Lancashire County Council

Pension Fund Committee

Friday, 17th March, 2017 at 2.00 pm in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Agenda

Part I (Open to Press and Public)

No.	Item	
1.	**Welcome and 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 2nd December 2016** To be confirmed, and signed by the chair.	(Pages 1 - 8)
4.	**Proposed revised Terms of Reference for the Lancashire Local Pension Board**	(Pages 9 - 18)
5.	**LCPF Budget 2017/18**	(Pages 19 - 24)
6.	**Funding Strategy Statement**	(Pages 25 - 60)
7.	**2016-17 Audit Plan**	(Pages 61 - 78)
8.	**Feedback from members of the Committee on external pension related training, events and conferences.**	(Pages 79 - 80)
9.	**Programme of Meetings 2017/18**	(Pages 81 - 82)
10.	**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.	

Lancashire County Council

11. Date of Next Meeting.

The next scheduled meeting of the Committee will be held at 10.30am (preceded by a briefing from 10am) on the 9th June 2017 in Cabinet Room 'C' The Duke of Lancaster Room at County Hall, Preston.

12. 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)

I Young
Director of Governance, Finance and Public Services

County Hall
Preston

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 2nd December, 2016 at 10.30 am in Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston.

Present:

County Councillor Kevin Ellard (Chair)

County Councillors

M Barron	M Otter
C Crompton	M Parkinson
D Borrow	A Schofield
G Dowding	D Westley
G Gooch	D Whipp
J Oakes	

Co-opted members

Paul Crewe, (Trade Union Representative)
Councillor Edward Pope, (Lancashire Leaders' Group Representative)
Councillor Mark Smith, (Blackpool Council Representative)
Councillor Ron Whittle, (Blackburn with Darwen Borough Council Representative)

External Advisors
A Devitt
E Lambert

1. Welcome and Apologies

The Chair welcomed everyone to the meeting, particularly Aoifinn Devitt, who had returned to the Committee after a temporary absence during which time Elizabeth Carey had acted as an Independent Adviser to the Committee in her place.

It was noted that County Councillor Crompton had replaced County Councillor Beavers on the Committee for this meeting only.

Apologies were received from Councillor Rankin and presented on behalf of County Councillor Pritchard and County Councillor Sedgewick.

The Chair also reported that Mr Milloy would no longer be acting as the co-opted member of the Committee representing FE/HE institutions and that a replacement was currently being sought.

Resolved: That the Committee place on record their thanks to Elizabeth Carey for all her work and support as an Independent Adviser for the last six months.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

County Councillor Whipp and County Councillor Parkinson declared non pecuniary interests in relation to item 5 on the agenda as they are elected representatives of District Councils which contributed to the Lancashire County Pension Fund.

Resolved: That the declarations are noted.

3. Minutes of the Meeting held on the 15th September 2016

Resolved: That the Minutes of the meeting held on the 15th September, 2016, as presented, are confirmed as an accurate record and signed by the Chair.

4. Matters Arising - Temporary delisting of the Lancashire County Pension Fund as a signatory to the UK Stewardship Code

A report was presented regarding the decision of the Committee at the previous meeting to authorise the Chair, in consultation with the Head of Fund, to approve a revised statement of compliance with the UK Stewardship Code.

It was reported that following the meeting feedback from the FRC in response to dialogue with them by LPPI's Responsible Investment Officer, had resulted in a change of circumstances which led to the Chair approving the Fund being temporarily delisted as a signatory to the Stewardship Code until it had developed and published its first Investment Strategy Statement (ISS).

It was noted that a separate report in relation to the approval of the ISS appeared elsewhere on the agenda.

Resolved: That the decision by the Chair to approve the Lancashire County Council Pension Fund being temporarily delisted as a signatory to the UK Stewardship Code for a period of 6 months pending the Fund's development of an Investment Strategy Statement is noted.

5. 2016 Actuarial Valuation of Lancashire County Pension Fund

Mr J Livesey from the Funds Actuary presented a report in relation to the detailed valuation of the Fund based on the assets and liabilities at 31 March, 2016. Additional information in relation to the valuation was circulated at the meeting.

In considering the Valuation the Committee explored the way in which the Fund would achieve both the bridging of the deficit within the Fund and a sustainable contribution plan for employers. Clarification was sought in relation to some of the information circulated at the meeting and it was agreed that, subject to any minor amendments which may be required as a result, the proposals set out in the Appendix to the report be approved in order that they could be discussed further with stakeholders and if approved form the core of the Funding Strategy Statement which the Fund was required to produce after each Valuation.

A copy of the amended Appendix is set out in the Minute Book.

Decision taken:

1. That the results of the actuarial valuation are noted.

2. That, subject to any minor amendments which may be required to clarify the additional information presented at the meeting, the measures in relation to the setting of contribution rates set out in Appendix 'A' to the report presented are approved for consultation with stakeholders as part of the preparation of the Funding Strategy Statement.

6. LCPF Budget Monitoring to 30th September 2016

A report was presented which summarised the variances from budget for the period 1st April to 30th September 2016.

Resolved: That the report is noted.

7. Responsible Investment

Francis Deakin, Responsible investment Officer from the Local Pensions Partnership Investments Ltd (LPPI) presented the quarterly report on Responsible Investment.

In considering the report the Committee discussed a number of issues including:

- The effectiveness of proxy voting on behalf of the Fund at shareholder meetings as a means to progress responsible investment, especially when resolutions are lost. It was recognised that in some cases collaboration between investors presented a strong voice on issues such as responsible investment and suggested that even where resolutions were lost there could still be a cumulative impact on the future direction of the Company concerned.

- It was noted that the Investment Strategy Statement would progress both stewardship of the Fund and responsible investment and that in many areas LPPI was already involved in activity required by the ISS.

- It was suggested that the responsible investment policy did not adequately reflect the principles as set out in the UN sponsored Principles of Responsible Investment.

- With regard to the pooling of investments it was suggested that consideration should be given to ensuring that the objectives of LPP in relation to responsible investment were aligned with other stakeholders in order to maximise the benefits of those investments.

Resolved:

1. That the report is noted.

2. That consideration be given to establishing a Working Group to explore further how the Committee could support responsible investment in the future.

8. Feedback from Committee members on external pension related training, events and conferences

The Committee considered a report setting out details of attendance at external pension related training events and conferences since the last meeting and received feedback from individual members of the Committee.

The Chair reported on the highlights from a number of conferences he had attended including a presentation given at the Local Government Pension Investment Forum in relation to increased investment in infrastructure and a focus group at the PLSA Annual Conference which had provided an interesting insight into the views of young people in relation to pensions. Mr Pope added that the event had covered a wide range of aspects of the pension industry and had been very informative with an excellent speaker.

County Councillor Gooch reported that the Introduction to the LGPS had been an excellent event which had been useful in understanding the actuarial valuation process.

County Councillor Schofield provided detailed feedback in relation to the Annual Northern Pensions Investment Conference which he had recently attended and had found to be an interesting and varied mix of sessions on investment with attendees from both the private/public sectors and enabled opportunities to network with others.

Mr Crewe commented that he found the internal training workshops for members of the Committee useful in building up his knowledge of the subject which was helpful when attending external events/conferences.

Resolved: That the report and feedback presented at the meeting is noted.

9. Transaction of Urgent Business - Investment Strategy Statement

The Committee received a report on a decision which the Director of Governance, Finance and Public Services had taken under the procedure for dealing with matters of Urgent Business in relation to the publication of an Investment Strategy Statement (ISS).

It was noted that since the last meeting new investment regulations had come into force on the 1st November 2016 and as a result it had been necessary to approve and publish an ISS by that date. Approval had been sought under the Urgent Business Procedure as the next scheduled meeting of the Committee was not until the 2nd December 2016.

Resolved: That the report is noted.

10. Urgent Business

No items of business were raised under this heading.

11. Date of Next Meeting

It was noted that the next scheduled meeting of the Committee would be held at 2pm on the 17th March 2017 in Cabinet Room 'C' - The Duke of Lancaster Room at County Hall, Preston.

12. Exclusion of Press and Public

Resolved: That the press and public 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 of the items. It was considered that in all the circumstances the public interest in maintaining the exemption outweighed the [public interest in disclosing the information

13. Local Pensions Partnership - Quarter 2 update

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act, 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all circumstances of the case the public interest in maintain this exemption outweighs the public interest in disclosing the information.

The Committee considered an update report on the second quarter of activities of the Local Pension Partnership (LPP) which highlighted a number of areas, including:

- The continuing integration of staff across three sites.
- The pooling of Asset Management.
- The performance of the Fund investments and administration.

- The reputation of both the Fund and LPP being 'ahead of the game' and the potential inclusion of additional stakeholders in the future.
- That LPP was operating within budget.

Resolved:

1. That the details, as set out in the report presented, are noted.

2. That Greg Smith, Director of Strategic Programmes & Group Company Secretary from the Local Pensions Partnership be thanked for his attendance.

14. Investment Panel report

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act, 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all circumstances of the case the public interest in maintain this exemption outweighs the public interest in disclosing the information.

The Committee considered a report from the Investment Panel in relation to the work of the Panel since the last meeting of the Committee. When considering the report the Committee's attention was drawn to a number of key areas including:

- The outcome of the US Presidential election and its implications for global markets.
- The continuing impact of the result of the EU Referendum.
- The volatility of the commodities market, particularly in relation to oil.
- Currency movements.

Resolved: That the report and the updates presented at the meeting are noted.

15. Fund Performance report

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act, 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all circumstances of the case the public interest in maintain this exemption outweighs the public interest in disclosing the information.

The Committee considered a report which summarised the performance of the Fund up to the end of September 2016 and also received a presentation from the Co-Chief Investment Officer of the Local Pension Partnership.

It was noted that the Fund had historically performed well and that the performance of LPPI from the 1st April would need to be regularly monitored to ensure that continued.

Resolved: That the report is noted.

16. Update on work undertaken on governance and risk

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act, 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all circumstances of the case the public interest in maintain this exemption outweighs the public interest in disclosing the information.

The Committee received a report from the Head of Fund regarding a review of the risk register in order to ensure it was updated in relation to the revised governance relationships with the Local Pension Partnership.

In considering the draft risk register the Committee agreed that more work was needed on the detail and it was noted that further consideration would be given to the matter at a workshop to be held early in the New Year in order that a revised register can be presented to the next meeting in March 2017.

Resolved: That the report presented and draft risk register set out at Appendix 'A' are noted.

I Young
Director of Governance, Finance
and Public Services

County Hall
Preston

Pension Fund Committee
Meeting to be held on Friday, 17 March 2017

Electoral Division affected:
None

Revised Terms of Reference of the Local Pension Board
(Appendix 'A' refers)

Contact for further information: Mike Neville, (01772) 533431, Legal and Democratic Services mike.neville@lancashire.gov.uk

Executive Summary

This report sets out the proposed revised Terms of Reference for the Lancashire Local Pension Board as agreed by the Board at the meeting on the 17th January 2017.

Recommendation

That the Committee approve the revised Terms of Reference for the Lancashire Local Pension Board, as set out in Appendix 'A' to this report.

Background and Advice

At the meeting on the 18th October, 2016, the Lancashire Local Pension Board considered a report in relation to future activities and the need for a review of the existing terms of reference in the light of changes to the governance arrangements following the establishment of the Local Pensions Partnership.

The Board agreed to amend the current terms of reference to allow members to serve a second term in accordance with the Public Service Pensions Act 2013 and to show that members were expected to attend all meetings rather than the previous requirement to attend at least 3 meetings. The Board also agreed to establish a small Working Group to examine in detail the future role/remit of the Board and draft revised terms of reference.

On the 17th January 2017 the Board received a report from the Working Group which included a draft revised terms of reference as set out at Appendix 'A' to this report. It was noted that the main changes related to the proposed review and scrutiny role of the Board and the inclusion of eleven bullet points taken from the LGC Guidance on the operation of Pension Boards.

The Board agreed that the draft revised terms of reference for the Board, as presented be approved and recommended to the Pension Fund Committee for approval.

Consultations

N/A

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
Reports to the Pension Board	18th October 2016 17th January 2017	Mike Neville 01772 533431

Reason for inclusion in Part II, if appropriate
N/A

Pension Fund Committee **Appendix 'A'**
17th March 2017

Proposed revised Terms of Reference for the Lancashire Local Pensions Board as approved by the Board on the 17th January 2017. Amendments are shown in **bold text**

Terms of Reference

1. Role and remit of the Board.

a) To assist Lancashire County Council as Administering Authority in its role as Scheme Manager:

   i. to secure compliance with the LGPS regulations and any other legislation
   relating to the governance and administration of the LGPS;
   ii. to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
   iii. in such other matters as the LGPS regulations may specify

b) To ensure the effective and efficient governance and administration of the LGPS for the Lancashire County Pension Fund;

c) To provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

d) To review and scrutinise governance processes and procedures to ensure that the Lancashire County Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

e) To meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than four times in any year.

f) To review the key policy documents to ensure they are fit for purpose.

g) The Pension Board must assist the Scheme Manager with such other matters as the scheme regulations may specify. It is for scheme regulations and the Scheme Manager to determine precisely what the Pension Board's role entails. This roles involves but is not limited to oversight and comment on:

   i Assist with the development of improved customer services

   ii monitor performance of administration, governance and

investments against key performance targets and indicators.

iii Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority

iv Monitor investment costs including custodian and transaction costs.

v Monitor internal and external audit reports.

vi Review the Risk Register as it relates to the scheme manager function of the Authority.

vii Assist with the development of improved management, administration and governance structures and policies.

viii Review the outcome of actuarial reporting and valuations.

ix Assist in the development and monitoring of process improvements on request of Committee.

x Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.

xi Any other area within the core function (ie. Ensuring effective and efficient governance of the Scheme) the Board deems appropriate.

h) To review the outcome of internal and external audit reports in relation to the Fund.

i) To make such recommendations to the Pension Fund Committee and/or Full Council as it considers appropriate in relation to any matter that the Board considers may improve the performance of the Fund

j) To submit in March each year a proposed annual work plan to the Pension Fund Committee for the forthcoming financial year

k) To carry out any activities relating to the efficient governance and administration of the Fund which the Pension Fund Committee or Full Council may request the Board to undertake

2. Membership and Appointment Process

The Pension Board shall consist of 9 members and be constituted as follows:

a) 4 employer representatives, of whom:

i. 2 shall be nominated by Lancashire County Council, where these are councillors or officers they shall meet the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority;

ii. 1 shall be nominated by the Unitary, City, and Borough Councils and the Police and Fire bodies which are employers within the Lancashire County Pension Fund; and

iii. 1 shall be nominated by all other employers within the Fund.

b) 4 scheme member representatives of whom:

i. 2 shall represent and be drawn from active members of the Lancashire County Pension Fund;

ii. 1 shall represent and be drawn from pensioner members of the Lancashire County Pension Fund; and

iii. 1 shall represent and be drawn from deferred members of the Lancashire County Pension Fund.

c) 1 independent member selected by the Scheme Manager, who shall not be a member of the Lancashire County Pension Fund and who shall be appointed as Chair of the Board. Such appointment will only be made following an openly advertised competition for the role.

Members in all categories will only be appointed to the Board by the Scheme Manager if they meet the skill and knowledge requirements set out in the relevant regulations and guidance, and as set out in Section 7 below.

Members of the Board in categories a) iii., and b) i., ii., and iii., shall only be appointed after all employers or members of the Fund in those categories have been invited to put forward nominations. Where there is more than one nomination in any category then any nominee who meets the relevant knowledge and skills requirement will be included on a ballot of all members or employers in the relevant category. The winner in such a ballot will be the candidate with the greatest number of votes under the "first past the post" method.

Members of the Board will serve for a maximum of 8 years. Other than as a result of retirement at the expiry of this period the term of office will come to an end:

a) For employer representatives who are councillors if they cease to hold office as a councillor;

b) For employer representatives who are not councillors when they cease to be employed by the employing body where they were employed on appointment;

c) For scheme member representatives if they cease to be a member of the relevant member group.

Each Board member should endeavour to attend all Board meetings during the year and **is expected to attend all meetings**. Given the nature of the Board as a supervisory body and the need for appropriate knowledge and skills and the clear avoidance of conflicts of interest substitute members are not permitted.

In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Scheme Manager.

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all of the other members. The removal of the independent member requires the consent of the Scheme Manager.

3. Quorum

The Board shall not be quorate unless the Chair and at least 2 employer representatives and 2 scheme member representatives are present.

4. Conflicts of Interest

The policy of the Board regarding identifying conflicts of interest is as set out in a separate policy

5. Board Review Process

The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board's performance.

6. Advisers to the Board

The Board may be supported in its role and responsibilities through the appointment of advisers, in addition to the Scheme Manager's officers and the Fund's various advisers and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties.

The Board shall ensure that the performance of the advisers so appointed is reviewed on a regular basis.

7. Knowledge and Skills

A member of the Pension Board must be conversant with:

a) The legislation and associated guidance of the Local Government Pension Scheme (LGPS).

b) Any document recording policy about the administration of the LGPS which is for the time being adopted by the Lancashire County Pension Fund.

A member of the Pension Board must have knowledge and understanding of:

a) The law relating to pensions, and

b) Any other matters which are prescribed in regulations.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

Pension Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

Pension Board members will comply with the Scheme Manager's training policy.

8. Board Meetings – Notice Minutes and Reporting

The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board, and shall ensure that all papers are published on the Lancashire County Pension Fund Website at least 5 working days prior to each meeting. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Subsequent to each meeting the Chair will be asked to approve the minutes for publication as a draft and circulation to all members of the Board.

The Pension Board shall produce an Annual Report on both the nature and effect of its activities for consideration by the Administering Authority. The contents of this annual report will be subject to consideration and agreement at a meeting of the Board, but should include, inter alia:

a) Details of the attendance of members of the Board at meetings;

b) Details of the training and development activities provided for members of the Board and attendance at such activities;

c) Details of any recommendations made by the Board to the Scheme Manager and the Scheme Manager's response to those recommendations;

d) Details of the costs incurred in the operation of the Board

The Board in considering items of business at its ordinary meetings shall in relation to each item consider whether it wishes to make a recommendation to the Scheme Manager, to which the Scheme Manager shall respond at the subsequent meeting.

Para on the remit of the Board deleted – covered by 1g above

9. Standards of Conduct

The role of Pension Board members requires the highest standards of conduct and therefore the "seven principles of public life" will be applied to all Pension Board members and embodied in their code of conduct.

These principles are:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

10. Decision making

Each member of the Pension Board will have an individual voting right but it is expected the Pension Board will as far as possible reach a consensus. The Chair of the Pension Board will not have a final deciding vote.

11. Publication of Pension Board information

Scheme members and other interested parties will want to know that the Lancashire County Pension Fund is being efficiently and effectively managed. They will also want to be confident that the Pension Board is properly constituted, trained and competent in order to comply with scheme regulations, the governance and administration of the scheme and requirements of the Pension Regulator.

Up to date information will be posted on the Lancashire County Pension Fund website showing

- The names, contact details and other relevant information about the Pension Board members;
- How the scheme members are represented on the Pension Board
- The responsibilities of the Pension Board as a whole;
- The full terms of reference and policies of the Pension Board and how they operate;
- Details of the Pension Board appointment process;
- Any specific roles and responsibilities of individual Pension Board members.

The Scheme Manager will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

12. Accountability

The Pension Board will be collectively and individually accountable to the Scheme Manager.

13. Expense Reimbursement and Remuneration

All members of the Board shall, on the production of relevant receipts be reimbursed for travel and subsistence expenses they have actually and necessarily incurred in the conduct of their duties as a member of the Board, including attendance at relevant training and development activities.

Members of the Board shall be reimbursed a mileage allowance for use of their own car at the rate proscribed by HM Revenues and Customs from time to time as adopted by Lancashire County Council.

Where members of the Board are in employment their employer will be able to reclaim from the Lancashire County Pension Fund a sum equivalent to salary, employers' national insurance contributions and employers' pension contributions, in respect of time spent by the individual in fulfilling their duties as a member of the Board, including attendance at relevant training and development activities.

The Chair of the Board shall receive a fixed annual allowance set initially (2015) at £10,000 pa (in addition to travel and subsistence expenses) to be inflated in April each year by the Retail Price Index for the previous September.

14. Reporting Breaches

Any breach brought to the attention of the Pension Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in a separate policy document.

15. Definitions

The undernoted terms shall have the following meaning when used in this document:

"Pension Board" or "Board"	Means the local Pension Board for the Lancashire County Council as administering authority for the Lancashire County Pension Fund as required under the Public Service Pensions Act 2013
"Scheme Manager"	Means the Pension Fund Committee as administering authority of the Lancashire County Pension Fund.
"Chair"	The individual responsible for chairing meetings of the Board and guiding its debates.
"LGPS"	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013,the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and the The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009
"Scheme"	Means the Local Government Pension Scheme as defined under "LGPS"

Pension Fund Committee
Meeting to be held on Friday, 17 March 2017

Electoral Division affected: None

LCPF Budget 2017/18
Appendix 'A' refers.

Contact for further information: Abigail Leech, Head of Fund, Lancashire County Pension Fund, 01772 530808 Abigail.leech@lancashire.gov.uk

Executive Summary

Following a review of the previous budget assumptions, the current investment strategy and the approved cost savings relating to the Local Pensions Partnership (LPP), a budget has been set for the Lancashire County Pension Fund for the year ending 31 March 2018.

This budget forecasts that there will be £47.4m available for investment (before realised and unrealised profits), compared to £39.6m in the audited year ending 31 March 2016.

Actual results for the year ending 31 March 2017 will be reviewed against the 2016/17 budget at the Committee in June 2017.

Whilst it is difficult to estimate the level of incoming contributions, investment income, and fund management costs along with foreign currency fluctuations, a pension fund budget is considered to be a useful monitoring tool in assessing the overall financial position and performance of the Fund.

The 2017/18 budget will be a key tool for monitoring the achievement of planned savings through LPP.

Recommendation

The Committee is asked to note and approve the Lancashire County Pension Fund budget for the year ended 31 March 2018.

Background and Advice

It is not a constitutional requirement for a pension fund to set an annual financial budget but it is considered a useful monitoring tool for the assessment of the overall financial position and performance.

For Lancashire County Pension Fund (LCPF) the budget is considered an essential control for monitoring the achievement of planned savings through LPP.

Lancashire County Council

A one year budget has been set for the LCPF for the year ending 31 March 2018 and is presented in Appendix 'A' to this report.

The previous budget assumptions and the forecasts incorporated in the LPP financial model have been reviewed and updated in setting this budget.

It is difficult to estimate income due to the Fund and costs associated with the investment activities of the Fund with any degree of accuracy but historic trends and current run-rates have been built-in where appropriate.

A summary of the budget assumptions employed is set out below:

FUND INCOME BUDGET (£362.4m)

Contribution income (£246.5m)

Contributions from employers have been assumed at current membership levels with an increase in the rate consistent with the 2016 valuation result.

For Lancashire County Council an increase in contribution rate from 12.6% to 15.1% of pensionable pay is included in the calculation of income. For other councils, scheduled and admitted bodies, the increase is from 13.1% to 14.8% of pensionable pay.

Pensionable pay across all employers has been assumed to increase by 1% on the current year.

Deficit contributions have been budgeted at £44m in line with the preliminary actuarial valuation of the deficit repayment required in 2017/18. No discount or other cash flow implications of deficit receipts in advance have been incorporated in this budget.

Contributions from employees have been assumed to rise by 1% in line with the budgeted pay award.

Transfers in (£6.7m)

Transfers in from other funds are budgeted to fall relative to the current year, and an average income over the last two years has been included. It is assumed that the number of transfers in will begin to reduce in line with the current reduction in employee numbers across the member employers.

Investment income (£109.2m)

Investment income is difficult to predict. As a consequence of the move to a pooled investment portfolio within LPP, no future income from equities is budgeted. Income from pooled funds is expected to increase significantly to reflect the income on the investments held in the new pool managed by LPP. LPP have advised that expected returns on their Global Equity Fund are approximately £6m higher than were generated before transition.

FUND EXPENDITURE BUDGET (£315.0m)

Benefits payable (£269.0m)

Retirement, widows and children's are forecast to rise by 1%, this being the consumer price index (CPI) as at September 2016.

Lump sum benefits on retirement and on death are budgeted to stay broadly in line with the current year, as are transfers out on behalf of leavers.

Administrative expenses (£3.7m)

The majority of administrative and processing expenses will be payable to LPP for membership administration, liability modelling and employer risk functions. Of a total budget of £3.6m payable to LPP for administration and processing, £2.8m relates to fees calculated on January 2017 membership numbers at a cost per member of £17.03 (2016/17 £16.93), an increase in cost per member of 1%, being CPI.

LPP charges for liability modelling (£0.2m), employer risk (£0.2m) and support costs (£0.4m) are also included in this figure

Investment management expenses (£34.0m)

Investment management expenses payable are a function of the value of assets under management.

As at the budget setting date, global equities have been transitioned into the management of LPP.

At a fee rate of 9.1 basis points, investment management expenses payable to LPP are budgeted at approximately £6.1m in the year to 31 March 2018.

Investment management fees on the non-equity investments held by the Fund will continue to be paid to the existing managers until transition.

Total investment fees of £34.0m are budgeted for the year ending 31 March 2018 and the split between LPP and other investment will move in line with the transition of assets.

Some additional transitional costs will be incurred as the investments are transferred. Direct transition costs are budgeted at £1.7m. Direct costs of the global equity transition were, according to LPP analysis, approximately £1.4m.

There will also be indirect costs of transition in terms of market movements. These have not been included in the budget.

The budget anticipates an overall saving on investment management expenses of £5.5m, after transition costs, compared to the current forecast for 2016/17. The increase of £1.5m since the audited year ended 31 March 2016 is largely due to transition costs and the increased market value of the investment portfolio.

Oversight and governance expenses (£8.3m)

The budget for oversight and governance fees includes the cost of abortive investment fees (for example in previous years were incurred on the bid for the London City airport investment and in association with the Eurotunnel), property expenses and legal and professional fees. Also included are actuarial and audit fees. The costs of the Fund's actuarial and external audit services have been assumed to remain steady until the end of the current contracts.

Procurement of both services is scheduled for summer 2017 on expiration of the current contract with Mercers and Grant Thornton respectively.

Budget net income available for investment before realised and unrealised profits and losses on investments is **£47.4m**, this being 13% of total income. This ratio is an increase on 12% achieved in the year ended 31 March 2016.

Consultations
N/A

Implications:
This item has the following implications, as indicated:

Risk management
Regular monitoring against the budget of the fund will provide an explanation of key variances, better inform future budget setting and forecasting. It will also ensure that the Committee has oversight of the costs of LPP and that the planned savings are being realised as in the approved business plan.

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

Paper	Date	Contact/Tel
Appendix A: Revenue budget 2017/18 Lancashire County Pension Fund	21/02/17	Helen Gallacher, Pensions Manager, 01772 536620 helen.gallacher@lancashire.gov.uk

Reason for inclusion in Part II, if appropriate
N/A

Lancashire County Pension Fund APPENDIX 'A'

FUND ACCOUNT BUDGET
Year ended 31 March 2018

	ACTUAL Year ended 31 March 2016 £'000	BUDGET Year ended 31 March 2018 £'000	Notes
INCOME			
Employer contributions	(183,738)	(189,753)	Includes pension strain and deficit contributions
Employee contributions	(54,831)	(56,722)	
Total contributions receivable	**(238,569)**	**(246,475)**	Salary increase 1%. Contribution increase in line with preliminary valuation results
Total Transfers In	(5,513)	(6,650)	
Investment Income			
Fixed Interest UK & O/S	(3,295)	(2,453)	
Equities UK & O/S	(41,602)		Equities transitioned into LPP pool
Index Linked UK & O/S	(1,146)	(894)	
Property Rent	(29,216)	(32,000)	
Pooled Investment Vehicles	(22,329)	(70,231)	Increase reflects transition in of global equities. LPP forecast an increase in revenue on the Global Equity Fund of c.£6m per annum.
Interest	(445)	(319)	
Tax Reclaimed	(1,113)	(1,242)	
Securities Lending	(1,495)	0	Assume no stock lending opportunity following transition of global equities.
Foreign Exchange	2,283	0	Foreign exchange movement not budgeted
Other investment income	(771)	(2,088)	In line with forecast for 2016/17. Return of funds on transition and other miscellaneous cash receipts.
Total Investment Income	**(99,130)**	**(109,227)**	
TOTAL INCOME	**(343,212)**	**(362,352)**	
EXPENDITURE			
Pensions	200,179	208,880	Increase in line with CPI
Lump sums	45,600	45,750	
Transfers out	11,753	13,750	
Refunds	736	580	
Total benefits payable	**258,268**	**268,960**	
Administrative expenses			
Local Pensions Partnership		3,576	Pensions Administration service provided by LPP
Lancashire County Council recharges	4,156	156	LCC financial resources service
	4,156	**3,732**	**2017/18 £17.03 per member** (2016/17 £16.93, 2015/16 £21.08) increased for CPI
Investment management expenses			
Local Pensions Partnership	0	6,142	Budget on the basis of assets under management. Average charge of 9.1 b.p of assets under management
Transition costs		1,732	
Other investment managers	32,468	26,082	
	32,468	**33,956**	Split between LPP and other investment managers will move with transition
Oversight and Governance expenses			
Performance measurement fees	87	90	Independent advisors to Investment Panel, Board expenses
Other advisory fees (including abortive fees)	5,275	4,300	
Actuarial fees	0	50	£50k per annum for triennial valuation
Custody fees	200	100	Custody fees expected to reduce in line with assets under custody.
Audit fees	52	52	Assumed constant until end of current contract
Legal & professional fees	785	600	External legal and professional fees
LCC recharges	572	645	LCC Democratic Services, Legal Services and Financial Resources services
Bank charges	8	8	
Property expenses	1,720	2,500	Various including valuation fees, pre-acquisition planning & design costs, letting fees, Knight Frank fees
	8,699	**8,345**	
TOTAL EXPENDITURE	**303,591**	**314,994**	
MONEY AVAILABLE FOR INVESTMENT BEFORE REALISED AND UNREALISED PROFITS AND LOSSES ON INVESTMENTS	**(39,620)**	**(47,359)**	
Money available as a % of total income	**12%**	**13%**	

Pension Fund Committee
Meeting to be held on Friday, 17 March 2017

Electoral Division affected:
None;

Funding Strategy Statement
(Appendix A refers)

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

Executive Summary

This report sets out the Fund's revised Funding Strategy Statement (FSS) following the results of the 2016 valuation as noted by the Committee at its meeting of 2 December. The revised FSS incorporates the requirements set out in the Fund's Investment Strategy Statement (ISS).

Recommendation

The Committee is requested to approve the revised Funding Strategy Statement as set out in Appendix 'A'.

Background and Advice

All Local Government Pension Scheme funds in England and Wales are required to publish a Funding Strategy Statement (FSS) in accordance with the Local Government Pension Scheme Regulations 2013 (as amended).

The purpose of the FSS is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

Lancashire County Council, as administering authority of Lancashire County Pension Fund, is required to prepare and publish its FSS after consultation with all relevant interested parties involved with the Fund – such as local authority employers, admitted bodies and scheduled/resolved bodies.

Given this, and in accordance with governing legislation, all interested parties connected with the Lancashire County Pension Fund have been consulted and given opportunity to comment prior to the FSS being finalised and adopted. The FSS takes into consideration all comments and feedback received.

Lancashire County Council

Legislative Framework

Regulation 58 of the Local Government Pension Scheme Regulation 2013 (as amended) provides the statutory framework from which LGPS authorities are required to prepare their FSS having regard to:

- CIPFA guidance on Preparing and Maintaining a Funding Strategy Statement in the LGPS (2016 Edition);
- Its Investment Strategy Statement published under Regulation 7 of The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS. In practical terms this means that the FSS will need to be comprehensively revisited at each triennial valuation with an annual review in the interim period linked to the review of the ISS.

Contents of FSS

The FSS is prepared under the following headings:

- Purpose of the FSS in policy terms;
- Aims and purpose of the Pension fund
- Responsibilities of the main parties
- Solvency issues and target funding levels
- Link to investment policy and the Investment Strategy Statement
- Identification of risks and counter-measures
- Monitoring and review

Fund Value as at 31 March 2016

The triennial valuation of the assets and liabilities of the Lancashire County Pension fund as at 31 March 2016 has been carried out by the Fund Actuary, Mercer. The results of the valuation, including amendments to individual employer contribution rates, will be effective from 1 April 2017.

At headline whole fund level the overall funding level based on the various updated assumptions is around 90% as at 31 March 2016, compared to 78% at 31 March 2013. The actuary presented these results at the Committee meeting on 2 December 2016 and the results were also communicated to the individual employers in one to one surgery meetings and an employers' meeting on 7 December 2016.

The key elements of the Fund's revised FSS was also communicated to the employers at the members briefing and at the time of writing this report discussions are still ongoing with some of the individual fund employers in respect of options available to them via the revised FSS.

As the solvency level of the Fund is 90% at the valuation date, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will normally be expressed as a specific sum (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish.

Employers may, in certain circumstances at the discretion of the Administering Authority, also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the total contributions at the expected monetary levels from the preceding valuation (including any indexation in the deficit contributions over the recovery period). Full details are set out in this FSS in Appendix A.

The target recovery period for the Fund as a whole is 16 years at this valuation which is 3 years shorter than the average recovery period from the previous valuation. Subject to affordability and the employer risk profile individual employer recovery periods would also be expected to reduce by 3 years at this valuation. Where there is an increase in contributions required at this valuation the employer will be able to step-up their contributions over a period to be decided by the Administering Authority.

The formal Actuarial Valuation report as at the 31 March 2016 is expected to be available no later than 31 March 2017. A copy of the report will be put in the Pension fund knowledge library for committee members to view.

Consultations

The Fund's Actuary, Mercer and individual employers have been consulted on the details of the FSS.

Implications:

This item has the following implications, as indicated:

Risk management

Legal

Non- compliance with statutory regulation.

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

Paper	Date	Contact/Tel
Local Government Pension Scheme Regulation 2013 (as amended)	2013	Abigail Leech (30808)
CIPFA guidance on Preparing and Maintaining a Funding Strategy Statement in the LGPS (2016 Edition)	2016	
The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016	2016	

DRAFT

FUNDING STRATEGY STATEMENT

LANCASHIRE COUNTY PENSION FUND

MARCH 2017

Lancashire County Council

This Funding Strategy Statement has been prepared by Lancashire County Council (the Administering Authority) to set out the funding strategy for the Lancashire County Pension Fund (the "Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

EXECUTIVE SUMMARY

Ensuring that the Lancashire County Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority (Lancashire County Council). The Funding Strategy adopted by the Lancashire County Pension Fund will therefore be critical in achieving this.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

> The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Lancashire County Pension Fund.
>
> It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the Lancashire County Pension Fund have been consulted and given opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

THE FUND'S OBJECTIVE

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members' accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.

SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Local Government Pension Scheme (the "LGPS") so far as relating to the Fund.

DEFICIT RECOVERY PLAN AND CONTRIBUTIONS

As the solvency level of the Fund is 90% at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will normally be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may, in certain circumstances at the discretion of the Administering Authority, also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the total contributions at the expected monetary levels from the preceding valuation (including any indexation in the £ deficit contributions over the recovery period). Full details are set out in this FSS.

The target recovery period for the Fund as a whole is 16 years at this valuation which is 3 years shorter than the average recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce by 3 years at this valuation.

Where there is an increase in contributions required at this valuation the employer will be able to step-up their contributions over a period to be decided by the Administering Authority.

In exceptional circumstances the Fund may depart from the above principles for an employer or a particular group of employers. Any such exceptions would be determined by the Head of the Fund and reported to the Committee.

ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the “Secondary” rate) are set out in an Appendix to this FSS.

The discount rate in excess of CPI inflation (the “real discount rate”) has been derived based on the expected return on the Fund’s assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 2.2% per annum and for determining the future service (“Primary”) contribution rates is 2.75% per annum.

Where warranted by an employer’s circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Head of the Fund and reported to the Committee. Employers may also choose to fund using a discount rate in line with the Fund’s termination policy (see below) if they so choose.

The demographic assumptions are based on the Fund Actuary’s bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer’s asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund’s practice and policies in a number of key areas:

1. Covenant assessment and monitoring

An employer’s financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers’ covenants will be assessed and monitored objectively in a proportionate manner, and an employer’s ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

After the valuation, the Fund will continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is set out in an Appendix to this statement. Examples of new employers include:

- Fund Employers
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

Certain employers may be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

3. Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

Where there is no guarantor who would subsume the liabilities of the exiting employer, and the employer was admitted into the Fund after 19 November 2009, the Fund's policy is that a discount rate linked to government bond yields is used for assessing liabilities on termination. Any exit payments due should be within 30 days, although instalment plans may be considered by the Administering Authority on a case by case basis. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it.

4. Insurance arrangements

For certain employers, the Fund will insure ill health retirement costs via an internal captive insurance arrangement which pools these risks for eligible employers. The captive arrangement will be operated as per the objectives set out in **Appendix C**.

CONTENTS

APPENDICES

1
INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Lancashire County Pension Fund (the "Fund"), the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Fund published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

BENEFITS

The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full Fund benefits in relation to the member only and pay 50% of the normal member contribution.

EMPLOYER CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution).

PRIMARY RATE

The "Primary rate" for an employer is the contribution rate required to meet the cost of the future accrual of benefits, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

SECONDARY RATE

The "Secondary rate" is an adjustment to the Primary rate to arrive at the total rate of contribution each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following the actuarial valuation.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be the calculated weighted average based on the whole fund payroll in respect of percentage rates and the total amount in respect of cash adjustments.

2
PURPOSE OF FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3

AIMS AND PURPOSE OF THE FUND

THE AIMS OF THE FUND ARE TO:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

4
RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (and, in particular the Pension Fund Committee), the individual employers and the Fund Actuary, and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

KEY PARTIES TO THE FSS

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a Fund employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits, early retirement strain, and
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

5
SOLVENCY FUNDING TARGET

Securing the “solvency” and “long term cost efficiency” is a regulatory requirement. To meet these requirements the Administering Authority’s long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the “funding target”) assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer’s total contribution rate would ultimately revert to its Primary rate of contribution.

SOLVENCY AND LONG TERM EFFICIENCY

Each employer’s contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund’s liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary’s Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the “solvency” of the pension fund and “long term cost efficiency" of the LGPS so far as relating to the Fund.

DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**.

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2017 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2016 actuarial valuation:

- The Fund does not believe it appropriate for reductions in total contributions to apply compared to the existing funding plan (allowing for indexation of deficit contributions where applicable) where deficits remain unless there is compelling reason to do so.
- Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Head of Fund and reported to the Committee. Employers may also choose to fund using a discount rate in line with the Fund's termination policy if they so choose.
- Subject to consideration of affordability, as a general rule the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan in **Appendix B**). These principles have resulted in a target recovery period of 16 years normally being adopted across Fund employers.
- Individual employer contributions will be expressed and certified as two separate elements:
    - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits
    - the **Secondary rate**: a schedule of percentages of pensionable payroll or lump sum monetary amounts over 2017/20 in respect of an employer's surplus or deficit

  For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2020 based on the results of the 2019 actuarial valuation.
- Where increases in employer contributions are required from 1 April 2017, following completion of the 2016 actuarial valuation, if the Administering Authority agrees then the increase from the rates of contribution payable in the year 2016/17 may be implemented in steps, over a period agreed by the Administering Authority.
- For those employers who are to be included in the ill-health captive arrangement, the contributions payable over the period 1 April 2017 to 31 March 2020 will be adjusted accordingly to reflect the premium charged to provide continued protection against the risks of excessive ill-health retirement costs emerging. Further details are provided in Appendix C of these adjustments.
- In exceptional circumstances the Fund may depart from the above principles for an employer or a particular group of employers. Any such exceptions would be determined by the Head of the Fund and reported to the Committee. As a particular example, in the event that it appeared that an employer was likely to end its participation in the Fund without its liabilities being passed on to a successor employer, and without the employer providing

sufficient security against its closure position, then the Fund might decide to set a funding plan such that the employer's closure position were expected to be met by the time of its exit from the Fund.

- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer. The termination policy is set out in a separate document.
- In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

Employers are required to meet all costs of early retirement strain by immediate capital payments into the Fund, or in certain circumstances by agreement with the Fund, through instalments over a period to be determined by the Administering Authority.

FUNDING FOR ILL HEALTH RETIREMENT COSTS

Should a member retire on ill health grounds, this will normally result in a funding strain for that employer (i.e. increased liability). The size of any funding strain will depend on how the cost of that ill health retirement compares with the expected cost built in the actuarial assumptions for that employer. The actual cost will also depend on the level of any benefit enhancements awarded (which depend on the circumstances of the ill health retirement) and also how early the benefits are brought into payment. The treatment of any ill-health retirement strain cost emerging will vary depending on the type of employer:

- For those employers who participate in the ill-health captive, any ill-health retirement strain cost emerging will be met by a contribution from the captive fund as part of the subsequent actuarial valuation (or termination assessment if sooner). No additional contributions will be due immediately from the employer although an adjustment to the "premium" payable may emerge following the subsequent actuarial valuation, depending on the overall experience of the captive fund.

- For those employers who don't participate in the ill-health captive, the "primary rate" payable over 2017/20 may include an allowance for ill-health retirement costs (alongside those for voluntary early retirements) depending on the employer's profile. Where ill-health retirement strain costs exceed an employer's allowance over the inter-valuation period (or should an employer not have an allowance within their "primary rate"), the excess strain costs will be included in the employer's deficit (and subsequent deficit contributions) at the 2019 valuation.

7

LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

The results of the 2016 valuation show the liabilities to be 90% covered by the current assets, with the funding deficit of 10% being covered by future deficit contributions.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

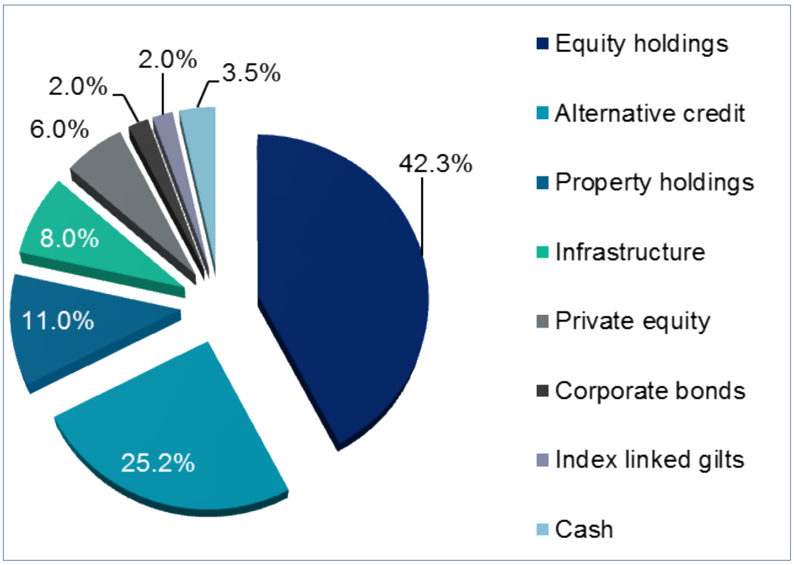
It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which represents the "minimum risk" investment position which would deliver a very high certainty of real returns above assumed CPI inflation. Such a portfolio would consist of a mixture of long-term index-linked, fixed interest gilts and possible swaps.

Investment of the Fund's assets in line with this portfolio would minimise fluctuations in the Fund's funding position between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 59%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current strategy is:



The investment strategy and return expectations set out above equate to an overall best estimate average expected return of 3.55% per annum in excess of CPI inflation as at 31 March 2016. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations.

8

IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term.

FINANCIAL

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.

Any increase in employer contribution rates (as a result of these risks), may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund’s asset allocation is kept under constant review and the performance of the investment managers is regularly monitored.

DEMOGRAPHIC

The demographic risks are as follows:-

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to minimise the number of ill-health retirements**. Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

INSURANCE OF CERTAIN BENEFITS

The contributions for any employer 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 internally within the Fund.

REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to Fund,
- Changes to national pension requirements and/or HMRC Rules

Membership of the LGPS is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond
- Changes in the Committee membership.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored, but in most cases the employer, rather than the Fund as a whole, bears the risk.

9
MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Fund membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations but it is unlikely that this power will be invoked other than in exceptional circumstances.

APPENDIX A - ACTUARIAL METHOD AND ASSUMPTIONS

METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets base on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 2.2% per annum above CPI inflation i.e. a real return of 2.2% per annum, equating to a total discount rate of 4.4% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.

For any employers who are funding on a government bond based the discount rate used will be linked directly to the yields available of government bond assets of an appropriate duration.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Fund's accrued liabilities, but subject to the following two adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index

The overall reduction to RPI inflation at the valuation date is 1.0% per annum.

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In the shorter term, the long term salary increase assumption has been replaced by an assumption of 1.0% per annum for the period to 2019/20, reflecting expected short term pay restraint in the public sector over this period.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

DEMOGRAPHIC ASSUMPTIONS

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the Fund. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a level of longevity ‘improvement’ year on year in the future in line with the CMI projections with a long-term rate of improvement of 1.5% per annum.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption have been modified from the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option (an allowance of 10% of current and future members (by payroll) for certain employers was made at the last valuation). Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.5% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR PRIMARY RATE)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the “Primary Rate” (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the FSR should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real discount rate of 2.75% per annum above the long term average assumption for consumer price inflation of 2.2% per annum.

EMPLOYER ASSET SHARES

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE "PRIMARY RATE") FOR THE 2016 ACTUARIAL VALUATION

Long-term yields	
Market implied RPI inflation	3.2% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	4.4% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

	Base Table	Improvements	Adjustment (M / F)
Current pensioners:			
Normal health	S2PA	CMI_2015 [1.5%]	99% / 93%
Ill-health	S2PA	CMI_2015 [1.5%]	Normal health + 3 years
Dependants	S2PMA / S2DFA	CMI_2015 [1.5%]	122% / 106%
Future dependants	S2PMA / S2DFA	CMI_2015 [1.5%]	116% / 113%
Current active / deferred:			
Active normal health	S2PA	CMI_2015 [1.5%]	98% / 89%
Active ill-health	S2PA	CMI_2015 [1.5%]	Normal health + 4 years
Deferred	S2PA	CMI_2015 [1.5%]	125% / 102%
Future dependants	S2PMA / S2DFA	CMI_2015 [1.5%]	105% / 102%

Other demographic assumptions are set out in the Actuary's formal report.

APPENDIX B – EMPLOYER DEFICIT RECOVERY PLANS

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will normally be expressed as £s amounts and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including, at the discretion of the Administering Authority, the option of prepaying the deficit contributions in one lump sum, either on annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of the recovery periods is summarised in the table below:

Category	Normal Deficit Recovery Period	Derivation
Fund Employers	16 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure contributions do not reduce versus those expected from the existing plan.
Open Admitted Bodies	16 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure contributions do not reduce versus those expected from the existing plan.
Closed Employers	Minimum of 16 years and the future working lifetime of the membership	Determined by the future working life of the membership, and to ensure contributions do not reduce versus those expected from the existing plan.
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;

- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain overall contribution level at least at the expected monetary levels from the preceding valuation (allowing for any indexation in the deficit payments over the recovery period).

In exceptional circumstances the Fund may depart from the above principles for an employer or a particular group of employers. Any such exceptions would be determined by the Head of the Fund and reported to the Committee.

Other factors affecting the Employer Deficit Recovery Plans

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2017/2020. Any application of this option is at the ultimate discretion of the Head of the Fund in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

APPENDIX C - ILL-HEALTH CAPTIVE FOR SMALL EMPLOYERS

OVERVIEW

For certain employers in the Fund, following discussions with the Fund Actuary and after considering potential alternative insurance arrangements, a captive insurance arrangement is to be established by the administering authority to cover ill-health retirement costs. This will apply for all ill-health retirements from 1 April 2016.

The captive arrangement operates as follows:

- "Premiums" are paid by the eligible employers into a captive fund which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer's future service % contribution rate. The premium for 2017/20 is 1.5% pa.
- The captive fund is then used to meet strain costs emerging from ill-health retirements i.e. there is no impact on funding position for employers within the captive
- Any shortfall in the captive fund is effectively underwritten by all other employers within the Fund. If any excess funds are built up in the Captive, some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary,
- Premiums payable subject to review from valuation to valuation depending on experience and included in employer rates.
- Over the longer-term, given the regular review of the premiums payable into the Captive fund there would be expected to be no net cost to those employers underwriting the Captive Fund in the long-term i.e. any fluctuations in their own contribution requirements arising from experience would smooth out over time.

EMPLOYERS

Those employers (both existing and new) that will be included in the captive are those with less than 150 active members (excluding major Councils).

For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements would still apply i.e. the Fund continues to monitor ill-health retirement strain costs incurred against allowance certified with recovery of any excess costs from the employer once the allowance is exceeded.

PREMIUM REVIEW

As part of the each actuarial valuation exercise (or earlier review if appropriate) the Fund Actuary will review the experience of the captive fund since the last review.

Should the premiums paid into the captive fund over the period not be sufficient to cover the ill-health retirement costs emerging, any shortfall in the fund will be allocated across all those employers within the Fund underwriting the captive. If any excess funds are built up in the Captive, some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary.

The ongoing premium payable by those employers within the captive fund will also be assessed as part of this process and will be set by the Actuary to cover the period until the next review (e.g. to the next actuarial valuation assessment). The Premiums that will be assessed will take into account the expected level of future ill-health retirements across those employers within the captive and also to reflect any adverse/favourable experience where appropriate.

APPENDIX D - GLOSSARY

Actuarial Valuation: an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

Administering Authority: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission bodies: A specific type of employer under the Local Government Pension Scheme (the "LGPS") who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Covenant: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit recovery period: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Employing bodies: any organisation that participates in the LGPS, including admission bodies and Fund employers.

Equities: shares in a company which are bought and sold on a stock exchange.

Funding or solvency Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: this is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Guarantee / guarantor: a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Letting employer: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

Liabilities: the actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

Maturity: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Minimum risk funding basis: more cautious funding basis than the existing valuation basis. The relevant discount rate used for valuing the present value of liabilities is based on the yields from Government Bonds or Swaps.

Orphan liabilities: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing/stepping of contributions: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Pooling: employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Real Return or Real Discount Rate: a rate of return or discount rate net of (CPI) inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

Scheduled bodies: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

Fund / Scheme Employers: employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers.

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Valuation funding basis: the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

Pension Fund Committee
Meeting to be held on Friday, 17 March 2017

Electoral Division affected: None

External Audit – Lancashire County Pension Fund
Audit Plan 2016/17
(Appendix 'A' refers)

Contact for further information: Karen Murray, Grant Thornton UK LLP, 0161 234 6364, Director, Karen.l.murray@uk.gt.com

Executive Summary

The Annual Audit Plan sets out the nature and scope of work that the Authority's external auditor will carry out to discharge its statutory responsibilities, compliant with the Local Audit & Accountability Act 2014 (the Act) and the Code of Audit Practice for Local Government.

This audit plan is specific to the financial year 2016/17 and sets out in broad terms the programme of work required to give a financial opinion on whether the financial statements:

– give a true and fair view of the financial position of the Pension Fund as at 31 March 2017 and of its expenditure and income for the year then ended; and
– have been prepared in accordance with proper accounting practice.

The Audit Plan, setting out the process that underpin the audit is set out at Appendix 'A'.

Recommendation

The Committee is asked to note and comment on the Annual Audit Plan for the external audit of the Lancashire County Pension Fund for 2016/17, and the fees therein.

Background and Advice

Attached at Appendix 'A' is the external auditor's Annual Audit Plan for the audit of the Lancashire County Pension Fund. The plan sets out the main risk areas which the audit will focus on, including:

- the two default risks as highlighted in ISA+315 applicable to all audits on the revenue cycle includes fraudulent transactions and management override of controls;

Lancashire County Council

- the risk of incorrect valuations on Level 3 investments, which by their nature require a significant degree of judgement to reach an appropriate valuation at year end; and

- other key risks areas around member data, investments, contributions and benefits payable.

The fee for the audit of the pension fund has been set at £34,169, which is the scale fee set by the Audit Commission. A fee of £1,737 is set to cover the IAS19 assurance work which is subject to separate approval from the Public Sector Audit Appointments Limited. Please note the total audit fee is the same as that charged in 2014/15 and 2015/16.

(Note: The scale fee set previously by the Audit Commission for pension fund audits is based on a formula linked to the size of the net assets of the fund and has no specific risk factors linked to it).

Members of the Grant Thornton audit team will attend the meeting to present the report and answer any questions.

Consultations

The report has been agreed with the Head of Fund.

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

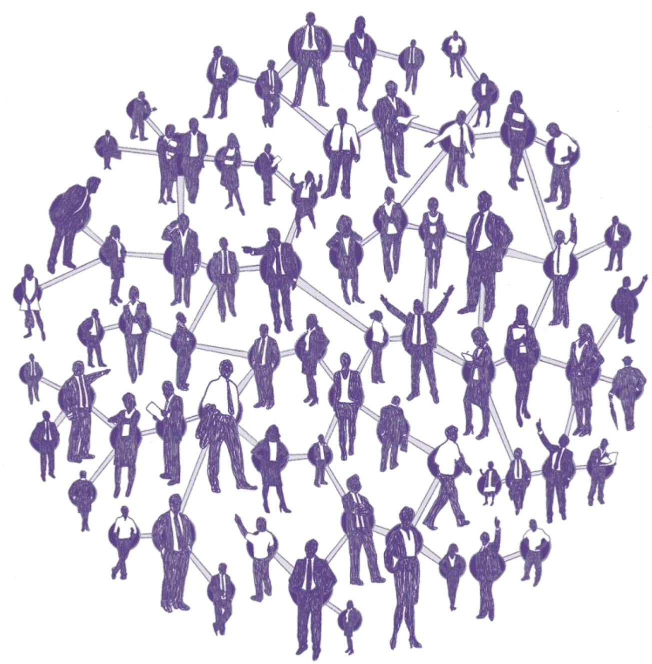
N/A

Grant Thornton

The Audit Plan
for Lancashire County Pension Fund

Year ended 31 March 2017

March 2017



Karen Murray
Director
T +44 (0) 161 234 6364
E karen.l.murray@uk.gt.com

Marianne Dixon
Manager
T +44 (0) 113 200 2699
E marianne.dixon@uk.gt.com

Ian Pinches
Assistant Manager
T +44 (0) 161 234 6359
E ian.m.pinches@uk.gt.com

Lancashire County Pension Fund
PO Box 78
County Hall, Preston
Lancashire, PR1 8XJ

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB
T +44 (0) 161 953 6900
www.grant-thornton.co.uk

9 March 2017

Dear Members of the Audit & Governance Committee

Audit Plan for Lancashire County Pension Fund for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Lancashire County Pension Fund, the Audit & Governance Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to give an opinion on the Fund's financial statements.

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 which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit. 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 look forward to working with you during the course of the audit.

Yours sincerely

Karen Murray

Engagement Lead

Contents

Understanding your business and key developments

Developments

Investment Regulations

The new investment regulations came into force on 1 November 2016 and require administering authorities to publish new Investment Strategy Statements by 1st April 2017. The statement must be in accordance with guidance issued by the Secretary of State and include a variety of information. This will include the administering authority's assessment of the suitability of particular investments and types of investments, the authority's approach to risk, including the ways in which risks are to be measured and managed and the authority's approach to pooling investments, including the use of collective investment vehicles and shared services. These regulations also provide the Secretary of State with the power to intervene in the investment function of a fund if he/she is satisfied that the authority is failing to act in accordance with the regulations.

Triennial actuarial valuation of the fund

The results of the triennial review have now been reported. Overall the funding level has improved from the date of the last valuation. Members will need to consider the outcome of this review and the impact this will have on the fund in future investment decisions.

Local Pensions Partnership

During 2016/17, the Local Pension Partnership (LPP), your new Asset & Liability Management (ALM) partnership, has started operating. This is an FCA-regulated Authorised Contractual Scheme entered into with London Pension Fund Authority.

Key challenges

Pooling Governance

Arrangements for pooling of investments continue to develop, with DCLG expecting all administering authorities to be transferring liquid assets from April 2018. For the Lancashire LGPS, this process has already started this year with LPP becoming operational.

The structure and governance of these arrangements are likely to have a significant impact on how the investments are managed, who makes decisions and how investment activities are actioned and monitored.

Although much of this operational responsibility will move to the investment pool operator, it is key that administering authorities (through Pension Committees and Pension Boards) continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements.

Measure	Value 15/16
Net assets under management	£6,036.2m
Total membership	162.466
Number of employers	369

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

The main change to the Code for Pension Funds is the extension of the fair value disclosures required under the Code from 2016/17.

The greatest impact is expected to be for those Funds holding directly owned property and/or shares and Level 3 investments. These changes are reflected in CIPFA's pension fund example accounts alongside further changes, including an analysis of Investment Management expenses in line with CIPFA's Local Government Pension Scheme Management Costs guidance, a realignment of investment classifications , and an additional disclosure note covering remuneration of key management personnel which has been included in related party transactions.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. This will impact not only upon the production of the Fund accounts but also on earlier requests for information from employers within the Fund.

Our response

- We will discuss with you your progress in implementing the requirements of the new investment regulations, highlighting any areas of good practice or concern which we have identified.
- We will discuss your progress in implementing revised governance structures, and share our experiences gained nationally.
- We aim to complete all our substantive audit work of your financial statements by 21 July 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the changes in the 2016/17 Code.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Fund. In line with previous years, we have calculated financial statements materiality based on a proportion of net assets for the Fund. For purposes of planning the audit we have determined overall materiality to be £60,362k (being 1% of net assets). In the previous year, we determined materiality to be £58,307k (being 1% of net assets). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £3,018k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	Due to public interest in these disclosures	£20K, however individual misstatements will be evaluated with reference to how material they are to the other party.
Disclosures of senior manager salaries and allowances	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5k

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Lancashire County Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Lancashire County Council as the administering authority, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Lancashire County Pension Fund.
Management over-ride of controls	Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	**Work completed to date:** • Documentation and identification of the process and key controls around journal entries **Further work planned:** • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions

Page 68

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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 and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
The expenditure cycle includes fraudulent transactions	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered.	We have considered this risk and do not consider it to require additional audit procedures because historic trends indicate: • 81% relates to benefit payments, which is addressed by our procedures in response to the identified risk in this area (see Other Risks) • 15% relates to management expenses, which is addressed by our procedures in response to the identified risk in this area (see Other Risks) • 4% relates to commissioning of payments on account of leavers, which is addressed by our procedures in response to the identified risk in this area.
Level 3 Investments Valuation is incorrect	Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments, by their very nature, require a significant degree of judgement to reach an appropriate valuation at year end.	**Work completed to date:** • We have updated our understanding of your process for valuing level 3 investment through discussions with relevant personnel from the Pension Fund. **Further work planned:** • For a sample of investments, test valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. • Review the qualifications of the fund managers and custodian as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. • Review the competence, expertise and objectivity of any management experts used.

Page 69

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Investment Income	Investment activity not valid. Investment income not accurate. (Accuracy)	**Work planned:** • We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances • Complete a predictive analytical review for different types of investments • For direct property investments, we will rationalise income against a list of properties for expected rental income.
Investment purchases and sales	Investment activity not valid. Investment valuation not correct.	**Work planned:** • We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances • We will test a sample of purchases and sales to ensure are appropriate.
Investment values – Level 2 investments	Valuation is incorrect. (Valuation net)	**Work planned:** • We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances • We will test a sample of level 2 investments to independent information from the custodian / fund managers on units and on unit prices where the custodian does not provide independent pricing confirmation. • For direct property investments, we will agree values in total to valuer's report and undertake steps to gain reliance on the valuer as an expert.

Other risks identified (continued)

Reasonably possible risks	Description of risk	Audit procedures
Contributions	Recorded contributions not correct (Occurrence)	**Work completed to date:** • We have carried out procedures and walkthrough testing to understand the pension fund's arrangements for gaining assurance over recorded contributions. **Further work planned:** • We will test the controls over occurrence, completeness and accuracy of contributions, • We will rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	**Work completed to date:** • We have carried out procedures and walkthrough testing sufficient to understand the pension fund's arrangements for gaining assurance over benefit payments. **Further work planned:** • We will test the controls over completeness, accuracy and occurrence of benefit payments, • We will rationalise the pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.
Member Data	Member data not correct. (Rights and Obligations)	**Work completed to date:** • We have carried out procedures and reviews sufficient to understand the pension fund's arrangements for gaining assurance over the accuracy of member data. **Further work planned:** • We will undertake controls testing over annual/monthly reconciliations and verifications with individual members • We will perform sample testing of changes to member data made during the year to source documentation.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Transfers in & out
- Management & administrative expenses
- Cash deposits
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments
- Funding Arrangements Note

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	We have completed a high level review of internal audit's overall arrangements. We have also reviewed internal audit's work on the Fund's key financial systems to date.	Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Fund and that internal audit work contributes to an effective internal control environment. We have not identified any weaknesses which impact on our audit approach.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices	Our work has identified no material weaknesses which are likely to adversely impact on the Fund's financial statements
Journal entry controls	We have reviewed the Fund's journal entry policies and procedures as part of determining our journal entry testing strategy. We have not identified any material weaknesses which are likely to adversely impact on the Fund's control environment or financial statements.	Our review of journal policies and procedures has not identified any issues. We will carry out additional work including testing on journals transactions for the full year, by extracting 'unusual' entries for further review.

The audit cycle

The audit timeline

Key dates:

- Year end: 31 Mar 2017
- Close out: Mid July 2017
- Audit committee: 31 July 2017
- Sign off: August 2017

Audit phases:

- Planning Jan / Feb 2017
- Interim Mar 2017
- Final June / July 2017
- Completion July 2017
- Debrief Oct 2017

Planning – Key elements

- Planning meeting with management to inform audit planning and agree audit timetable
- Discussions with those charged with governance and internal audit to inform audit planning
- Document design effectiveness of key accounting systems and processes
- Review of key judgements and estimates

Interim – Key elements

- Issue audit working paper requirements to management
- Discussions with those charged with governance and internal audit to inform audit planning
- Discuss draft Audit Plan with management
- Issue the Audit Plan to management and Audit Committee

Final – Key elements

- Audit teams onsite to complete detailed audit testing
- Regular update meetings the finance team

Completion – Key elements

- Issue draft Audit Findings to management
- Meeting with management to discuss Audit Findings
- Issue draft Audit Findings to Audit Committee
- Audit Findings presentation to Audit Committee
- Finalise approval and signing of financial statements and audit report

Audit Fees

Fees

	£
Pension fund audit	34,169
IAS 19 fee variation	1,737
Total audit fees (excluding VAT)	**35,906**

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Fund and its activities, have not changed significantly
- The Fund will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services

Fees for other services are detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Feed back on your systems and processes
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team

Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:

We confirm that the Assistant Manager of our team has a family member who works within the Fund's benefits administration team at Local Pensions Partnership. To avoid any potential conflicts, this member of our team does not undertake and 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 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 requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Lancashire County Pension Fund. The following audit related and non-audit services were identified for the Fund for 2016/17:

Fees for other services

Service	Fees £
Audit related	
None	0
Non-audit related	
None	0

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The above services are consistent with the Administering Authority's policy on the allotment of non-audit work to your auditors.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Fund.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and 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.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. 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 NAO and includes nationally prescribed and locally determined work (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Fund's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Fund 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 Fund 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		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Page 78

Pension Fund Committee
Meeting to be held on Friday, 17 March 2017

Electoral Division affected:
None;

Feedback from members of the Committee on external pension related training, events and conferences.

Contact for further information: Mike Neville (01772) 533431 Senior Democratic Services Officer, Legal and Democratic Services mike.neville@lancashire.gov.uk

Executive Summary

This reports sets out details of external pension related training events and conferences attended by Members of the Committee since the last meeting and gives individual members an opportunity to provide feedback.

Recommendation

The Committee is asked to note the report and any feedback presented at the meeting.

Background and Advice

At the meeting on the 29th January 2016 the Committee approved a refreshed training plan for members of the Committee. As with the previous plan, the purpose of the refreshed plan was 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 events/conferences have been attended by members of the Committee since the last meeting:

a) 7th to 9th December 2016 – Annual Local Authority Pensions Fund Forum (LAPFF) Conference in Bournemouth, attended by County Councillor Ellard.

b) 2nd to 3rd March 2017 - LGC Investment Seminar in Cheshire, attended by County Councillor Ellard.

c) 8th to 10th March 2017 - PLSA Investment Conference 2017in Edinburgh, attended by County Councillor Gooch.

Members of the Committee may provide feedback on the above 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 in relation to the Pension Fund may be ill-equipped to make informed decisions regarding the direction and operation of the 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 and Events approved under the Scheme of Delegation to Heads of Service	Dec 2016 to Mar 2017	Mike Neville (01772) 533431

Reason for inclusion in Part II, if appropriate
N/A

Pension Fund Committee
Meeting to be held on Friday, 17th March 2017

Electoral Division affected: None

Programme of Meetings 2017/18

Contact for further information: Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer. mike.neville@lancashire.gov.uk

Executive Summary

The programme of the meetings for 2017/18, as agreed by full County Council on the 15th December, 2016, and a proposed date for an additional meeting of the Committee in July 2017.

Recommendations

1. That the programme of meetings for 2017/18, as agreed by full County Council on the 15th December, 2016 and set out in the report presented are noted.

2. That an additional meeting of the Committee to consider the Pension Fund Statement of Accounts be held at 10.30am on the 27th July 2017 in Cabinet Room 'D' – The Henry Bollingbroke Room, County Hall, Preston.

Background and Advice

On the 15th December, 2016, the full County Council agreed a programme of meetings for 2017/18 which included four meetings of the Pension Fund Committee as set out below with each meeting being preceded by a briefing session commencing at 10.00am.

9th June 2017	Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston
15th September 2017	Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston
1st December 2017	Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston
23rd March 2018	Cabinet Room 'C' - The Duke of Lancaster Room, County Hall, Preston

More recently it was suggested that arrangements be made for an additional meeting of the Committee to be held in July, 2017, in order to consider the Pension Fund

Accounts before they are presented to the Audit and Governance Committee on the 31st July 2017 for approval.

After consulting all members of the Committee and Officers the 27th July 2017 has been identified as a suitable date and provisional arrangements have been made for the meeting to be held at 10.30am in Cabinet Room 'D' – The Henry Bollingbroke Room at County Hall, Preston.

Consultations

All members of the Committee, together with the Head of Fund and the two independent advisers, were consulted on potential dates in July for an additional meeting of the Committee.

Implications:

This item has the following implications, as indicated:

Risk management

Having an additional meeting in July would enable the Committee to consider the Pension Fund Accounts before they are presented to the Audit and Governance Committee on the 31st July 2017 for approval.

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

Paper	Date	Contact/Tel
Programme of meeting for 2017/18 as agreed by full County Council	15th December 2016	Mike Neville, Democratic services 01772 533431

Reason for inclusion in Part II, if appropriate
N/A

(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

(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) 1, 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) 1, 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) 1, 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) 1, 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) 1, 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) 1, 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