19.8% plus £17,500

Employers	2014/15 Individual Adjustment %	2014/15 Total Contribution Rate %	2015/16 Individual Adjustment %	2015/16 Total Contribution Rate %	2016/17 Individual Adjustment %	2016/17 Total Contribution Rate %
Blackpool Borough Council - excluding schools	-0.8% plus £2,667,000	12.3% plus £2,667,000	-0.8% plus £2,926,000	12.3% plus £2,926,000	-0.8% plus £3,190,000	12.3% plus £3,190,000
Blackpool Borough Council - schools	5.0%	18.1%	5.9%	19.0%	6.8%	19.9%
Blackpool Coastal Housing	-1.5%	11.6%	-1.5%	11.6%	-1.5%	11.6%
Blackpool Fylde Wyre Society for the Blind	7.5% plus £97,300*	20.6% plus £97,300*	7.5%	20.6%	7.5%	20.6%
Blackpool MAT (Anchorsholme Academy)	-0.8% plus £27,500	12.3% plus £27,500	-0.8% plus £28,600	12.3% plus £28,600	-0.8% plus £29,800	12.3% plus £29,800
Blackpool MAT (Devonshire Academy)	-0.8% plus £29,600	12.3% plus £29,600	-0.8% plus £30,800	12.3% plus £30,800	-0.8% plus £32,100	12.3% plus £32,100
Blackpool MAT (Park Academy)	-0.8% plus £33,800	12.3% plus £33,800	-0.8% plus £35,200	12.3% plus £35,200	-0.8% plus £36,600	12.3% plus £36,600
Blackpool Sixth Form College	-3.2% plus £4,800	9.9% plus £4,800	-3.2% plus £5,000	9.9% plus £5,000	-3.2% plus £5,200	9.9% plus £5,200
Blackpool Transport Services Ltd	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Blackpool Zoo (Grant Leisure)	5.6%	18.7%	5.6%	18.7%	5.6%	18.7%
Bootstrap Enterprises Ltd	-7.8%	5.3%	-7.8%	5.3%	-7.8%	5.3%
Bowland High Academy Trust	2.8% plus £16,500	15.9% plus £16,500	2.8% plus £22,200	15.9% plus £22,200	2.8% plus £27,900	15.9% plus £27,900
Bulloughs (Our Lady)	4.4%	17.5%	4.4%	17.5%	4.4%	17.5%
Bulloughs (St Augustines)	0.4%	13.5%	0.4%	13.5%	0.4%	13.5%
Bulloughs (St Mary's)	-2.9%	10.2%	-2.9%	10.2%	-2.9%	10.2%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Bulloughs (Whalley Primary)	2.4%	15.5%	3.0%	16.1%	3.7%	16.8%
Bulloughs Cleaning (Our Lady)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Burnley Borough Council	0.2% plus £1,365,500	13.3% plus £1,365,500	0.2% plus £1,421,500	13.3% plus £1,421,500	0.2% plus £1,479,800	13.3% plus £1,479,800
Burnley College	-0.4% plus £84,900	12.7% plus £84,900	-0.4% plus £111,200	12.7% plus £111,200	-0.4% plus £137,600	12.7% plus £137,600
Burscough Parish Council	TBC	TBC	TBC	TBC	TBC	TBC
Calico Housing Ltd	-0.8% plus £223,600	12.3% plus £223,600	-0.8% plus £232,800	12.3% plus £232,800	-0.8% plus £242,300	12.3% plus £242,300
Capita (transfer from Rossendale B.C)	5.6% plus £2,200	18.7% plus £2,200	5.6% plus £5,300	18.7% plus £5,300	5.6% plus £8,400	18.7% plus £8,400
CAPITA Business Services	5.0% plus £258,500	18.1% plus £258,500	5.0% plus £311,100	18.1% plus £311,100	5.0% plus £364,200	18.1% plus £364,200
Cardinal Newman College	0.0% plus £46,500	13.1% plus £46,500	0.0% plus £48,400	13.1% plus £48,400	0.0% plus £50,400	13.1% plus £50,400
Caritas Care Limited	1.9% plus £67,500	15.0% plus £67,500	1.9% plus £70,300	15.0% plus £70,300	1.9% plus £73,200	15.0% plus £73,200
Caterlink Limited (Pleckgate Catering)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Caterlink Ltd (Ripley St Thomas)	4.9%	18.0%	4.9%	18.0%	4.9%	18.0%
Catterall Parish Council	8.2%	21.3%	8.2%	21.3%	8.2%	21.3%
CG Cleaning (Heysham High)	0.7%	13.8%	0.7%	13.8%	0.7%	13.8%

Employers	2014/15 Individual Adjustment %	2014/15 Total Contribution Rate %	2015/16 Individual Adjustment %	2015/16 Total Contribution Rate %	2016/17 Individual Adjustment %	2016/17 Total Contribution Rate %
CG Cleaning (St James the Less)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
CG Cleaning Ltd (Balladen)	4.9%	18.0%	4.9%	18.0%	4.9%	18.0%
CG Cleaning Ltd (St Patrick's)	3.5%	16.6%	3.5%	16.6%	3.5%	16.6%
Chorley Borough Council	-2.0% plus £709,600	11.1% plus £709,600	-2.0% plus £831,900	11.1% plus £831,900	-2.0% plus £955,600	11.1% plus £955,600
Chorley Community Housing Ltd	1.5%	14.6%	2.0%	15.1%	2.5%	15.6%
Church Road Day Care Unit	12.7% plus £3,100	25.8% plus £3,100	12.7% plus £11,900	25.8% plus £11,900	12.7% plus £20,700	25.8% plus £20,700
Clitheroe Royal Grammar School (Academy)	2.9% plus £43,100	16.0% plus £43,100	2.9% plus £51,500	16.0% plus £51,500	2.9% plus £60,000	16.0% plus £60,000
Community and Business Partnership	-0.3%	12.8%	-0.3%	12.8%	-0.3%	12.8%
Community Council of Lancs	7.7% plus £4,400	20.8% plus £4,400	7.7% plus £9,200	20.8% plus £9,200	7.7% plus £13,900	20.8% plus £13,900
Community Gateway Association Ltd	1.8% plus £16,300	14.9% plus £16,300	1.8% plus £20,600	14.9% plus £20,600	1.8% plus £24,900	14.9% plus £24,900
Consultant Caterers Ltd	4.1%	17.2%	4.1%	17.2%	4.1%	17.2%
Contour Housing Group	-6.5%	6.6%	-6.5%	6.6%	-6.5%	6.6%
Creative Support Ltd	-5.2%	7.9%	-5.2%	7.9%	-5.2%	7.9%
Creative Support Ltd (Midway)	1.1%	14.2%	1.2%	14.3%	1.3%	14.4%
CX Ltd	-1.5%	11.6%	-1.5%	11.6%	-1.5%	11.6%

Page 162

Employers	2014/15 Individual Adjustment %	2014/15 Total Contribution Rate %	2015/16 Individual Adjustment %	2015/16 Total Contribution Rate %	2016/17 Individual Adjustment %	2016/17 Total Contribution Rate %
Darwen Aldridge Community Academy	-1.5%	11.6%	-1.5%	11.6%	-1.5%	11.6%
Darwen Town Council	TBC	TBC	TBC	TBC	TBC	TBC
E ON UK PLC	0.0%	13.1%	0.0%	13.1%	0.0%	13.1%
Edge Hill University	-0.7% plus £660,200	12.4% plus £660,200	-0.7% plus £853,900	12.4% plus £853,900	-0.7% plus £1,049,300	12.4% plus £1,049,300
Elite Cleaning and Environment	-0.6%	12.5%	-0.6%	12.5%	-0.6%	12.5%
Enterprise Managed Services	2.8% plus £4,600	15.9% plus £4,600	2.8% plus £4,800	15.9% plus £4,800	2.8% plus £5,000	15.9% plus £5,000
Eric Wright (Highfield HS Catering)	5.6%	18.7%	5.6%	18.7%	5.6%	18.7%
Eric Wright (Highfield HS Site supervisors)	5.6%	18.7%	5.6%	18.7%	5.6%	18.7%
Four Seasons Health Care Group	-2.8%	10.3%	-2.8%	10.3%	-2.8%	10.3%
Fulwood Academy	-1.7%	11.4%	-1.5%	11.6%	-1.3%	11.8%
Fylde Borough Council	-0.6% plus £484,500	12.5% plus £484,500	-0.6% plus £512,900	12.5% plus £512,900	-0.6% plus £542,000	12.5% plus £542,000
Fylde Coast Academy Trust	-8.5%	4.6%	-8.5%	4.6%	-8.5%	4.6%
Fylde Coast Academy Trust MAT (Unity Academy)	-0.8% plus £55,300	12.3% plus £55,300	-0.8% plus £57,600	12.3% plus £57,600	-0.8% plus £60,000	12.3% plus £60,000
Fylde Coast YMCA	-10.1%	3.0%	-10.1%	3.0%	-10.1%	3.0%
Fylde Community Link	1.4% plus £7,400	14.5% plus £7,400	1.4% plus £8,000	14.5% plus £8,000	1.4% plus £8,500	14.5% plus £8,500

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Galloways Society for Blind	5.1% plus £10,300	18.2% plus £10,300	5.1% plus £13,400	18.2% plus £13,400	5.1% plus £16,400	18.2% plus £16,400
Garstang Community Academy	2.7% plus £20,700	15.8% plus £20,700	2.7% plus £25,900	15.8% plus £25,900	2.7% plus £31,100	15.8% plus £31,100
Garstang Town Council	0.9%	14.0%	0.9%	14.0%	0.9%	14.0%
Habergham Eaves Parish Council	TBC	TBC	TBC	TBC	TBC	TBC
Hambleton Primary Academy	-1.7% plus £6,200	11.4% plus £6,200	-1.7% plus £6,500	11.4% plus £6,500	-1.7% plus £6,900	11.4% plus £6,900
Hawes Side Academy	1.7% plus £14,300	14.8% plus £14,300	1.7% plus £15,700	14.8% plus £15,700	1.7% plus £17,100	14.8% plus £17,100
Hodgson Academy	2.8% plus £28,900	15.9% plus £28,900	2.8% plus £36,500	15.9% plus £36,500	2.8% plus £44,100	15.9% plus £44,100
Housing Pendle Ltd	1.3% plus £3,200	14.4% plus £3,200	1.3% plus £8,700	14.4% plus £8,700	1.3% plus £14,200	14.4% plus £14,200
Hyndburn Borough Council	-0.5% plus £816,500	12.6% plus £816,500	-0.5% plus £850,000	12.6% plus £850,000	-0.5% plus £884,900	12.6% plus £884,900
Hyndburn Homes Ltd	1.1%	14.2%	1.3%	14.4%	1.5% plus £800	14.6% plus £800
I Care	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Jewson Ltd (Chorley Homes)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Kirkham Grammar School	2.5% plus £17,600	15.6% plus £17,600	2.5% plus £22,200	15.6% plus £22,200	2.5% plus £26,900	15.6% plus £26,900
Kirkland Parish Council	9.5%	22.6%	9.5%	22.6%	9.5%	22.6%
Lancashire Care Foundation Trust	TBC	TBC	TBC	TBC	TBC	TBC

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Lancashire County Branch Unison	4.4% plus £1,900	17.5% plus £1,900	4.4% plus £2,000	17.5% plus £2,000	4.4% plus £2,100	17.5% plus £2,100
Lancashire County Council - excluding schools	-0.5% plus £15,353,000	12.6% plus £15,353,000	-0.5% plus £15,982,000	12.6% plus £15,982,000	-0.5% plus £16,638,000	12.6% plus £16,638,000
Lancashire County Council - schools	6.9%	20.0%	7.2%	20.3%	7.6%	20.7%
Lancashire Probation Committee	6.0%	19.1%	N/A	N/A	N/A	N/A
Lancaster & Morecambe College	-0.1% plus £129,300	13.0% plus £129,300	-0.1% plus £134,600	13.0% plus £134,600	-0.1% plus £140,100	13.0% plus £140,100
Lancaster City Council	-0.1% plus £1,015,100	13.0% plus £1,015,100	-0.1% plus £1,056,700	13.0% plus £1,056,700	-0.1% plus £1,100,000	13.0% plus £1,100,000
Lancaster Girls Grammar School (Academy)	3.3% plus £32,800	16.4% plus £32,800	3.3% plus £34,100	16.4% plus £34,100	3.3% plus £35,500	16.4% plus £35,500
Lancaster Royal Grammar School (Academy)	3.0% plus £49,200	16.1% plus £49,200	3.0% plus £55,500	16.1% plus £55,500	3.0% plus £61,800	16.1% plus £61,800
Lancaster University	-0.7% plus £561,900	12.4% plus £561,900	-0.7% plus £648,000	12.4% plus £648,000	-0.7% plus £735,200	12.4% plus £735,200
Lancs Fire and Rescue Service	-0.3% plus £229,500	12.8% plus £229,500	-0.3% plus £238,900	12.8% plus £238,900	-0.3% plus £248,700	12.8% plus £248,700
Lancs Sports Partners Ltd	-4.3%	8.8%	-4.3%	8.8%	-4.3%	8.8%
Lancs Workforce Development Partnership	2.5% plus £700	15.6% plus £700	2.5% plus £700	15.6% plus £700	2.5% plus £700	15.6% plus £700
Langdale Free School	-0.8% plus £1,200	12.3% plus £1,200	-0.8% plus £1,200	12.3% plus £1,200	-0.8% plus £1,200	12.3% plus £1,200

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Leisure in Hyndburn	-1.3% plus £45,600	11.8% plus £45,600	-1.3% plus £50,000	11.8% plus £50,000	-1.3% plus £54,500	11.8% plus £54,500
Lend Lease construction EMEA	-0.5%	12.6%	-0.5%	12.6%	-0.5%	12.6%
Liberata UK Ltd (Chorley)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Liberata UK Ltd (Pendle)	4.8% plus £51,000	17.9% plus £51,000	4.8% plus £53,100	17.9% plus £53,100	4.8% plus £55,300	17.9% plus £55,300
Lostock Hall Academy Trust	2.6% plus £21,200	15.7% plus £21,200	2.6% plus £25,200	15.7% plus £25,200	2.6% plus £29,400	15.7% plus £29,400
Lowther Pavilions and Gardens	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Lytham Schools Foundation	3.4% plus £12,000	16.5% plus £12,000	3.4% plus £12,500	16.5% plus £12,500	3.4% plus £13,000	16.5% plus £13,000
Mack Trading Ltd	3.8%	16.9%	3.8%	16.9%	3.8%	16.9%
Maharishi School (Free School)	3.6%	16.7%	3.6%	16.7%	3.6%	16.7%
Marketing Lancashire Ltd	-0.2% plus £3,300	12.9% plus £3,300	-0.2% plus £5,100	12.9% plus £5,100	-0.2% plus £7,000	12.9% plus £7,000
May Gurney Fleet & Passenger Services Limited	-0.8%	12.3%	-0.8%	12.3%	-0.8%	12.3%
Mellor's (Bishop Rawstorne)	4.5%	17.6%	4.5%	17.6%	4.5%	17.6%
Mellor's (Hambleton Primary)	7.3%	20.4%	8.6%	21.7%	9.8%	22.9%
Mellor's (Worden Sports College)	-1.4%	11.7%	-1.4%	11.7%	-1.4%	11.7%

Employers	2014/15 Individual Adjustment %	2014/15 Total Contribution Rate %	2015/16 Individual Adjustment %	2015/16 Total Contribution Rate %	2016/17 Individual Adjustment %	2016/17 Total Contribution Rate %
Mellors Catering (Brinscall St John)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Mellors Catering (Fulwood Academy)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Mellors Catering (Parbold)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Mellors Catering (Trinity, St Michaels)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Montgomery High School Academy	-1.7% plus £48,700	11.4% plus £48,700	-1.7% plus £50,700	11.4% plus £50,700	-1.7% plus £52,800	11.4% plus £52,800
Moorside Community PS Academy	-0.5% plus £16,200	12.6% plus £16,200	-0.5% plus £16,900	12.6% plus £16,900	-0.5% plus £17,600	12.6% plus £17,600
Morecambe Town Council	1.7%	14.8%	1.7%	14.8%	1.7%	14.8%
Myerscough College	-1.6% plus £133,400	11.5% plus £133,400	-1.6% plus £167,800	11.5% plus £167,800	-1.6% plus £202,600	11.5% plus £202,600
Nelson and Colne College	-0.6% plus £84,600	12.5% plus £84,600	-0.6% plus £88,100	12.5% plus £88,100	-0.6% plus £91,700	12.5% plus £91,700
New Fylde Housing Ltd	11.3% plus £116,900	24.4% plus £116,900	11.3% plus £121,700	24.4% plus £121,700	11.3% plus £126,700	24.4% plus £126,700
NIC Services Group Ltd	2.6%	15.7%	3.4%	16.5%	4.1%	17.2%
Norbreck Primary Academy	1.8% plus £14,500	14.9% plus £14,500	1.8% plus £16,300	14.9% plus £16,300	1.8% plus £18,200	14.9% plus £18,200
NSL Ltd (Lancaster)	-3.4%	9.7%	-3.4%	9.7%	-3.4%	9.7%
NW Inshore Fisheries	2.6% plus £27,000	15.7% plus £27,000	2.6% plus £28,100	15.7% plus £28,100	2.6% plus £29,300	15.7% plus £29,300

Employers	2014/15 Individual Adjustment %	2014/15 Total Contribution Rate %	2015/16 Individual Adjustment %	2015/16 Total Contribution Rate %	2016/17 Individual Adjustment %	2016/17 Total Contribution Rate %
Office of the Police and Crime Commissioner	-1.6% plus £2,900,000	11.5% plus £2,900,000	-1.6% plus £2,900,000	11.5% plus £2,900,000	-1.6% plus £2,900,000	11.5% plus £2,900,000
Old Laund Booth Parish Council	TBC	TBC	TBC	TBC	TBC	TBC
Parbold Douglas C.E. Academy	2.1% plus £5,700	15.2% plus £5,700	2.1% plus £7,500	15.2% plus £7,500	2.1% plus £9,400	15.2% plus £9,400
Parklands High School Academy	1.8% plus £20,900	14.9% plus £20,900	1.8% plus £21,800	14.9% plus £21,800	1.8% plus £22,700	14.9% plus £22,700
Pendle Borough Council	-0.9% plus £1,247,800	12.2% plus £1,247,800	-0.9% plus £1,299,000	12.2% plus £1,299,000	-0.9% plus £1,352,300	12.2% plus £1,352,300
Pendle Education Trust - Colne Primet	2.3% plus £17,500	15.4% plus £17,500	2.3% plus £18,200	15.4% plus £18,200	2.3% plus £18,900	15.4% plus £18,900
Pendle Education Trust - Walter St	0.8% plus £15,800	13.9% plus £15,800	0.8% plus £16,400	13.9% plus £16,400	0.8% plus £17,100	13.9% plus £17,100
Pendle Leisure Trust Ltd	-1.3% plus £30,400	11.8% plus £30,400	-1.3% plus £31,600	11.8% plus £31,600	-1.3% plus £32,900	11.8% plus £32,900
Penwortham Priory Academy	1.7% plus £18,500	14.8% plus £18,500	1.7% plus £19,300	14.8% plus £19,300	1.7% plus £20,100	14.8% plus £20,100
Penwortham Town Council	-0.3%	12.8%	-0.3%	12.8%	-0.3%	12.8%
Pilling Parish Council	11.2%	24.3%	11.2%	24.3%	11.2%	24.3%
Places for People	2.8%	15.9%	2.8%	15.9%	2.8%	15.9%
Preesall Town Council	TBC	TBC	TBC	TBC	TBC	TBC
Preston Care and Repair	7.7% plus £600	20.8% plus £600	7.7% plus £600	20.8% plus £600	7.7% plus £600	20.8% plus £600

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Preston City Council	-0.3% plus £1,233,600	12.8% plus £1,233,600	-0.3% plus £1,385,600	12.8% plus £1,385,600	-0.3% plus £1,540,100	12.8% plus £1,540,100
Preston College	-1.4% plus £304,000	11.7% plus £304,000	-1.4% plus £316,500	11.7% plus £316,500	-1.4% plus £329,500	11.7% plus £329,500
Preston Council for Voluntary Services	11.5%	24.6%	12.0% plus £1,000	25.1% plus £1,000	12.0% plus £2,200	25.1% plus £2,200
Progress Housing Group	2.8% plus £160,300	15.9% plus £160,300	2.8% plus £166,900	15.9% plus £166,900	2.8% plus £173,700	15.9% plus £173,700
Progress Recruitments (se) Ltd	-3.2%	9.9%	-3.2%	9.9%	-3.2%	9.9%
Queen Elizabeth's Grammar School	7.1% plus £15,600	20.2% plus £15,600	7.1% plus £23,900	20.2% plus £23,900	7.1% plus £32,300	20.2% plus £32,300
Ribble Valley Borough Council	0.9% plus £195,900	14.0% plus £195,900	0.9% plus £203,900	14.0% plus £203,900	0.9% plus £212,300	14.0% plus £212,300
Ribble Valley Homes Ltd	2.7%	15.8%	2.7%	15.8%	2.7%	15.8%
Ripley St Thomas C.E. (Academy)	2.9% plus £34,200	16.0% plus £34,200	2.9% plus £39,900	16.0% plus £39,900	2.9% plus £45,600	16.0% plus £45,600
Roseacre Primary Academy	0.3% plus £18,500	13.4% plus £18,500	0.3% plus £19,300	13.4% plus £19,300	0.3% plus £20,100	13.4% plus £20,100
Rossendale Borough Council	0.9% plus £955,000	14.0% plus £955,000	0.9% plus £994,200	14.0% plus £994,200	0.9% plus £1,035,000	14.0% plus £1,035,000
Rossendale Leisure Trust	1.4% plus £10,100	14.5% plus £10,100	1.4% plus £10,500	14.5% plus £10,500	1.4% plus £10,900	14.5% plus £10,900
Rossendale Transport Ltd	12.1% plus £74,600	25.2% plus £74,600	12.1% plus £110,100	25.2% plus £110,100	12.1% plus £145,700	25.2% plus £145,700

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Runshaw College	-0.3% plus £140,200	12.8% plus £140,200	-0.3% plus £145,900	12.8% plus £145,900	-0.3% plus £151,900	12.8% plus £151,900
School Lettings Solutions	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Service Alliance Ltd (Altham)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Service Alliance Ltd (RCC)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
South Ribble Borough Council	-0.4% plus £1,778,200*	12.7% plus £1,778,200*	-0.4%	12.7%	-0.4%	12.7%
South Ribble Community Leisure	-1.2% plus £73,800	11.9% plus £73,800	-1.2% plus £78,300	11.9% plus £78,300	-1.2% plus £83,000	11.9% plus £83,000
South Shore Academy	-0.8% plus £48,800	12.3% plus £48,800	-0.8% plus £50,800	12.3% plus £50,800	-0.8% plus £52,900	12.3% plus £52,900
St Annes on Sea Town Council	0.0%	13.1%	0.0%	13.1%	0.0%	13.1%
St Christopher's C.E. (Academy)	0.6% plus £60,700	13.7% plus £60,700	0.6% plus £67,600	13.7% plus £67,600	0.6% plus £74,600	13.7% plus £74,600
St Michael's C.E. High (Academy)	5.7% plus £10,400	18.8% plus £10,400	5.7% plus £20,700	18.8% plus £20,700	5.7% plus £31,100	18.8% plus £31,100
St Wilfrid's C.E. Academy	0.7% plus £82,200	13.8% plus £82,200	0.7% plus £85,600	13.8% plus £85,600	0.7% plus £89,100	13.8% plus £89,100
Superclean	4.1%	17.2%	4.1%	17.2%	4.1%	17.2%
Sure Start Hyndburn	-0.7% plus £6,200	12.4% plus £6,200	-0.7% plus £13,400	12.4% plus £13,400	-0.7% plus £20,700	12.4% plus £20,700
Tarleton Academy	1.2% plus £22,800	14.3% plus £22,800	1.2% plus £26,700	14.3% plus £26,700	1.2% plus £30,700	14.3% plus £30,700

Employers	2014/15 Individual Adjustment %	2014/15 Total Contribution Rate %	2015/16 Individual Adjustment %	2015/16 Total Contribution Rate %	2016/17 Individual Adjustment %	2016/17 Total Contribution Rate %
Tauheedul Free Schools Trust	-5.1%	8.0%	-5.1%	8.0%	-5.1%	8.0%
Tauheedul FST (Olive School Blackburn)	-0.7%	12.4%	-0.7%	12.4%	-0.7%	12.4%
Tauheedul FST (Olive School London)	-0.7%	12.4%	-0.7%	12.4%	-0.7%	12.4%
Tauheedul Islam Boys Free School	-6.5%	6.6%	-6.5%	6.6%	-6.5%	6.6%
Thames Primary Academy	-1.6% plus £25,000	11.5% plus £25,000	-1.6% plus £26,000	11.5% plus £26,000	-1.6% plus £27,100	11.5% plus £27,100
The Heights Free School	-0.7% plus £24,800	12.4% plus £24,800	-0.7% plus £25,800	12.4% plus £25,800	-0.7% plus £26,900	12.4% plus £26,900
The Lancashire Colleges Ltd	4.7%	17.8%	4.7%	17.8%	4.7%	17.8%
The Ormerod Home Trust Ltd	6.9% plus £19,100	20.0% plus £19,100	6.9% plus £26,400	20.0% plus £26,400	6.9% plus £33,800	20.0% plus £33,800
Twin Valley Homes Ltd	0.3% plus £157,600	13.4% plus £157,600	0.3% plus £164,100	13.4% plus £164,100	0.3% plus £170,800	13.4% plus £170,800
University of Central Lancashire	-1.0% plus £1,444,400	12.1% plus £1,444,400	-1.0% plus £1,503,600	12.1% plus £1,503,600	-1.0% plus £1,565,200	12.1% plus £1,565,200
University of Cumbria	-1.8% plus £884,000	11.3% plus £884,000	-1.8% plus £914,100	11.3% plus £914,100	-1.8% plus £945,400	11.3% plus £945,400
Vita Lend Lease (BSF ICT)	-0.6%	12.5%	-0.6%	12.5%	-0.6%	12.5%
Vita Lend Lease Ltd	3.3%	16.4%	3.3%	16.4%	3.3%	16.4%
Waterloo Primary Academy	0.5% plus £25,300	13.6% plus £25,300	0.5% plus £26,300	13.6% plus £26,300	0.5% plus £27,400	13.6% plus £27,400

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Wensley Fold CE Primary Academy	-0.7% plus £13,500	12.4% plus £13,500	-0.7% plus £14,100	12.4% plus £14,100	-0.7% plus £14,700	12.4% plus £14,700
West Lancashire Borough Council	0.6% plus £841,100	13.7% plus £841,100	0.6% plus £980,500	13.7% plus £980,500	0.6% plus £1,121,700	13.7% plus £1,121,700
West Lancs Community Leisure	-0.7%	12.4%	-0.4%	12.7%	-0.1%	13.0%
Westcliff Primary School (Academy)	1.2% plus £8,500	14.3% plus £8,500	1.2% plus £10,000	14.3% plus £10,000	1.2% plus £11,500	14.3% plus £11,500
Whitworth Town Council	-1.3% plus £1,700	11.8% plus £1,700	-1.3% plus £2,000	11.8% plus £2,000	-1.3% plus £2,400	11.8% plus £2,400
Wyre Borough Council	0.6% plus £764,900	13.7% plus £764,900	0.6% plus £796,300	13.7% plus £796,300	0.6% plus £828,900	13.7% plus £828,900
Wyre Housing Association	5.2% plus £148,400	18.3% plus £148,400	5.2% plus £198,500	18.3% plus £198,500	5.2% plus £249,000	18.3% plus £249,000

Former Employers	Proportion of Pension Increases to be Recharged %
Blackpool & Fylde Society for the Deaf	100
Burnley & Pendle Development Association	100
Burton Manor Residential College	100
Ex Department of Transport	100

Ex National Health Service	100
Fylde Coast Development Association	100
Lancashire South East Probation Committee	100
Spastics Society	100

Notes:

1. The £ lump sum payments for Blackpool Fylde Wyre Society for the Blind and South Ribble Borough Council are payable in April 2014;
2. The percentages shown are percentages of pensionable pay and apply to all members, including those who are members under the 50:50 option under the LGPS from 1 April 2014;
3. The contributions for Liberata UK Ltd (Chorley) assume the contract will terminate in July 2014. If the contract is extended for any reason then the contributions given above will require revision;
4. The contributions for the Office of the Police and Crime Commissioner will need to be reallocated between that employer and the Office of the Chief Constable on its admission to the Fund. The allocation will be determined by the Office of the Police and Crime Commissioner and the Administering Authority acting on actuarial advice;
5. The total contributions payable by each employer each year will be subject to a minimum of zero;
6. In cases where an element of an existing Scheme Employer's deficit is transferred to a new employer on its inception, the Scheme Employer's deficit recovery contributions shown in this certificate may be reallocated between the Scheme Employer and the new employer to reflect this, on advice from the actuary.
7. There are a number of additional employers who no longer had any active members within the Fund as at the valuation date. Any final contribution requirement for these employers will be assessed by the Fund in due course on the basis of actuarial advice.

I. Contacts

http://www.yourpensionservice.org.uk

Benefits and other Administrative Issues

Pensions Helpdesk
Your Pension Service
PO Box 100
County Hall
Preston
PR1 0LD
Telephone: 0300 123 6717
E-mail: AskPensions@lancashire.gov.uk

Pension Benefits and Administration

Diane Lister
Head of Your Pension Service
Telephone: 01772 534827
E-mail: AskPensions@lancashire.gov.uk

Pension Fund Accounts

Abigail Leech
Head of Corporate Finance
Telephone: 01772 530808
E-mail: abigail.leech@lancashire.gov.uk

Pension Fund Investments

Mike Jensen
Chief Investment Officer
Telephone: 01772 534742
E-mail: mike.jensen@lancashire.gov.uk

Pension Fund Governance

Andrew Fox
Head of Policy and Compliance
Telephone: 01772 535916
E-mail: andrew.fox@lancashire.gov.uk

Director of the Lancashire County Pension Fund

George Graham

Director

Telephone: 01772 538102

E-mail: george.graham@lancashire.gov.uk

J. Glossary

Accounting policies
The specific principles, bases, conventions, rules and practices applied by the authority in preparing and presenting financial statements.

Accrual
The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Active management
Approach to investment management which aims to outperform a particular market index or benchmark through asset allocation and/or stock selection decisions.

Actuarial strain
This is a charge paid by employers to the pension fund for paying pensions early.

Actuarial Valuation
An actuary formally reviews the assets and liabilities of the pension scheme and produces a report on the scheme's financial position.

Actuary
An independent consultant who advises the scheme and every three years formally reviews the assets and liabilities of the scheme and produces a report on the scheme's financial position, known as the Actuarial Valuation.

Additional voluntary contributions (AVC's)
This is an extra contribution a member can pay to their own pension scheme to increase future pension benefits.

Administering authority
A local authority required to maintain a pension fund under LGPS regulations. Within the geographical boundary of Lancashire this is Lancashire County Council.

Admitted bodies
An organisation which, under Pension Scheme Regulations, is able to apply to the administering authority to join the scheme (e.g. a contractor providing services to the council or another scheduled body). Upon acceptance, an admission agreement is prepared admitting the organisation and allowing its employees to join.

Alternative investments
Investments considered outside of the traditional asset classes of stocks, bonds, cash or property.

Asset allocation
Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return and is a central concept in financial planning and investment management.

Assumed pensionable pay
Where an employee loses pay due to sickness or reduced pay family related leave, the pay actually received is substituted with "assumed pensionable pay" when calculating "career average" benefits and employer contributions. Assumed pensionable pay is the average of pay in the three months prior to the month in which the reduced pay occurs.

Auditor
An independent qualified accountant who is required to verify and agree the Pension Fund accounts and issue an opinion on their accuracy.

Auto enrolment
UK employers have to automatically enrol their staff into a workplace pension if they meet the criteria. The law on workplace pensions has now changed and every employer must comply.

Benchmark
These are investment performance standards that we expect our investment managers to achieve and against which we measure their investment return.

Bid price
The price a buyer pays for a stock.

Bonds
Certificate of debt, paying a fixed rate of interest, issued by companies, governments or government agencies.

Career average revalued earnings (CARE) scheme.
The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely, it is based on pensionable earnings, increased in line with inflation as measured by the consumer price index (CPI).

Cash and cash equivalents
Short term (less than 3 months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collateral
An asset (cash or securities) posted from one counterparty to another, and held as a guarantee against the value of a specified portfolio of trades or other transactions.

Conflicts of interest
Real or apparent instances where a person or firm has an incentive to serve one interest at the expense of another. Some of those conflicts are inherent in any large, diversified organisation, while others stem from the nature of the services offered to clients. Those conflicts are managed through disclosure and with policies and procedures that are designed to protect client's interests. The appearance of a conflict of interest is present if there is a potential for the personal interests of an individual to clash with fiduciary duties.

Consumer Price Index (CPI)
CPI is an alternative measure of inflation also based on the change in the price of a fixed basket of goods and services. The difference between CPI and retail price index (RPI) is that CPI excludes some items used in RPI such as mortgage interest payments and council tax, and includes other items not used in RPI.

Corporate Governance
The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

Creditors
Amounts owed by the Pension Fund for work carried out, goods received or services provided, which has not been paid by the date of the net assets statement.

Credit strategies
Credit strategies involve investing in loans or the provision of other credit. At the safest end this this may involve investing in Gilts – debt issued by Government, where risk is perceived to be minimal but where returns are very low; at the other end of the spectrum are loans to heavily indebted companies or even companies who have credit difficulties, where there are higher levels of risk but where significantly enhanced returns are available.

Currency forward
An agreement between two counterparties to buy/sell a specified quantity of the underlying currency at a specified future date. Contracts are settled in cash on the expiration date.

Current assets and liabilities
Current assets are cash, cash equivalents and items that can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term.

Custody /Custodian
Safekeeping of securities by a financial institution. The custodian keeps a register of holdings and will collect income and distribute monies according to client instructions.

Debtors
Amounts owed to the Pension Fund which had not been paid by the date of the net assets statement.

Defined benefit
An employer sponsored retirement plan where employee benefits are sorted out based on a formula using factors such as salary history and duration of employment. Public sector pension schemes, including the LGPS are defined benefit.

Emerging markets
Developing economies in Latin America, Africa, Asia and the Middle East as well as areas of Europe and the Far East. Investment returns within these markets tend to be more volatile than those in more established markets.

Equities
Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

ESG (environmental, social and corporate governance)
A set of standards for a company's operations that socially conscious investors use to screen investments. Environmental criteria looks at how a company performs as a steward of the natural environment. Social criteria examines how a company manages relationships with its employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits and internal controls and shareholder rights. ESG is the catch-all term for the criteria used in what has become known as socially responsible investing. Socially responsible investing is among several related concepts and approaches that influence and, in some cases govern, how asset managers invest portfolios.

Financial instrument
A contract between two parties that involves a monetary exchange for some type of debt or asset.

Fixed interest securities
Investments in stocks mainly issued by governments, which guarantee a fixed rate of interest.

Funding level
The ratio of a Pension scheme's assets to its liabilities. Used as a measure of the scheme's ability to meet its future liabilities.

Index-linked securities
Investments in stock where the interest payments and the final redemption proceeds are linked to the Retail Price Index. Such stocks provide protection against inflation.

Infrastructure
The public facilities and services needed to support residential development, including highways, bridges, schools and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

Investment management expenses
All expenses relating to managing the Fund's investments.

Investment strategy
Investors long-term distribution of assets among various asset classes taking into consideration, goals of the investor, attitude to risk and timescale.

Liabilities
Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pension liabilities are the pension benefits and payments that are due to be paid when someone retires.

Market value
The price at which an investment can be bought or sold at a given date.

Myners review
Review carried out by Paul Myners on behalf of the Chancellor of the UK Government. The review published in March 2001, investigated the challenges facing institutional investment decision making.

OTC
A security traded in some context other than on a formal exchange. The phrase "over the counter" can be used to refer to stocks that trade via a dealer network as opposed to on a centralised exchange. It also refers to debt securities and other financial instruments such as derivatives, which are traded through a dealer network.

Pooled investment vehicles
Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Private equity
Shares in un-quoted companies.

Property
All buildings and land that the Fund owns, including pooled property funds.

Related party
A person or organisation which has influence over another person or organisation.

Socially responsible investment
Investments which take into consideration social and environmental factors, as well as financial factors.

Statement of investment principles
The SIP sets out details of the investment policy being followed by a pension scheme. Includes certain specific statements such as the kinds of investments held and the balance between them, risk and expected returns, realisations of investments, socially responsible investments and corporate governance policy.

Stock lending
The act of loaning securities to another investor in return for a fee. When a security is loaned the ownership is also transferred to the borrower.

Transfer values
The value of a pension scheme members benefits available to buy benefits in another scheme.

Triennial actuarial valuation
Every three years the actuary formally reviews the assets and liabilities of the Lancashire LGPS Scheme and produces a report on the scheme's financial position.

Venture capital
Investment in a company that is at a relatively early stage of development and is not listed on a stock exchange.

Pension Fund Committee
Meeting to be held on 30 September 2015

Electoral Division affected: None

External Audit – Lancashire County Pension Fund Audit Findings Report 2014/15
(Appendix 'A' refers)

Contact for further information:
Karen Murray, 0161 234 6364, Director, Grant Thornton
karen.i.murray@uk.gt.com

Executive Summary

The Audit Findings Report at Appendix 'A', sets out the findings of the external auditor following their audit of the Pension Fund Accounts for 2014/15. This report was presented to the Council's Audit and Governance Committee on 28 September 2015. The external auditor provided an unqualified audit opinion on the pension fund accounts following the meeting on 28 September 2015.

Recommendation

The Committee is asked to note the External Audit report following their audit of the Lancashire County Pension Fund Accounts for 2014/15.

Background and Advice

Attached at Appendix 'A' is the external auditor's Audit findings Report following their audit of the accounts for Lancashire County Pension Fund for 2014/15. This includes reporting the outcome of their work against the main audit risks highlighted in the Audit Plan presented to the Pension Fund Committee at its 27 March 2015 meeting.

Representatives of Grant Thornton will be in attendance to present the report and address any questions from the Committee.

Consultations

The report has been agreed with the Director, Lancashire County Pension Fund and the County Council's Acting Section 151 Officer.

Implications:

This item has the following implications, as indicated:

Lancashire County Council

Risk management

No significant additional risks have been identified.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

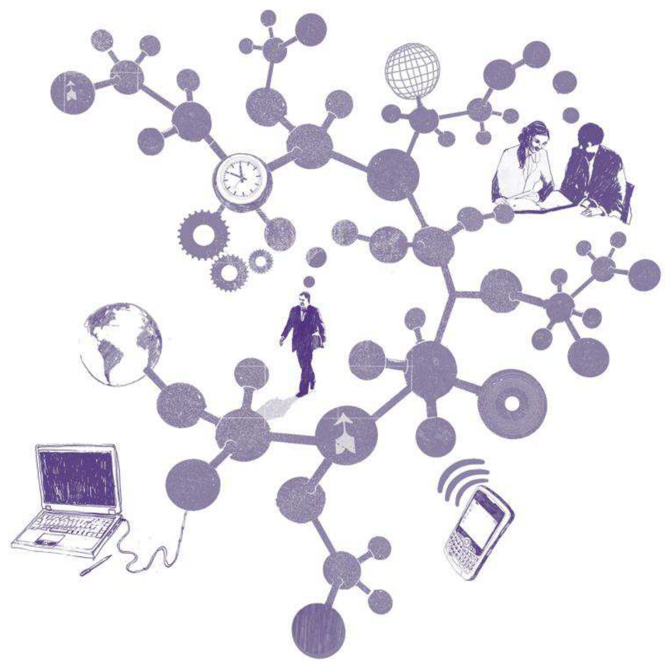
Appendix A

The Audit Findings for Lancashire County Pension Fund

Year ended 31 March 2015

15 September 2015

Page 183



Karen Murray
Director
T 0161 234 6364
E karen.l.murray@uk.gt.com

Gareth Kelly
Senior Manager
T 0141 223 0891
E gareth.kelly@uk.gt.com

Ian Pinches
Executive
T 0161 234 6359
E ian.m.pinches@uk.gt.com

Grant Thornton

Audit & Governance Committee
Lancashire County Council
County Hall
Preston
Lancashire
PR1 8RE

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
MANCHESTER
M3 3EB

www.grant-thornton.co.uk

28 September 2015

Dear Councillor Brown

Audit Findings for Lancashire County Pension Fund for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Lancashire County Pension Fund, the Audit and Governance Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Karen Murray

Engagement lead

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Lancashire County Pension Fund's (the Fund) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Fund's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting.

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated March 2015 and presented to the Audit & Governance Committee June 2015.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Our audit is substantially complete although we are finalising our work in the following areas:

- completion of final specialist partner review;
- obtaining and reviewing the final management letter of representation; and
- updating our post balance sheet events review, to the date of signing the opinion.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the Fund's financial statements.

We have not identified any adjustments affecting the Fund's reported financial position. However, we have agreed with officers some minor adjustments to improve the presentation of the financial statements, including a non adjusting post balance sheet event note to provide an update on the asset management and liability partnership proposal with London Pension Fund Authority.

The Fund have implemented the new guidance from CIPFA in relation to administration and management costs, building on the work already done to improve the transparency of Fund's reporting in this area.

Further details are set out in section two of this report.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council as the administering authority.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit have been discussed with the Director of Lancashire County Pension Fund, the Interim Director of Financial Resources and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and the additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, dated March 2015 and presented to the Audit and Governance Committee in June 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to the Audit & Governance Committee in June 2015.

Audit opinion

We provide two opinions on the Pension Fund, as follows:

- an audit opinion on the Pension Fund financial statements included in the Council's Statement of Accounts; and
- an opinion on the Pension Fund financial statements included in the Pension Fund Annual Report, which confirms if these financial statements are consistent with the financial statements in the Statement of Accounts.

Our proposed audit opinion on the Pension Fund financial statements in the Statement of Accounts is set out in Appendix A.

We also propose to give an unqualified consistency with opinion on the financial statements in the Annual Report as set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**Improper revenue recognition** Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition	We rebutted this presumption during the interim phase of the audit, and this was communicated to members as part of the audit plan.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls	We carried out: • a review of accounting estimates, judgements and decisions made by management • testing of journal entries • a review of unusual significant transactions	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.
3.	**Level 3 Investments – Valuation is incorrect** Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Under ISA (UK&I) 315 this was identified as a significant risk as the valuations include significant judgemental matters. (Investment fair value measurements priced using inputs not based on observable market data)	We have carried out procedures and reviews sufficient to understand the pension fund's arrangements for gaining assurance over the nature and basis of valuation of these investments. For a sample of individual investments, we tested valuations by obtaining and reviewing audited accounts at latest date and agreeing these to the fund manager reports at that date. We reviewed the reconciliation of those values to the values at 31 March with reference to known movements in the intervening period.	Our audit work has not identified any issues in respect of the valuations applied to year end level 3 investments.

Page 191

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Investment income **Investment purchases and sales**	Investment activity not valid. Investment income not accurate. (Accuracy) Investment activity not valid. Investment valuation not correct.	We have undertaken the following work in relation to these risks: • documented our understanding of processes and key controls over these transaction cycles • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • carried out a detailed reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances.	Our audit work has not identified any significant issues in relation to the risks identified.
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	We have undertaken the following work in relation to this risk: • reviewed the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and sought explanations for variances • tested a sample of level 2 investments to independent information from custodian/manager on units and on unit prices where the custodian does not provide independent pricing confirmation; and • for direct property investments we agreed values in total to valuer's report and undertake steps to gain reliance on the valuer as an expert.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Contributions	Recorded contributions not correct. (Occurrence)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • carried out procedures and reviews sufficient to understand the Pension Fund's arrangements for gaining assurance over recorded contributions • carried out controls testing over occurrence, completeness and accuracy of contributions • rationalised contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained	Our audit work has not identified any significant issues in relation to the risk identified.
Benefit payments	Benefits improperly calculated/claims liability understated (Completeness, accuracy and occurrence)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • carried out procedures and reviews sufficient to understand the Pension Fund's arrangements for gaining assurance over benefit payments. • carried out controls testing over completeness, accuracy and occurrence of benefit payments, considering key controls • undertook attribute testing for a sample of new pensions into payment • rationalised pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Member data	Member data not correct. (Rights and Obligations)	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • carried out procedures and reviews sufficient to understand the Pension Fund's arrangements for gaining assurance over member data • carried out controls testing over annual/monthly reconciliations and verifications with individual members • sample tested changes to member data made during the year to source documentation.	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• Contribution Income: normal contributions for both employee and employers is accounted for on an accruals basis. • Transfers to and from the scheme: Transfers are recognised when they are received / paid. • Investment Income: The Fund adopts several different recognition approaches dependent on the types of investment as disclosed within the statements.	• The revenue recognition policies of the Fund are appropriate and in line with the relevant accounting framework. • The application of the revenue recognition policies at the Fund is not considered complex, and our testing has not identified any inappropriate revenue recognition.	● **Green**
Estimates and judgements	• Key estimates and judgements include : – investment valuation for unquoted, hard to value investments – pension fund actuarial valuations and settlements.	• The valuation of the Fund's hard-to-value investments have been substantively tested to gain assurance that it is not materially misstated • We have confirmed that the work of the actuary is in line with professional standards and regulation, and that they are a reliable source of estimation relating to the pension fund liabilities.	● **Green**

Page 195

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Other accounting policies	We have reviewed the Fund's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	● Green

Assessment
- ● Marginal accounting policy which could potentially attract attention from regulators
- ● Accounting policy appropriate but scope for improved disclosure
- ● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A standard letter of representation has been requested from the Fund.
4.	**Disclosures**	• Our review found no non-trivial omissions in the financial statements. Management has added a non-adjusting post balance sheet event note to provide an update on the asset management and liability partnership proposal with London Pension Fund Authority.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed with the exception of key management personnel disclosures. However, this is due to a difference in interpretation of the CIPFA Code in this respect. • IAS 24 requires the inclusion of an extended disclosure note about the compensation of key management personnel. The CIPFA code includes a specific dispensation from this requirement, instead following the regulatory disclosure requirements around remuneration of members and staff. The Fund has chosen to follow the CIPFA example pension fund accounts which refer to this dispensation in the Pension Fund disclosure notes, (note 24), and cross references the reader to the Council's main financial statements where such regulatory disclosures are made. • In our view, this disclosure is not appropriate since the regulatory disclosures in the Council's main accounts include senior management personnel who are not involved in the management of the pension fund and will exclude some who are. Additionally, in the context of the separately published Pension Fund Annual Report, such cross referencing is not helpful. In our view the Fund should either make the full IAS24 disclosures within the pension fund accounts, or make the regulatory disclosures set out in the Code specific to those key management personnel involved in the Pension Fund. However we recognise that the position taken by the Fund is not inconsistent with the Code or CIPFA's guidance (in the form of the example pension fund accounts provided by them) and that following the management restructure for 2015/16 the expected disclosures will be made in future years.
6.	**Confirmation requests from third parties**	• We obtained direct confirmations from all external fund managers and custodian for investment balances and requested management permission to send confirmation requests for bank and investment balances . This permission was granted and the requests were sent. All requests were returned with positive confirmation.
7.	**Going concern**	• Our work has not identified any reason to challenge the Fund's decision to prepare the financial statements on a going concern basis.

Page 197

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Investments, contributions, benefit payments and member data as set out on pages 10 and 13 above.

The controls were found to be operating effectively and we have no matters to report to the Audit and Governance Committee.

As part of our planned programme of work, our information systems specialist team undertook a high level review of the general IT control environment at the Administering Authority. This was undertaken as part of the review of the internal controls system. We are pleased to report that no significant issue arose from our work. We identified a small number of areas where the Council's existing IT arrangements can be further developed. None of these are specific to the Pension Fund, and have been shared with the Interim Director of Financial Resources for information.

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Presentation and Disclosure	Various		A number of minor presentational and disclosure issues were amended in the accounts.
NB: None of the presentation or disclosure issues impact on the Fund's reported outturn position.				

Section 3: Fees, non-audit services and independence

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Fund audit scale fee	34,169	34,169
IAS19 Protocol audit work	1,737	1,737
Total audit fees	**35,906**	**35,906**

There is no change in the audit fee as reported in the Audit Plan. The audit fee of £1,737 relates to providing assurance to other auditors under the IAS19 protocol, which has been approved by the Audit Commission and discussed with officers.

Independence and ethics

Ethical standards and International Standards on Auditing (ISA) 260 require us to give you full and fair disclosure of matters relating to our independence. In this context, we disclose the following to you:

- the in-charge member of our team has a family member who works within the Pension Fund's benefits administration team. To avoid any potential conflicts, this member of our team does not undertake any work on the benefits payable elements of the accounts and is not responsible for the planning or supervision of such work.

We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Section 4: Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Fund's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Page 203

Appendices

Appendix A: Audit opinion for inclusion in Lancashire County Council's statements

We anticipate we will provide the Council with an unmodified audit report on the Pension Fund

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANCASHIRE COUNTY COUNCIL

We have audited the pension fund financial statements of Lancashire County Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

This report is made solely to the members of Lancashire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Interim Director of Financial Resources and auditor

As explained more fully in the Statement of responsibilities for the statement of accounts the Interim Director of Financial Resources is responsible for the preparation of the Authority's Statement of Accounts, which include the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the pension fund financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the pension fund financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the pension fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Interim Director of Financial Resources; and the overall presentation of the pension fund financial statements.

In addition, we read all the financial and non-financial information in the Introduction to identify material inconsistencies with the audited pension fund financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the pension fund financial statements

In our opinion the pension fund's financial statements:
give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2015 and of the amount and disposition of the fund's assets and liabilities as at 31 March 2015; and
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the Introduction for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Karen Murray
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
Chartered Accountants
4 Hardman Square
Spinningfields
MANCHESTER
M3 3EB

28 September 2015

Appendix B: Audit opinion for inclusion in Pension Fund's Annual Report

We anticipate we will provide the Council with an unmodified audit report on the Pension Fund

Independent auditor's statement to the members of Lancashire County Council on the pension fund financial statements included in the pension fund annual report

We have examined the pension fund financial statements of Lancashire County Council for the year ended 31 March 2015 under the Audit Commission Act 1998, which comprise the fund account, the net assets statement and the related notes.

This statement is made solely to the members of Lancashire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our work has been undertaken so that we might state to the members of the authority those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of Director of Financial Resources and auditor

As explained more fully in the Responsibilities for the statement of accounts the Director of Financial Resources is responsible for the preparation of the Statement of Accounts of Lancashire County Council, which include the pension fund's financial statements, in accordance with applicable law, proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view.

Our responsibility is to state to you our opinion on the consistency of the pension fund financial statements included in the pension fund annual report with the pension fund financial statements included in the Statement of Accounts of Lancashire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

In addition we read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of Management Structure, Foreword by the Chair of the Pension Fund Committee, Governance of the Fund, Administration of the Fund, Knowledge and Skills Framework, Investment Policy and Performance and Actuarial Valuation.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's annual Statement of Accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the pension fund financial statements included within the annual Statement of Accounts of Lancashire County Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
4 Hardman Square
Spinningfields
MANCHESTER
M3 3EB

28 September 2015

grant-thornton.co.uk

Pension Fund Committee
Meeting to be held on 30 September 2015

Electoral Division affected: None

Lancashire County Pension Fund Risk Register
(Appendix 'A' refers)

Contact for further information:
Andrew Fox, (01772) 535916, Head of Service, Policy and Compliance
andrew.fox@lancashire.gov.uk

Executive Summary

Lancashire County Council, as administering authority of the Lancashire County Pension Fund, has responsibility for ensuring that there is effective risk management in place in relation to the operations of the Fund. This requirement is reflected in both the investment regulations and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Lancashire County Pension Fund Risk Register was last reviewed by the Committee on 27 March 2015. It has previously been indicated that updates to the risk register would be provided to the Committee at six monthly intervals.

Accordingly, the risk register has been reviewed by risk owners in order for any new risks to be identified, and for details of existing risks to be confirmed or amended in order to ensure that, where possible, appropriate controls are in place.

Details of the areas currently designated as 'high' risk are separately identified and appear at the front of the register.

Recommendation

The Committee is asked to note the updated Risk Register set out at Appendix 'A'.

Background and Advice

Risk management is the practice of identifying, analysing and controlling in the most effective manner all threats to the achievement of the strategic objectives and operational activities of the organisation.

It is not a process for avoiding or eliminating risk although that may be a consequence of the risk mitigation measure deployed. A certain level of risk is inevitable in achieving objectives, particularly in an operation such as the Pension Fund which is exposed to a wide range of investment related risks but it must be controlled.

The Risk Register identifies the following category of risk:

- Investment and funding risk;
- Employer risk;
- Skill and resource risk;
- Governance and compliance risk;
- Reputational risk; and
- Administration risk.

Each of the risks, in the areas above, have been reviewed again by the allocated owners in terms of its impact on the Fund as a whole, on the fund employers, and on the reputation of the Pension Fund Committee and Lancashire County Council as administering authority. Assessment has also been given to the likelihood of the risk.

The impact and likelihood has then been scored on a scale of one to four (one being low risk, four being high risk) in order to assess whether the overall risk level is low, medium or high. The risk owners then assessed whether there are any mitigating factors in place which could reduce the level of risk, the risk score was then adjusted accordingly.

Accordingly, the risk register was updated and can be found at Appendix 'A'. The register has been reordered in order that the 'high' risk areas are shown at the front of the document.

The review did not identify any new risks however, the existing risk relating to the requirement to establish a Local Pension Board was removed as this has now been successfully established.

The following risks are currently designated as 'high':

- I004 – Falling share prices and therefore asset value;
- I007 – Liability Risk – Inflation/Deflation;
- I009 – Liability Risk – Longevity;
- I012 – Liability Risk – LGPS Regulations
- I001 – Asset/Liability mismatch

The risk register will continue to be reviewed on a regular basis.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The Pension Fund Committee is the body charged with exercising the County Council's responsibilities as administering authority of the Pension Fund, and accordingly takes the responsibility for ensuring that there is effective risk management over those operations.

The register set out at Appendix 'A' seeks to assess specific risks relating to Lancashire County Pension Fund and introduce a measure of consistency into the risk assessment process.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

LANCASHIRE COUNTY PENSION FUND

RISK REGISTER

SEPTEMBER 2015

1. **Objectives of the Risk Register**

These are to:

- Identify key risks to the achievement of the Fund's objectives and to the Fund's day to day operations;
- Consider the risks identified;
- Assess the significance of the risks.

2. **Risk assessment**

Identified risks are assessed separately and for each risk the following is determined:

- The likelihood and impact of the risk materialising without any mitigating controls being applied – 'the gross risk'.
- The likelihood and impact of the risk materialising with mitigating controls being applied – 'the residual risk'.
- Risks are evaluated on a sliding scale of 1 – 4 with the highest value being the most likely to occur/ most severe impact.
- The product of the likelihood and impact scores is the risk score:

Likelihood					
	4	4 – medium/ low	8- medium/ high	12 - high	16 – high
	3	3 – medium/ low	6 – medium/ high	9 – medium/ high	12 – high
	2	2 – low	4 – medium/ low	6 – medium/ high	8 – medium/ high
	1	1 – low	2 - low	3 – medium/ low	4 – medium/ low
		1	2	3	4
	Impact				

- The register below seeks to assess specific risks and introduce a measure of consistency into the risk assessment process. The risk scores relating to residual risks can then be prioritised.
- Planned actions, timescales, review dates, and change in risk since the last review are noted for each risk, alongside the 'risk owner' responsible for managing it.
- Change in risk is denoted by arrows to represent increased risk, decreased risk or risk level remains the same.
- The thick black line indicates a proposed 'risk appetite' or tolerable level, to indicate an aspiration for acceptable risks to be less than 'medium/ high'.

3. Objectives of the Pension Fund

These are to:

- enable employer contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies, whilst achieving and maintaining fund solvency, which should be assessed in light of the risk profile of the fund and the risk appetite of the administering authority and employers alike;

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due; and

- seek returns on investment within reasonable risk parameters.

4. Investment objectives of the Pension Fund

The Fund has two objectives in terms of its investment activities:

- To ensure that resources are available to meet the Fund's liabilities through achieving investment performance at least in line with actuarial assumptions.

- To achieve full funding (i.e. no funding deficit) over a period no longer than the current recovery period.

Ref	Area	Risk	Cause	Impact	Gross Risk				Mitigation in place	Residual Risk				Planned Action	Date for completion	Review Date	Change in risk score since last report	Owner
					Impact	Likelihood	Score	Risk Level		Impact	Likelihood	Score	Risk Level					
I004	Investment and funding risk	Falling share prices and therefore asset value	Stock market rerating or reactions to world events impacts on value of shares	Falling share prices and therefore a decrease in the assets held by the fund	4	4	16	H	Investment portfolio is diverse in order to minimise such risks. Member of LAPFF and PIRC to promote engagement	4	4	16	H	Equity strategy combining defensive and growth holdings. Apply synthetic allocation strategy	On-going	Mar-16		Chief Investment Officer
I007	Investment and funding risk	Liability risk: Inflation / Deflation rate	Inflation Assumed inflation rate within liability valuation applied to future pension increases and salary rises is lower than actual rate. Deflation A period of deflation would not impact on pension payments but would reduce asset value	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	4	4	16	H	Increasing focus on liability management, new investment strategy, diversified portfolio	4	4	16	H	Some risks have materialised, forward rates declining and liabilities increasing but Investment Panel have authorised further work to analyse the risk strategy and address this risk	On-going	Mar-16		Chief Investment Officer
I009	Investment and funding risk	Liability risk: Longevity	The assumptions of future life expectancy and improvements in life expectancy may be lower than actual. Members may live longer and benefits may be paid for longer	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	4	4	16	H		4	4	16	H	Some risks have materialised, forward rates declining and liabilities increasing but Investment Panel have authorised further work to analyse the risk strategy and address this risk	On-going	Mar-16		Chief Investment Officer

Ref	Area	Risk	Cause	Impact	Gross Risk				Mitigation in place	Residual Risk				Planned Action	Date for completion	Review Date	Change in risk score since last report	Owner
					Impact	Likelihood	Score	Risk Level		Impact	Likelihood	Score	Risk Level					
I012	Investment and funding risk	Liability risk: LGPS regulations	Pension benefits are governed by statute, and any changes will impact on the fund's liabilities causing them to either increase or decrease Results of 2016 valuation could lead to a reassessment of benefit structures	Liabilities are affected by statutory changes to LGPS	4	4	16	H	Increasing focus on liability management, new investment strategy, diversified portfolio. Lobbying of Government	4	4	16	H	New LGPS regulations expected from Government	On-going	Mar-16	↑	Chief Investment Officer
I001	Investment and funding risk	Asset / liability mismatch	Assets insufficient to fund liabilities	Inability to make benefit payments, meaning cash injections required from employers	4	4	16	H	Increasing focus on liability management, new investment strategy, diversified portfolio	4	3	12	H	Change of acturial basis for 2016 valuation. Investment Panel have authorised work to analyse risk strategy and progress this area	On-going	Mar-16	↓	Chief Investment Officer
I016	Investment and funding risk	Mismatch of funding plan and investment strategy	Incorrect assumptions made regarding assets and liabilities	Incorrect contribution rates could be set	3	4	12	H	Funding strategy and investment strategy to be linked to triennial reviews	3	3	9	M/H	Contribution rates reviewed following the results of recent triennial review	On-going	Dec-15	↕	Chief Investment Officer
S002	Skill and Resource risk	Lack of expertise / resources of officers involved in the Pension Fund	Insufficient training or continuous development	Either inappropriate staffing or insufficient resources in a particular area meaning that the fund cannot be managed or administered properly and mistakes are made	3	3	9	M/H	Regular performance appraisals and training plans in place. On the job training.	3	3	9	M/H	Attendance at regular conferences and courses. On the job training.	On-going	Dec-15	↕	Chief Investment Officer

Ref	Area	Risk	Cause	Impact	Gross Risk				Mitigation in place	Residual Risk				Planned Action	Date for completion	Review Date	Change in risk score since last report	Owner
					Impact	Likelihood	Score	Risk Level		Impact	Likelihood	Score	Risk Level					
I011	Investment and funding risk	Liability risk: Diversification	Diversification of asset portfolio less than expected	Assets move in unpredictable directions, potentially increasing the funding gap between assets and liabilities	4	2	8	M/H	Increasing focus on liability management, new investment strategy, diversified portfolio	4	2	8	M/H	On-going, liability paper presented to Investment Panel and further work has been authorised	On-going	Mar-16		Chief Investment Officer
I019	Investment and funding risk	Changes to LGPS Investment Regulations	Government may enforce a one size fits all solution regarding the investment of funds which may be sub-optimal	Unintended change to LCPF investment strategy which could affect performance and deficit reduction	4	2	8	M/H	Changes are now likely, Treasury seems supportive of Lancs / London joint venture	4	2	8	M/H	Changes are now likely, Treasury seems supportive of Lancs / London joint venture	On-going	Mar-16		Chief investment Officer
S001	Skill and Resource risk	Key person risk	Someone leaving the organisation and only a limited market from which to seek their replacement	Knowledge gap which it may be difficult to fill	4	2	8	M/H	Failure of Lancs / London collaboration will increase likelihood of staff departures	4	2	8	M/H	Much internal focus on ensuring success of collaboration	On-going	Mar-16		Chief Investment Officer
A005	Administration risk	Failure to hold personal data securely	Poor procedures for data transfer, data retention and back up	Data is lost or compromised	4	2	8	M/H	Internal ICT controls. Information governance awareness.	4	2	8	M/H	Further work to improve the security of data interchange with employers through improvements in technology	On-going	Mar-16		Head of Your Pension Service
I010	Investment and funding risk	Liability risk: Early retirement/ ill-health retirement	Members retiring earlier than normal retirement age with no reduction in benefit will require employers to make greater contributions	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	4	2	8	M/ H	Provision for employers to top-up contributions to offset the increasing liabilities.	3	2	6	M/ H	Provision for employers to top-up contributions to offset the increasing liabilities.	On-going	Dec-15		Head of Your Pension Service

Ref	Area	Risk	Cause	Impact	Gross Risk				Mitigation in place	Residual Risk				Planned Action	Date for completion	Review Date	Change in risk score since last report	Owner
					Impact	Likelihood	Score	Risk Level		Impact	Likelihood	Score	Risk Level					
E001	Employer Risk	Inability of an employer to meet its contribution requirements due to legislative or actuarial changes	Increased level of contributions required from employer	Overall fund faces increasing liabilities	2	3	6	M/H	Monitor risk picture of the employers, particularly with reference to the size of their liability	2	3	6	M/H	Review financial standing of the employers in the scheme with reference to the size of their liabilities. Differential asset allocations	On-going	On-going review		Director of Pension Fund
S003	Skill and Resource risk	Insufficient knowledge of pension fund committee members and Pension Board	Insufficient training or continuous development	Inappropriate decisions taken at committee meetings or inability to make decisions through lack of understanding. Pension Board unable to fulfil their statutory requirements	4	2	8	M/H	Implement training for new members. Have an on-going training requirement for members and officers to ensure knowledge remains up to date. Mixture of in-house and external sessions. Officer expert advice	3	2	6	M/H	A training policy has been drafted which should fulfil knowledge and skills requirement. The training plan is in development which will include the Committee and the Board	On-going	Dec-15		Financial Policy Officer
G001	Governance and compliance risk	Non compliance with LGPS regulations	Lack of technical expertise / staffing to research any regulation changes	Non compliance with legislation change could result in penalties or sanctions leading to financial loss	3	3	9	M/H	Monitor legislative changes, engage in consultations, attend pension update briefings / courses. Use of consultants for specific projects where appropriate.	3	2	6	M/H	Attendance at conference and regular review of work practices. Establishment of specific consultant 'lot' relating to governance.	On-going	Mar-16		Head of Policy and Compliance

Ref	Area	Risk	Cause	Impact	Gross Risk				Mitigation in place	Residual Risk				Planned Action	Date for completion	Review Date	Change in risk score since last report	Owner
					Impact	Likelihood	Score	Risk Level		Impact	Likelihood	Score	Risk Level					
R001	Reputational risk	Actions damage the perception of the fund	Reputation of the fund will be damaged which may impact on participation rates and investment strategies	Unable to complete the desired investment strategy and therefore achieve the desired returns	3	2	6	M/H	Good governance, open communication. Use of PIRC/ LAPFF to engage with shareholder companies to encourage good governance. UNPRI asset owner signatory.	3	2	6	M/H	Employ good corporate governance systems within the organisation. Enhanced asset verification. Stronger and formalised RI policy in development.	On-going	Mar-16	↕	Chief Investment Officer/Financial Policy Officer
I002	Investment and funding risk	Inflation risk	Increases in commodity prices push up the level of inflation	Inflation increases pension payments but assets do not grow at required level	4	1	4	M/L	Hold some index linked assets	4	1	4	M/L	Inclusion of assets which counter inflation. Monitor inflation position.	On-going	Mar-16	↓	Chief Investment Officer
I005	Investment and funding risk	Under performance by fund managers	Fund managers not meeting required returns	Returns achieved lower than those anticipated in funding strategy leading to a greater funding gap	2	3	6	M/H	Mixture of active and passive managers, monitoring of investment manager performance, new investment strategy moving to a greater reliance on the internal team.	2	2	4	M/L	Implementation of new investment strategy. Panel considering hedging strategy.	On-going	Dec-15	↕	Chief Investment Officer
I006	Investment and funding risk	Liability risk: Discount rate	Market conditions between valuation dates produces a lower discount rate than expected by the actuary	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	2	2	4	M/L	Increasing focus on liability management. Actuary to implement a new model, it is thought this will negate discount rate risk	2	2	4	M/L	Increasing focus on liability management. Actuary to implement a new model, it is thought this will negate discount rate risk	On-going	Mar-15	↓	Chief Investment Officer

Ref	Area	Risk	Cause	Impact	Gross Risk				Mitigation in place	Residual Risk				Planned Action	Date for completion	Review Date	Change in risk score since last report	Owner
					Impact	Likelihood	Score	Risk Level		Impact	Likelihood	Score	Risk Level					
I017	Investment and funding risk	Insufficient cash available to meet requirements	Poor management of liquidity	If liquidity is not managed, assets may need to be sold quickly meaning the best price is not achieved	2	3	6	M/H	Implement effective cash management strategies	2	2	4	M/L	Cash position is monitoring on a regular basis by the accounting team. Weekly meetings are held with Investment management Team so cash requirements are known	On-going	Dec-15		Head of Corporate Finance
E002	Employer Risk	Employer ceasing to exist	Employer closes	If there is insufficient funding, bond of guarantee in place any shortfall will be attributed to the whole fund, thereby increasing the level of liabilities	2	3	6	M/H	Monitor employers risk profiles and ensure bonds are sufficient	2	2	4	M/L	Review financial standing of the employers in the scheme with reference to the size of their liabilities, anticipate employers with potential financial difficulties and discuss with them potential future options	On-going	On-going review		Director of Pension Fund
S005	Skill and Resource risk	Inappropriate decision making	Production of poor or inappropriate performance management information	Incorrect decisions being taken due to the reliance on this information	4	1	4	M/L	Use of independent Custodian. Implement regular monitoring in an agreed format. Regular monitoring of performance information and on-line access to NT Passport system.	4	1	4	M/L	Decision making protocols documented are in place to ensure each decision is adequately considered and approved. Increased monitoring undertaken by analyst team.	On-going	Mar-16		Chief Investment Officer

Ref	Area	Risk	Cause	Impact	Gross Risk				Mitigation in place	Residual Risk				Planned Action	Date for completion	Review Date	Change in risk score since last report	Owner
					Impact	Likelihood	Score	Risk Level		Impact	Likelihood	Score	Risk Level					
G009	Governance and compliance risk	Non-existent assets	The risk that assets purchased by the pension fund do not exist, or fund managers are not bona fide.	Misrepresentation of assets held. Reputational damage.	4	2	8	M/H	Due diligence undertaken as part of investment review process either by Fund officers or investment consultants.	4	1	4	M/L	Robust policy of meeting managers in situ in advance of commitment. Physical inspection of assets by Fund. Policy to be developed	On-going, paper going to Panel suggesting tighter on-going due diligence	Mar-16		Chief Investment Officer
A001	Administration risk	Failure to process and pay pension payments and lump sums on time	Unavailability of IT / staff, or errors; employers' data not supplied in accordance with admin strategy	Incorrect or late payment, demand on chasing resource.	4	2	8	M/H	Testing of system including audit. Business continuity arrangements. Published Pensions Admin Strategy	2	2	4	M/L	Ensure disaster recovery plan in place; increased focus on employer performance monitoring and introduction of sanctions if required	On-going	Mar-16		Head of Your Pension Service
A004	Administration risk	Failure to keep abreast of regulatory chnages or comply with Pensions Regulator Code 14.	Lack of 'horizon scanning' or technical capacity; inability to comply with Code 14.	Non compliance with regulations or best practice.	4	2	8	M/H	Dedicated technical resource; regulatory changes fed through organisations / systems and QA in place. Systems in place to measure Code 14 compliance.	2	2	4	M/L	Development of performance measures and compliance with nationally set KPI's	On-going	Mar-16		Head of Your Pension Service

Ref	Area	Risk	Cause	Impact	Gross Risk				Mitigation in place	Residual Risk				Planned Action	Date for completion	Review Date	Change in risk score since last report	Owner
					Impact	Likelihood	Score	Risk Level		Impact	Likelihood	Score	Risk Level					
A006	Administration risk	Failure to keep records up to date	Poor, late or non-existant notifcation of monthly date from employers. Failure of employers to understand Scheme regulatory requirements. Lack of YPS resource.	Incorrect records held and therefore incorrect pensions paid	4	2	8	M/H	Documented internal controls. Robust training. Regular monitoring. Employer training and support. Conferences and on-line employer guide. Data cleansing routines in place.	2	2	4	M/L	Tightening up of employer perfromance monitoring and application of sanctions specificed in PASS.	On-going	Mar-16		Head of Your Pension Service
I003	Investment and funding risk	Concentration of assets	Over reliance of assets in one particular area	A significant allocation in a particular type asset will lead to an over exposure in that area and therefore vulnerability to significant changes	3	2	6	M/H	New investment strategy is moving away from a large investment in equities. Amount of the fund in particular assets in governed by the pension fund regulations. Monthly monitoring of asset allocations by Investment Panel	3	1	3	M/L	Implementation of new investment strategy but 50% of fund still in equities	On-going	Dec-15		Chief Investment Officer
I008	Investment and funding risk	Liability risk: Salary increase	Salary increases higher than expected (and maybe linked to inflation expectations)	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	4	1	4	M/L	Provision for employers to top-up contributions to offset the increasing liabilities.	3	1	3	M/L	On-going, liabilities management is increasing in focus. Large increases in public sector salaries are not expected in the current austerity climate.	On-going	Mar-16		Chief Investment Officer

Ref	Area	Risk	Cause	Impact	Gross Risk				Mitigation in place	Residual Risk				Planned Action	Date for completion	Review Date	Change in risk score since last report	Owner
					Impact	Likelihood	Score	Risk Level		Impact	Likelihood	Score	Risk Level					
S004	Skill and Resource risk	Insufficient external expertise	Failure to employ specialist advisers when their skills are required	Under performance of fund	3	1	3	M/L	New consultancy bench in place	3	1	3	M/L	New consultancy bench in place	On-going	Mar-16		Chief Investment Officer
G002	Governance and compliance risk	Non compliance with investment policies	Lack of understanding of investment policies	Non compliance with investment policies could increase the risk profile of the fund.	3	3	9	M/H	Periodic monitoring of investment types against regulations. Individual investments checked in advance of commitment as part of internal due diligence	3	1	3	M/L	Compliance monitoring programme, incorporating monthly, quarterly, and annual tests to commenced and results reported accordingly	On-going	Mar-16		Compliance Officer
G006	Governance and compliance risk	Failure to implement an proper monitoring system	Performance of the fund cannot be monitored over time	Incorrect decisions are taken	3	2	6	M/H	Performance reports provided on monthly and quarterly basis by independent custodian. Use of web-based Passport and Fundamentals modules. Performance of the fund is monitored on a monthly basis and reported to Investment Panel and to the Pension Fund Committee at its meetings. New Analyst team drilling down and reconciling custodian and manager/ fund performance	3	1	3	M/L	Enhancement of performance information to include policy attribution, geographical and sector contributions	On-going	Dec-15		Head of Policy and Compliance

Ref	Area	Risk	Cause	Impact	Gross Risk				Mitigation in place	Residual Risk				Planned Action	Date for completion	Review Date	Change in risk score since last report	Owner
					Impact	Likelihood	Score	Risk Level		Impact	Likelihood	Score	Risk Level					
G007	Governance and compliance risk	Information loss (intellectual property and confidential information)	Sensitive information could be lost damaging the reputation of the fund and putting the fund members at risk	Damaged reputation / litigation risk	3	2	6	M/H	Ensure confidential information is secure	3	1	3	M/L	Information asset audit undertaken and any resulting actions carried out. Confidential information is held in secure filing cabinets or Deed Room. Clear desk policy	On-going	Mar-16		Head of Policy and Compliance/ Chief Investment Officer
G008	Governance and compliance risk	Information governance	Loss of information which means that the fund is unable to operate	Unable to undertake day to day functions	3	2	6	M/H	Back up of ICT network. Use of Northern Trust web-based Passport system.	3	1	3	M/L	Back up of ICT network and continued use of NT Passport.	On-going	Mar-16		Head of Investment Compliance
I013	Investment and funding risk	Custody risk	Custodian does not adequately meet the requirements of their contract	Problems with custodian leading to missed dividends or corporate actions.	2	2	4	M/L	Subscribe to services of Thomas Murray as custodian monitor, producing reports on operational review, fee analysis, FX review. Quarterly meetings with custodian and TM.	2	1	2	L	Continued monitoring of custodian services and formal quarterly meetings. Exploration of NT user group.	On-going	Dec-15		Head of Policy and Compliance
I014	Investment and funding risk	Investment returns below peer groups	Investment managers do not meet the required returns	Reputational risk, increasing gap between assets and liabilities	2	2	4	M/L	Regular monitoring and review	2	1	2	L	Increasing emphasis on internal management of funds	On-going	Dec-15		Chief Investment Officer

Ref	Area	Risk	Cause	Impact	Gross Risk				Mitigation in place	Residual Risk				Planned Action	Date for completion	Review Date	Change in risk score since last report	Owner
					Impact	Likelihood	Score	Risk Level		Impact	Likelihood	Score	Risk Level					
I015	Investment and funding risk	Missed investment opportunities	Lack of awareness or slow decision making	Missed investment opportunities could result in reduced returns for the fund	2	3	6	M/H	Maintain a good relationship with investment managers. Internal team has been strengthed with analyst team. Awareness of timetables and protocols	2	1	2	L	Monitoring of investment deadlines in relation to internal deadlines and workloads. Current arrangements working well	On-going	Apr-16		Investment Management Team
I018	Investment and funding risk	Transition risk of the new investment strategy	Unforeseen events	Incurring unexpected costs while moving the assets and investment drag	2	1	2	L	Transition is essentially complete now.	2	1	2	L	Transition bench is in place and can be drawn on for further transition work.	On-going	Mar-16		Deputy Chief Investment Officer
G003	Governance and compliance risk	Production of incorrect financial statements	Production of misleading information and misleading stakeholders	Misunderstanding or wrong decisions	2	2	4	M/L	Review and sign off process in place.	2	1	2	L	Implementation of closure timetable, which includes regular management reviews of progress and figures	On-going	Dec-15		Head of Corporate Finance
G004	Governance and compliance risk	Failure to adhere to Officer and Member Codes of Conduct	Officers or members fail to declare a personal or pecuniary interest and/or the receipt of gifts and hospitality	Inappropriate decisions being taken which are not in the best interests of the fund	2	2	4	M/L	Training on what constitutes a conflict and ensuring register of interests/ gift and hospitality entries are made where appropriate.	2	1	2	L	Officers and Pension Fund Committee members encouraged to make all appropriate declarations on the respective registers and at meetings	On-going	Dec-15		Democratic Services Manager

Ref	Area	Risk	Cause	Impact	Gross Risk				Mitigation in place	Residual Risk				Planned Action	Date for completion	Review Date	Change in risk score since last report	Owner
					Impact	Likelihood	Score	Risk Level		Impact	Likelihood	Score	Risk Level					
G005	Governance and compliance risk	Failure to minute meetings correctly	Important decisions are not documented and then there is no record of them when evidence of the decision is required.	Unable to prove that a decision has been taken	2	2	4	M/L	All meetings to be minuted and agreed by members	2	1	2	L	All meetings containing key investment decisions are minuted by Democratic Services	On-going	Dec-15		Democratic Services Manager
A002	Administration risk	Failure to collect contributions from employers and employees	Unavailability of IT / staff, or errors or poor communication	Maintenance of IT, staff cover and training	3	2	6	M/H	Robust back-up systems in place	2	1	2	L	Robust back-up systems in place	On-going	Dec-15		Head of Your Pension Service
A003	Administration risk	Inadequate Financial Controls / loss of funds through fraud	Key Financial Processes not documented; absence of formal reconciliation regime; absence of adequate controls	Payment errors or losses to Fund	4	3	12	H	Existing financial control regime inc. separation of duties and internal/externa l audit	3	1	3	L	Gap analysis / review of efficiency. Increased focus on internal comliance monitoring.	On-going	Mar-16		Head of Your Pension Service

Pension Fund Committee
Meeting to be held on 30 September 2015

Electoral Division affected:
None

Responsible Investment

Contact for further information:
Andrew Fox, (01772) 535916, Head of Service, Policy and Compliance
andrew.fox@lancashire.gov.uk

Executive Summary

Responsible Investment (RI) is the work stream which encompasses activities associated with the Fund fulfilling its commitment to being a good asset owner.

This report provides the Pension Fund Committee with its regular update on matters falling within the RI work stream including:

- Quarterly reports from
    1. Pensions and Investment Research Consultants Ltd (PIRC)
       Provider of proxy voting and governance services
    2. Local Authority Pension Fund Forum (LAPFF)
       Provider of engagement and governance services
- Details of litigation cases in which the Fund has a potential interest;
- Other matters of news and note relating to Responsible Investment;
- Progress against the priorities identified by the Member Working Group on Responsible Investment.

Recommendation

The Committee is asked to note the report and the feedback presented.

Background and Advice

Lancashire County Pension Fund (LCPF) aspires to be a good asset owner and is in the process of reviewing and developing its approach to Responsible Investment (RI) in line with the following definition from the National Association of Pension Funds (NAPF):

Responsible Investment is an investment approach in which investors recognise the importance of the long-term health and stability of the market as a whole; seeking to incorporate material extra-financial factors alongside other financial performance and strategic assessments within investment decisions; and utilise ownership rights and responsibilities attached to assets to protect and enhance shareholder value over the long term – primarily through voting and engagement.

Lancashire County Council

The Fund's current approach to RI is set out within its Statement of Investment Principles and features four key strands of activity:

1. Voting Globally
2. Engagement Through Partnerships
3. Shareholder Litigation
4. Active Investing

The report which follows provides Committee members with an update on each of these strands and gives insight into other matters of note within this evolving area of work.

1. Voting Globally

Annual General Meetings (AGM) and Extraordinary General Meetings (EGM) provide a scheduled occasion for owners to formally engage with the Boards of investee companies, free from management intervention. Where company resolutions reflect suboptimal risk management or weak corporate governance, casting votes which disagree with or withhold support is a means to flag up concerns and seek to positively influence company behaviour. The option to file shareholder resolutions is an additional avenue (in extremis) for ensuring any significant concerns felt by owners make their way onto the agenda of issues under consideration.

The Fund owns shares in listed companies across the globe and to ensure it makes consistent and effective use of its voting rights (something it has committed to doing as a signatory of the UN Principles of Responsible Investment) LCPF employs PIRC as its proxy voting agent. PIRC cast votes at every shareholder meeting the Fund is entitled to participate in. Votes on individual resolutions follow clear principles set out within standing guidelines (UK Shareholder Voting Guidelines 2015 - PIRC).

The Fund receives quarterly reports giving a retrospective summary of all votes cast by PIRC on its behalf and the outcome of voting (where known). The most recent, covering the period from 1 April to 30 June 2015 has been placed within the Members Retiring Room for reference and contains further details about the following general headlines:

During this period, the Fund:

- voted at 221 separate shareholder meetings (215 AGM and 6 EGM).
  47% (1,526) were of companies registered in the USA/Canada and 11% (368) in the UK.
- voted on 3,277 separate resolutions.
  1,917 votes (58%) gave support and 1,360 (42%) either opposed or abstained.

The relatively large number of meetings and resolutions in this quarter reflects the high proportion of companies reporting year-end results and holding AGMs in the spring – a period colloquially known as "voting season".

The table below gives further insight into the voting pattern at meetings in US/Canada and the UK respectively:

LCPF – Proxy Votes Cast in the US/Canada and UK (by Type)

	US/Canada						UK					
	For	Oppose /Abstain	Total	%	For	% Oppose /Abstain	For	Oppose /Abstain	Total	%	% For	% Oppose /Abstain
All Employee Schemes	3	13	16	1.0%	19%	81%	2	1	3	0.8%	67%	33%
Annual Reports	0	0	0	0.0%	0%	0%	14	21	35	9.5%	40%	60%
Articles of Association	10	4	14	0.9%	71%	29%	2	2	4	1.1%	50%	50%
Auditors	15	100	115	7.5%	13%	87%	21	13	34	9.2%	62%	38%
Corporate Donations	0	0	0	0.0%	0%	0%	8	2	10	2.7%	80%	20%
Debt & Loans	0	0	0	0.0%	0%	0%	1	0	1	0.3%	100%	0%
Directors	633	487	1,120	73.4%	57%	43%	163	28	191	51.9%	85%	15%
Dividend	0	0	0	0.0%	0%	0%	15	0	15	4.1%	100%	0%
Executive Pay Schemes	0	29	29	1.9%	0%	100%	0	7	7	1.9%	0%	100%
Miscellaneous	2	1	3	0.2%	67%	33%	15	0	15	4.1%	100%	0%
NED Fees	1	3	4	0.3%	25%	75%	1	1	2	0.5%	50%	50%
Say on Pay	0	103	103	6.7%	0%	100%	0	0	0	0.0%	0%	0%
Share Capital Restructuring	1	0	1	0.1%	100%	0%	1	0	1	0.3%	100%	0%
Share Issue/Re-purchase	0	1	1	0.1%	0%	100%	48	2	50	13.6%	96%	4%
Shareholder Resolution	84	36	120	7.9%	70%	30%	0	0	0	0.0%	0%	0%
Total	**749**	**777**	**1,526**	**100%**			**291**	**77**	**368**	**100%**		
	49%	51%	100%				79%	21%	100%			

Opposition and abstention were primarily focussed on proposals relating to the appointment of directors and auditors (reflecting concerns about Board diversity and the independence and effectiveness of nominees) and on issues of pay and remuneration.

In the US & Canada, 120 votes out of 1,526 (8%) related to resolutions brought by shareholders; the Fund supported 84 (70%) of these. There were no shareholder resolutions at the 17 UK company meetings voted within the period.

By including voting results (where they are known) PIRC reports provide insight into the extent to which opposition voting was significant. It is rare to see a level of opposition above 30% on company resolutions and the vast majority pass with a high proportion of support. This is reflected in the fact that PIRC class a "significant" oppose vote as any in which a resolution received less than 90% support. Sections 2 and 3 of the PIRC report give detailed information on the issues which triggered notable opposition and the rationale for opposition or abstention in each case.

The fact that opposition/abstention rarely achieve the critical mass needed to defeat company proposals doesn't diminish the importance of consistent and principled voting behaviour. With-holding support gives a clear signal about the existence of owner concerns and these can be a trigger and pre-cursor for more detailed discussions with investee companies as part of the Fund's engagement activities.

2. Engagement through Partnerships

The Fund's engagement activities operate through direct relationships formed between investee companies and Fund Managers/Investment Managers and via LCPF's participation in partnerships and collaborations which offer greater reach and impact than is achievable by acting alone.

The Fund's principal collaboration within the RI work stream is its membership of the Local Authority Pension Fund Forum (LAPFF). LAPFF exists to promote the investment interests of local authority pension funds and to maximise their collective influence as shareholders with combined assets exceeding £165bn.

The Forum's activities on behalf of its members encompass:

- providing advice, advocacy and guidance
- directly engaging with companies on priority issues
- issuing voting alerts on upcoming company meetings where there are resolutions of concern
- joining wider investor-led campaigns which support the interests of the LGPS community

Through its membership of LAPFF the Fund is placing its support behind campaigns and joint actions which create a much stronger impetus for change than is achievable working alone.

The latest engagement report received from LAPFF reflects activity in the period from 1 April 2015 to 30 June 2015 and has been placed within the Members Retiring Room for reference. Significant campaigns include action on accounting standards, climate change and employee welfare.

During the last quarter the Fund has begun to act upon a commitment to increase its relationship and routine involvement with LAPFF, which has involved:

- ***attending the LAPFF Business meeting (16th June 2015).***
  Quarterly business meetings provide the principal opportunity to meet representatives from other LGPS member funds and participate in debate and decision-making. The next meeting is on 6 October 2015.
- ***participating in the refresh of information of fund holdings***.
  This is an annual process which ensures LAPFF engagement efforts will continue to recognise and target the companies that member schemes have the largest collective holdings in.
- ***responding to a consultation on proposed revisions to the LAPFF constitution.***
  The response included a request for the constitution to be clearer/more transparent on the requirement and appointment arrangements for paid staff and agents. The Forum's executive and officers work on a voluntary basis but governance and administrative functions and support for engagement activities (planning, analysis and research) involve paid agents.
- ***confirming the participation of the Fund's Financial Policy Officer in the LAPFF mentoring scheme as noted within the last RI report to the Pension Fund Committee (June 2015).***

An initial meeting for participants is scheduled for later in the autumn as a precursor to matching mentors with their mentees.

- ***visiting LAPFF head offices in London.***
  The opportunity arose and was taken to meet staff, begin to create connections and discuss how to gain greatest benefit from membership going forward.

3. Shareholder Litigation

The Fund is committed to maintaining an up to date understanding of any shareholder litigation in which it potentially has an interest. Litigation offers a route for recovering financial losses where asset values have been diminished as a result of financial misconduct and also fulfils a commitment to actively engaging with investee companies in order to improve standards of corporate governance.

Securities litigation monitoring services are being provided to the Fund at no cost by two US law firms - Barrack, Rodos and Bacine (BR&B) and Robbins Geller Rudman and Dowd (RGRD). Jointly, these firms ensure prospective actions are known about, the Fund's interest (level of loss) is quantified and information is available as a basis for making decisions on an appropriate course of action given the risks, costs, benefits and deadlines involved in each case.

United States

Under US law, any shareholder who can demonstrate a loss related to a certified class action is automatically represented and does not have to prosecute individually. BR& B and RGRD routinely monitor class actions, identify those where the Fund was potentially subject to a loss and ensure a proof of claim is filed.

The table below gives details of cases identified through litigation monitoring where the Fund has losses which will potentially be represented under developing class actions.

Company Name	Effective class period begin	Effective class period end	Potential loss incurred ($'000)
Medtronic, Inc.	08/12/2010	03/08/2011	27.71
Intuitive Surgical, Inc.	19/10/2011	18/04/2013	251.54
Barrick Gold Corp.	07/05/2009	23/05/2013	364.67
CenturyLink, Inc.	08/08/2012	14/02/2013	521.63
ITT Educational Services, Inc.	24/04/2008	25/02/2013	760.06
Weight Watchers International, Inc.	14/02/2012	30/10/2013	2,265.97
Petroleo Brasileiro S.A. Petrobras	07/01/2010	26/11/2014	6,158.91

In each of these cases, the Fund has been advised to continue monitoring progress, but with no other action required at this stage.

United Kingdom

Securities claims in the UK require investors to file actions individually in order to benefit from a successful group action (they must be a named claimant on an issued

Claim Form). Actions are much less prevalent in the UK than equivalent class actions in the US.

Royal Bank of Scotland

As previously reported, the Fund has joined a large group of institutional investors in a group action against Royal Bank of Scotland Group Plc (RBS) under which it is argued that investors have suffered losses in connection with a Rights Issue in 2008. The law firm representing our investor group provides a monthly update on pre-trial progress with the case.

The latest report confirms that since the last meeting of the Pension Fund Committee a 7th Case Management Conference (CMC) has taken place at the High Court in London (28 and 29 July 2015). The outcome was reportedly positive, with the Court being favourably disposed to positions proposed by claimants and committed to ensuring the timetable to trial is not extended. A further (8th) CMC is provisionally scheduled for October 2015 after the expiration of a number of procedural deadlines during August and September. The trial date remains unchanged (7 December 2016) with an anticipated trial window of 25 weeks.

4. Active Investing

Active investing is the fourth and most challenging strand of the Fund's developing approach to RI and relates to *"seeking investments with ESG characteristics, provided these meet the Fund's requirements of strong returns combined with best practice in ESG and/or corporate governance"* (Statement of Investment Principles).

Within an actively managed portfolio, investments are selected with the goal of achieving returns which exceed a benchmark investment index (by outperforming the market). The identification of optimal opportunities involves using analytical research, forecasting, judgment and experience to make decisions about which assets to invest in, which to hold and which/when to sell. The focus is on achieving returns exceeding those of investments which passively track the market and means the effectiveness of processes for identifying new opportunities, selecting from the pool of options available and continually evaluating current holdings is a critical success factor.

A commitment to seeking investment opportunities which display ESG characteristics ultimately involves including the evaluation of ESG characteristics within the dynamic investment selection process. How and to what extent this can/should be pursued given the Fund's primary duty to maximise investment returns forms part of the key considerations associated with developing an RI Policy for the Fund.

RI encompasses the integration of relevant and material Economic, Social and Governance considerations into investment decision-making with the intention of supporting a longer term investment focus via which investors form stable associations which produce better managed companies and increased shareholder value. However, views on what is relevant and what is material are often subjective, change continually over time and differ significantly by asset class, geographical region and the time horizon of the investments under consideration.

ESG offers a supplementary lens through which to view investment options which enriches (rather than replaces) the fundamental analysis of core financial information.

The primary impetus for developing RI as part of active portfolio management is not in order to achieve specific environmental, societal or cultural outcomes (these are the ethical goals of impact investing) but to aid the identification of investment opportunities which offer the "best fit" for the portfolio given the risk adjusted returns required over the applicable time horizon and the significance being given to sustainability.

In light of the above, it is more fruitful to see ESG integration as a framework for taking account of relevant and material "extra-financial" factors than a means for ensuring that a defined quota of "desirable" investments will feature within the portfolio or certain "undesirable" asset types will be excluded. This latter type of approach would require the Fund to define, justify, agree and continually review its list of preferred and excluded investment types and to build them into its investment policies and mandates – something which would impose a restricted investment choice and potentially prompt an adjustment in the benchmark return expected.

ESG integration offers a way of enhancing the objective comparison of risk adjusted returns across diverse and competing investment opportunities and variable time horizons and could improve the Fund's ability to recognise and take account of both threats (such as those posed by climate change, forthcoming regulation/legislation, workforce/industrial dispute) and opportunities, including those to increase investment in new and sustainable technologies including "green" industries.

Media reports indicate a growing recognition of the importance of considering a broader range of factors and information than purely financial analysis when making investment decisions. This at least partly reflects the increased availability of relevant sources of information and their greater accessibility via modern media. The Law Commission's opinion that it is permissible to integrate ESG considerations into investment selection is increasingly being superseded by the impression that failing to give due regard to relevant ESG considerations could amount to a breach of fiduciary responsibilities.

It is important to stress that RI is a relatively new and evolving discipline and one size/approach does not fit all. Acknowledging the potential benefits of ESG integration is an important starting point, but one that the Fund needs to move forward from by carefully formulating an approach which facilitates and enhances its underlying investment strategy. Basic questions to be answered include the applicability (and adaptability) of ESG integration to each of the different asset classes which make up the Fund's portfolio.

Efforts to gain initial insight are being focussed on publicly listed assets which make up 40% of Fund holdings (c. £2.5bn). An exercise is underway to capture the extent to which the Fund is already integrating ESG considerations into its investment decisions through the actions and policies of its external Fund Managers and investment consultants. The learning gained from public equity mandates will help to inform thoughts about the portability of best practice to other asset classes.

There are some key questions to be addressed in developing ESG integration as part of the Fund's approach to RI including practical challenges associated with translating the priorities identified by the Member Working Group on RI into operational practices which are achievable, relevant, add value and will continue to be applicable given the changes potentially associated with the Lancashire London Pensions Partnership.

Other developments

Other notable developments within the RI work stream this quarter include:

- **Participation in the development of an LGPS procurement framework for ESG Services**
  As a joint venture with the London Pensions Fund Authority (LPFA) the Fund has agreed to be a Founding Authority in the development of an LGPS procurement framework for the provision of ESG Services. A procurement framework is an agreement with a range of preferred providers which enables buyers (LGPS Funds) to call off services when required without running lengthy full tendering exercises.
  4 LGPS frameworks are already in place (Legal Services, Actuarial and Benefit Consultancy, Global Custody Services, Investment Consultancy) and the addition of an ESG services framework will enable Funds to access services from suppliers of proxy voting, engagement and research which directly support Responsible Investment.
  It is anticipated that the learning achieved through supporting the development of the framework will be of significant benefit in the development of an RI Policy and will enable LCPF to make connections and share insights with Funds at a more advanced stage of RI development/implementation.

- **Support for the development of a Responsible Investment e-Learning Course**
  As a joint venture with LPFA, the Fund has agreed to support the development (by the British Private Equity and Venture Capital Association) of a Responsible Investment e-Learning Course.
  There are currently no on-line training products supporting the implementation of RI/ESG within Private Equity. BVCA is well placed to develop the content needed and as Founding Members (Joint one-off funding contribution £2,000) LCPF and LPFA will receive a group license to use the resulting platform. It is anticipated that the on-line course will lend itself to use by a wider complement of staff than those with interests/responsibilities in Private Equity and be of benefit to the development of the Fund's approach to RI.

- **Lancashire Fairness Commission**
  Action by LCPF has featured within the recommendations of the Lancashire Fairness Commission in its report "Fairer Lancashire Fairer Lives".
  A response to recommendation 14 *"We recommend that The Lancashire County Pension Fund should be asked, within the legal constraints of its fiduciary responsibilities, to develop responsible investment within its portfolio and seek to shift a proportion of the fund to the local economy including investment in renewable energy and affordable housing"* will be produced for inclusion in the County Council's formal response to the report and will confirm that the Commission's recommendation reflects initiatives which are already underway by the Fund.

Members Working Group on RI: Action Plan

An updated version of the action plan from the Member Working Group on RI is provided below reflecting the progress achieved and including the various developments detailed within this report.

RI Action Plan

Area	Action	Update on actions taken and in planning / progress currently	Status
Fiduciary Duty			
Outcome 1			
Having considered all the information presented to its meetings, the Working Group agreed that it would wish to recommend the Pension Fund Committee to consider a more active stance in relation to RI issues than had previously been the case where that did not pose the risk of financial detriment to the Fund. Members acknowledged that the primary aim of an investment strategy was to secure the best possible return and that the administering authority and trustees should not impose their own ethical views on issues such as tobacco, energy, food etc., on scheme beneficiaries.			
Action 1	Recommendation to Pension Fund Committee to consider a move towards RI where it was practicable to do so, and without posing a detrimental financial risk to the Fund.	*Implicitly accepted by the Pension Fund Committee on 27 November 2014 in accepting the recommendations of the member working group. Recognition of this stance will be reflected in the Fund's first Responsible Investment policy document, currently being developed.*	Concluded
Outcome 2			
Concerns were expressed about the Fund's ability to canvass and assess the views of scheme employers and members on specific social, ethical and environmental considerations and investments. Before taking any specific steps that could potentially lead to the investment in or disinvestment from particular sectors, Members acknowledged that it was important to canvass and understand the views of scheme stakeholders, and agreed that different ways of achieving this needed to be explored.			
Action 2	A policy setting out the circumstances in which stakeholder consultation would be sought and the possible methods for achieving this should be developed.	*The recruitment of a Financial Policy Officer has brought the additional capacity needed to facilitate the further development of an RI policy for the Fund.* *The requirement (and options) for undertaking stakeholder consultation will be addressed as part of the work under action 5a below.*	Under planning as part of action 5a

Area	Action	Update on actions taken and in planning / progress currently	Status
Outcome 3			
The Working Group felt that it now had a much greater understanding of RI, SRI and ESG issues and in particular the legal framework around fiduciary duties and the issue of disinvestment. Members again acknowledged that the primary aim of the Fund's investment strategy was to secure the best possible return and it was agreed that disinvestment was not an option which should be pursued by the Fund at this moment.			
Action 3	No action required.		Concluded

Existing Investment Activity			
Outcome 4			
The Working Group encouraged the taking of specific steps or actions to reduce carbon production within the Fund's portfolio - for example, within the property portfolio. In addition, the Group supported the continued identification of good investment opportunities and the making of investments that provide appropriate returns and which may possess certain 'green' or clean energy characteristics.			
Action 4	Reduce carbon footprint of LCPF property portfolio wherever possible	*Consideration will be given to how the carbon footprint of the current property portfolio can be captured in order to facilitate the identification of opportunities for reduction going forward.* *Will foreseeably be related to and affected by action 7 below.*	Under review
Governance and Policy			
Outcome 5			
The Working Group recommend the establishment by the Fund of a Responsible Investment Policy based on the Policy Tool produced by UNPRI, and subsequently work towards the adoption of the UN Principles.			
Action 5a	Create a Responsible Investment Policy for the Fund	*The recruitment of a Financial Policy Officer has brought the additional capacity needed to facilitate the further development of an RI policy for the Fund.* *Achieving a policy which is of practical benefit to the Fund and its stakeholders going forward and*	Under planning

		which contributes to the fulfilment of commitments made as a signatory of UNPRI will involve a number of steps *- a more detailed position statement on the Fund's aspirations in relation to RI* *- the identification of practical approaches by which these aspirations will be fulfilled* *- the design of any new agreements/documents and reporting/monitoring approaches needed (minimal bureaucracy being a key aim)* *- the agreement by key personnel (e.g. internal investment managers, external fund managers, expert advisors, and agents) of any practical/operational changes or new approaches/ requirements placed on them in order to comply with/deliver the approach set out within the RI Policy* *The development of a Lancashire London Pensions Partnership is likely to introduce considerable changes and the development of an RI policy will need to await greater clarity on the future operating model via which it will be implemented in practice.*	

Area	Action	Update on actions taken and in planning / progress currently	Status
Action 5b	Consider signing up to the UN PRI initiative	*LCPF became an Asset Owner signatory on 10 March 2015, and is recognised on the UNPRI website.*	Concluded
Outcome 6			
A proposal for revised SRI wording within the SIP should be produced.			
Action 6	Rewrite Statement of Investment Principles section on RI/ESG	*Revised wording in relation to responsible investment was incorporated into the revision of the Statement of Investment Principles approved by the Pension Fund Committee on 27 March 2015. Any further changes as the Responsible Investment approach develops will be incorporated accordingly.*	Concluded

Analysis and Monitoring			
Outcome 7			
Investigate the options for procuring/ signing up to an SRI/ ESG monitoring tool/service.			
Action 7	Procure/sign up to RI/ESG monitoring tool/ service e.g. RobecoSAM	*Progress requires the Fund to determine (through its Responsible Investment Policy) what its aims and aspirations are in this area before deciding upon the best way to fulfil these requirements.* *Involvement in the development of an LGPS Procurement Framework for ESG services will provide valuable insight into the services currently available from the marketplace and use of the framework will make the procurement of them a less onerous process*	Pending - subject to development / clarification of RI aspirations as part of 5a above and learning gained from participation in the ESG procurement framework.

Area	Action	Update on actions taken and in planning / progress currently	Status
Outcome 8			
Formalise SRI/ ESG discussions with external investment managers as part of ongoing engagement.			
Action 8	Create structured framework for ongoing discussions with external investment managers.	*Action 8 (Engagement) will be addressed as part of Action 5a above.* *Meetings held with Fund managers as part of the ESG mapping exercise will include initial discussions about ongoing engagement on the subject of RI and ESG.* *The development of an RI Policy will include consideration of what is practical and desirable in terms of a more structured approach and will identify any changes/additional requirements this places upon key personnel (including external investment managers) and existing processes, in preparation for discussion and agreement.* *The RI Policy (once drafted) will reflect the approach and advice on engaging with external fund managers set out within the NAPF publication "Incorporating ESG considerations into investment decisions" (This document was a PF Committee agenda item in March 2015).*	Underway

Consultations

N/A

Implications

It is a key component of good governance that the Fund is an engaged and responsible investor complying with the Stewardship Code.

Well-run, responsible companies are more likely to be successful and less likely to suffer from unexpected scandals which impact on shareholder value.

Risk management

The promotion of good responsible corporate governance in the companies the Fund is invested in reduces the risk of unexpected losses arising as a result of poor oversight and lack of independence.

Involvement in a non-US type of “class action” may result in the recovery of losses incurred by the Fund but, should the claim be lost, the Fund may incur related costs which may not be known with certainty at the time of filing.

Should the claimants in the litigation against RBS fail, then it is possible that LCPF faces having to make a contribution towards RBS costs notwithstanding the insurance which is in place. The amount of any shortfall following an insurance settlement and the LCPF contribution thereto is impossible to quantify at this stage.

Furthermore, if the case is successful the LCPF will be required to pay the amounts owing for Legal Services under the Conditional Fee Agreement (insofar as not recovered from RBS) and to pay a proportion of any sum recovered to the funder from the proceeds of the litigation.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
Report of the SRI Working Group to Pension Fund Committee – November 2014	27 November 2014	Andrew Fox, (01772) 535916
National Association of Pension Funds (NAPF) Responsible Investment Guide	2013	Andrew Fox, (01772) 535916

Reason for inclusion in Part II, if appropriate

N/A

Agenda Item 14

Pension Fund Committee
Meeting to be held on 30 September 2015

Electoral Division affected: None

Lancashire County Pension Fund Compliance Monitoring

Contact for further information:
Andrew Fox, (01772) 535916, Head of Service, Policy and Compliance
andrew.fox@lancashire.gov.uk

Executive Summary

Lancashire County Council, as administering authority of the Lancashire County Pension Fund, has responsibility for ensuring that there are effective systems in place in relation to the operations of the Fund. In order to ensure that there is confidence in those systems a Compliance Team exists within the Pension Fund.

The establishment of the team is a relatively new development and since its inception the team has focussed on ensuring the compliant nature of the implementation of the new investment strategy.

Prior to April 2015 the team had been working on the development of a new monitoring programme which would undertake compliance checks on various areas of the fund.

The monitoring programme was implemented from April 2015, and the outcome of the testing undertaken up to 31 July 2015 is now presented to the Committee.

Recommendation

The Committee is asked to note the outcome of the monitoring undertaken to date.

Background

Since its inception the Compliance Team have been working towards the establishment of a compliance monitoring programme.

The monitoring programme is derived from the Fund's risk register in reviewing the risks to which the Fund is exposed and then establishing a test which could be undertaken in order to assess that the necessary controls are in place and working effectively.

Monitoring is undertaken on a monthly basis, however, not all tests are reviewed each month. The tests have been separately categorised as to be undertaken either

Lancashire County Council

monthly, quarterly or annually, and the decision as to which category is appropriate for each test is dependent on the level of activity throughout the year.

The Monitoring Programme

On a monthly basis the monitoring programme is very much focussed on the day to day risks concerning the performance of the Fund, and examples of the checks undertaken include whether the cashflow has been monitored; whether the Fund performance has been reviewed and reported to Investment Panel; that the amount invested in each asset class is as per investment regulations; and the level of liabilities.

Quarterly monitoring focuses actions which are more likely to occur on a monthly basis. Checks undertaken include: a high level review of the exposure the Fund has to different countries and currencies; confirmation that information has been received from external advisers such as Pensions and Investment Research Consultants Ltd (PIRC) and Local Authority Pension Fund Forum (LAPFF); that minutes of meetings are approved appropriately; that contributions from members are collected accurately; and that member records are correct.

Tests undertaken on an annual basis relate typically to tasks undertaken annually. Checks include: confirmation that the investment strategy has been reviewed and is consistent with the current economic climate; check that the employer contribution rates are as those calculated by the actuary; evidence that a training plan is in place and current; review of the adviser benches used by the Fund to ensure that it is current and has been used appropriately; and that the annual accounts have been approved and published appropriately.

2015/16 Monitoring

The monitoring programme commenced in April 2015. Monthly monitoring has been undertaken in the months April to July and the first piece of quarterly monitoring was undertaken in June. To date none of the annual tests have been undertaken, however, it is expected that these will be undertaken in the second half of the year.

The monitoring undertaken to date has not revealed any breaches or concerns over the controls in place, and the majority of the tests have been completed satisfactorily. In a few areas the monitoring programme is still evolving and further work needs to be undertaken to ensure that all areas of the test can be completed, this particularly refers to the checks on currency exposure, class actions and administration records, however from the work undertaken to date in these areas there are not expected to be any issues.

Conclusions

The compliance monitoring programme has been successfully implemented and will continue to operate on a monthly basis.

To date the monitoring has not identified any areas where there has been a breach or failure in controls, and there are no areas of concern.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The Pension Fund Committee is the body charged with exercising the County Council's responsibilities as administering authority of the Pension Fund, and accordingly takes the responsibility for ensuring that there is effective risk management over those operations.

The Pension Fund has a risk register which is reviewed and updated on a regular basis.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Pension Fund Committee
Meeting to be held on 30 September 2015

Electoral Division affected:
None

Report of Decisions taken under the Urgent Business Procedure

Contact for further information:
Dave Gorman, (01772) 534261, Legal and Democratic Services,
dave.gorman@lancashire.gov.uk

Executive Summary

This report sets out details of items that have been dealt with by the Director, Lancashire County Pension Fund, under the procedure for dealing with matters of Urgent Business.

Recommendation

The Committee is asked to note the report.

Background and Advice

(i) National Association of Pension Funds Defined Benefit Council

This decision was taken on 28 July 2015.

Lancashire County Pension Fund (LCPF) is a member of the National Association of Pension Funds (NAPF). As part of the organisation's governance arrangements there are two "councils" which represent the various interests within the defined benefit and defined contribution parts of the industry.

Elections to these councils were due to take place and for the Defined Benefit Council there was a desire on the part of the NAPF to increase the representation of LGPS funds. Given the technical work that the Councils are engaged in, this is something that officers would undertake. Candidates needed to be nominated by at least two Funds and the London Pensions Fund Authority (LPFA) approached the LCPF to ask if the LCPF would be prepared to support and nominate the Chief Executive of the LPFA.

Given the prominence the LCPF/LPFA partnership arrangement has developed, this appeared a sensible proposal and as the Chief Executive of the LPFA is already involved in a number of aspects of the work of NAPF she seemed likely to be able to garner some wider support. There was some reciprocation in that LPFA put forward the Director of the LCPF for the NAPF's Local Government Working Group which is

Lancashire County Council

an appointed technical body, and which would serve to increase the Lancashire profile at the same time.

Due to the timescales for nominations to be received, which was by 31 July 2015, it was not possible to wait for the next meeting of the Pension Fund Committee on 30 September.

(ii) National Association of Pension Funds Defined Benefit Council - Casting of Votes

This decision was taken on 21 August 2015. In the absence of the Director, Lancashire County Pension Fund, the decision was taken by the Director of Governance, Finance and Public Services.

Following on from the decision, set out at (i) above, LCPF was required to determine how to cast it's up to six votes. Following the withdrawal of a fourth LGPS candidate, it was proposed that three votes were cast, one each for the following candidates:

Nick Greenwood - Head of the Royal County of Berkshire Pension Fund
Susan Martin - Chief Executive of the LPFA
Fiona Miller - Head of the Cumbria Pension Fund

These were the only candidates from Local Government Pension Scheme (LGPS) funds and therefore in supporting them the Fund was looking to maximise the chances of there being an LGPS voice within this forum.

Due to the timescales for votes to be cast, which was by 11 September 2015, it was not possible to wait for the next meeting of the Pension Fund Committee on 30 September.

(iii) Criteria for Assessing Proposals for Pooling LGPS Assets

This decision is due to be taken on 25 September 2015.

The Government had informally asked funds for their views on the criteria that might be used to assess proposals for the pooling of LGPS assets following the announcement made in the Chancellor's summer budget. The criteria developed by officials following this exercise would be used to assess the "ambition" of individual funds proposals during the early part of 2016 in order to determine whether the back stop legislation proposed by the Government needed to be used.

Working with LPFA Officers and the London Boroughs' Collective Investment Vehicle officers produced a response to the Government which, subject to consultation with the Chair and Deputy Chair of the Committee, will be submitted prior to the deadline for responses of 28 September. A copy of the response will be tabled at the meeting.

Consultations

The Chair and Deputy Chair of the Pension Fund Committee were consulted and, in all instances, supported the proposed actions.

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Pension Fund Committee
Meeting to be held on 30 September 2015

Electoral Division affected: None

Feedback from Committee Members on External Pension Fund Training Events and Conferences

Contact for further information:
Dave Gorman, (01772) 534261, Legal and Democratic Services
dave.gorman@lancashire.gov.uk

Executive Summary

This reports provides Members of the Committee with the opportunity to provide feedback on external Pension Fund training events and conferences attended by Members since the last meeting of the Committee.

Recommendation

The Committee is asked to note the report and the feedback presented.

Background and Advice

The Pension Fund Committee at its meeting on 29 November 2013 approved a training plan for members of the Committee. The purpose of the plan is to ensure best practice within the Fund, and to comply with the Public Service Pensions Act 2013. Members and officers are also required to undertake training to satisfy the obligations placed upon them by the:

- Myners Principles (as detailed in the Statement of Investment Principles);
- Pensions Regulations and the Pensions Regulator;
- Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Public Sector Pensions Finance Knowledge and Skills; and the
- Local Government Pension Scheme (LGPS) Governance Compliance Statement.

The training plan requires Committee Members to provide verbal feedback at the subsequent Committee meeting to cover:

- Their view on the value of the event and the merit, if any, of attendance;
- A summary of the key learning points gained from attending the event; and
- Recommendations of any subject matters at the event in relation to which training would be beneficial to Committee Members.

Lancashire County Council

The following external training event/conference has been attended by Committee Members since the last meeting of the Committee:

- **CIPFA Pensions Network - Introduction to the LGPS, 25 September 2015, Northern Trust Offices, Canary Wharf**
  The event was attended by County Councillor Kevin Ellard

Feedback on this external training event will be provided at the meeting.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Without the required knowledge and skills, those charged with governance and decision-making within the Pension Fund may be ill-equipped to make informed decisions regarding the direction and operation of the Pension Fund.

Financial

The cost of attendance, together with travel and subsistence costs were met by the Pension Fund.

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Tel
Attendance at Conferences approved under the Scheme of Delegation to Heads of Service	August 2015	Frances Deakin, (01772) 533112

Reason for inclusion in Part II, if appropriate

N/A