Lancashire County Council

Pension Fund Committee

Friday, 20th September, 2019 at 10.30 am in Committee Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Agenda

Part I (Open to Press and Public)

Lancashire County Council

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.

11. Date of Next Meeting

The next meeting of the Committee will be held at 10.30am (preceded by a 30 minute briefing for members of the Committee) on the 29th November 2019 in Committee Room 'C' – The Duke of Lancaster Room at County Hall, Preston.

12. Internal audit assurance over the Local Pensions Partnership (Pages 307 - 310)

13. 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 press and 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)

14. Local Pensions Partnership Update to 30 June 2019 (Pages 311 - 338)

15. Investment Panel Report (Pages 339 - 352)

16. Lancashire County Pension Fund Performance Overview - June 2019 (Pages 353 - 368)

L Sales
Director of Corporate Services

County Hall
Preston

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 21st June, 2019 at 10.30 am in Committee Room 'C' - The Duke of Lancaster Room, County Hall, Preston.

Present:

County Councillor Eddie Pope (Chair)

County Councillors

J Burrows	T Martin
S Clarke	J Mein
Ms L Collinge	A Riggott
G Dowding	A Snowden
K Ellard	A Schofield

Co-opted members

Paul Crewe, (Trade Union Representative)
Councillor Ron Whittle, (Blackburn with Darwen Borough Council Representative)
Councillor David Borrow, (Borough and City Councils Representative)
Jennifer Eastham, (Further Education/Higher Education Institutions)

Also in attendance

Mrs A Leech, Head of Fund, Lancashire County Council.
Ms A Devitt, Independent Adviser.
Mr E Lambert, Independent Adviser.
Ms J Darbyshire, Director of Administration, Local Pensions Partnership
Mr G Smith, Director of Strategic Programmes and Group Company Secretary. Local Pensions Partnership.
Mr W Bourne, Chair of the Lancashire Local Pension Board (observer).
Ms R Lowry, Head of Internal Audit, Lancashire County Council

1. Constitution, Membership and Terms of Reference

The Chair reported that the only change to the membership of the Committee was the appointment of County Councillor L Collinge (who had replaced County Councillor Miss Snape) and he congratulated County Councillor G Dowding on her recent election to the European Parliament.

Resolved:

1. That the current membership of the Committee, as set out below, is noted

County Councillors (12)

J Burrows	T Martin
S Clarke	J Mein
L Collinge	E Pope (Chair)
G Dowding	A Riggott
C Edwards	A Schofield (Deputy Chair)
K Ellard	A Snowden

Voting co-opted members (7).

Mr P Crewe – Trade Unions
Mr J Tattersall – Trade Unions
Councillor M Smith – Blackpool Council
Councillor R Whittle – Blackburn with Darwen Council
Councillor D Borrow – District, Borough and City Councils
Councillor I Moran – District, Borough and City Councils
Ms J Eastham – Further Education and Higher Education Institutions.

2. That the current Terms of Reference of the Committee, as set out in the Minute Book, is noted.

2. Apologies

The Chair welcomed Jo Darbyshire, the recently appointed Director of Administration at the Local Pensions Partnership, to the meeting and noted apologies for absence had been received from County Councillor C Edwards and Councillor M Smith.

3. Disclosure of Pecuniary and Non-Pecuniary Interests

No declarations of interests were made in relation to items on the agenda.

4. Minutes of the Meeting held on the 29th March 2019

Resolved: That the Minutes of the meeting held on the 29th March, 2019, are confirmed as an accurate record and signed by the Chair.

5. Lancashire Local Pension Board - Annual Report 2018/19

Mr Bourne, the Chair of the Lancashire Local Pension Board, presented a report on the 2018/19 Annual Report which highlighted key activity undertaken by the Board during the year.

He informed the meeting that interviews would be held later in the day in relation to the current vacancy for a Scheme Member representative on the Board and referred to a previous recommendation by the Board for there to be an independent survey of employers satisfaction with the administration of the Fund as included in the Internal Audit Plan for 2019/20

Resolved: That the 2018/19 Annual Report of the Lancashire Local Pension Board, as set out at Appendix 'A' to the report presented is approved for inclusion in the Lancashire County Pension Fund Annual Report for 2018/19.

6. Lancashire County Pension Fund 2018/19 financial and budget monitoring.

The Head of Fund presented a report on the income and expenditure of the Lancashire County Pension Fund for the year ended 31st March, 2019, together with explanations for any significant variances between the budget and final position.

Resolved: That the analysis of variances between actual and budgeted financial results for the year ended 31st March 2019, as set out in the report presented, are noted.

The Chair informed the meeting that he would take item 12 as the next item of business in order that the Committee could consider the current level of assurance from the Head of Internal Audit in relation to the Local Pensions Partnership before item 7 on the Annual Governance Statement for the Fund was considered.

12. Internal Audit Assurance

The Head of Internal Audit presented a report which summarised the work undertaken during 2018/19 and confirmed that follow up action from the previous year had been completed and substantial assurance was given in relation to oversight of the Lancashire County Pension Fund.

In considering the report the Committee noted the work to date by the internal auditor appointed by the Local Pensions Partnership and that some planned audits had not been completed. The Chair reported that the outstanding audits had been discussed with the Partnership and confirmed that he had received written confirmation that all seven audits had been completed. In view of the update it was proposed that the Head of Internal Audit review the findings of all the audits and present a further report to the Committee in September 2019 in order to give the Council an assurance on the administration and Investment operations of the Partnership.

Resolved: That the Head of Internal Audit review the findings of all seven audits of the Local Pensions Partnership referred to in the report and present a further report to the Committee in September 2019 in order to give the Council an assurance on the administration and Investment operations of the Partnership.

7. Annual Governance Statement 2018/19

The Head of Fund presented a report on the draft Annual Governance Statement for 2018/19 which reviewed the governance arrangements for 2018/2019 and highlighted actions planned for the coming year. In view of the discussion under the previous item in relation to the audit of the Local Pensions Partnership the

Chair proposed that the draft Statement be approved and incorporated into the statement of accounts for the Fund.

Resolved:

1. That the Annual Governance Statement for the Lancashire County Pension Fund, as set out at Appendix 'A' to the report presented, is approved.

2. That the Head of Fund be authorised, in consultation with the Chair of the Committee, to make any necessary amendments to the Statement before its inclusion in the final statement of accounts.

8. Lancashire County Pension Fund draft Annual Report for the year ended 31st March 2019

The Head of Fund presented a report on the draft Annual Report for the Lancashire County Pension Fund for the year ending 31st March 2019 which included the accounts of the Fund for the same period.

The Committee recognised that whilst there was still some sections in the draft Annual Report where text needed to be agreed the accounts had been finalised and, if agreed, would be presented to the Audit, Risk and Governance Committee on the 29th July 2019 for approval.

The Chair suggested that if members of the Committee had any comments on the draft Annual Report they should forward their comments to the Head of Fund before the 19th July 2019.

Resolved:

1. That the accounts of the Fund, as set out in the draft Annual Report presented, are noted and recommended for approval to the Audit, Risk & Governance Committee on the 29th July 2019.

2. That members of the Committee forward any comments they may have on the draft Annual Report to the head of Fund for consideration before the 19th July 2019.

3. That a further report on the final version of the Lancashire County Pension Fund 2018/19 Annual Report be presented to the Committee on the 20th September 2019 for approval.

4. That the Head of Fund liaise with colleagues at the Local Pensions Partnership to ensure that information on the Annual Report is publicised via the internet and newsletters to members of the Fund.

9. Annual Administration Report 2018/19

A report was presented on the Annual Administration Report which had been produced in accordance with the arrangements for the provision of pension administration services to the Lancashire County Pension Fund and described performance against standards and targets over the year to the 31st March 2019.

The Committee discussed employer engagement, call waiting times for the dedicated contact centre and uptake of the My Pension Online facility and Jo Darbyshire, the Director of Administration at the Local Pensions Partnership gave an update on the administration service.

Resolved: That the report is noted and that future reports include more detail in relation to engagement activity with employers, a breakdown of the call category 'general enquiries' and activity to encourage members of the Fund to make greater use of the My Pension Online facility.

10. Consultation on changes to the Local Valuation Cycle and the Management of Employer Risk

The Committee considered a report on a Ministry of Housing, Communities and Local Government consultation on proposed changes to the Local Government Pension Scheme regulations in relation to moving from the current three year valuation cycle to a four year cycle with effect from 2024 together with issues concerning the management of employer risk.

Resolved: That the contents of the consultation, as set out in the report presented, are noted and members of the Committee are asked to forward any comments they may have on the proposed changes to the Head of Fund before the 12th July, 2019 so that they can be incorporated into a response which can be submitted before the 31st July, 2019 deadline.

11. 2019 Valuation process and timetable

The Head of Fund presented a report on the current triennial valuation timetable to achieve the setting of new employer contribution rates to take effect from the 1st April, 2020. It was noted that following the consultations the actuary's would provide an update to the Committee in November 2019 with a final report in March 2020, together with the updated Funding Strategy Statement and the new Investment Strategy Statement.

Resolved: That the timetable for the 2019 actuarial valuation, as set out in the report presented, is noted.

13. Responsible Investment

The Head of Fund presented a report on how the Fund was supported to fulfil its commitment to long term responsible asset ownership in line with the Investment Strategy Statement and the Responsible Investment Policy.

In considering the report the Committee discussed disinvestment, lobbying and shareholder voting and it was suggested that future reports should provide more detail as to the outcome of voting by Local Pensions Partnership Investments. It was also noted that the establishment of a joint Working Group on Responsible

Investment with the London Pensions Fund Authority had been delayed while the Authority reviewed its responsible investment policy.

Resolved:

1. That the update on responsible investment activity, as set out in the Appendix to the report presented, is noted.

2. That with regard to Global Equities the Head of Responsible Investment at the Local Pensions Partnership be requested to investigate levels of expenditure by companies on lobbying Government and report back to a future meeting.

3. That an update regarding the establishment of a joint Working Group on Responsible Investment with the London Pensions Fund Authority be presented to the next meeting.

14. Lancashire County Pension Fund Risk Management Framework

The Committee considered a report on the updated Risk Management Framework which set out all the key processes and responsibilities for effective risk management in order to ensure compliance against all relevant Scheme guidance, regulation and legislation.

Resolved: That the updated Risk management Framework for the Lancashire County Pension Fund, as set out at Appendix 'A' to the report presented, is approved.

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

A report was presented on the attendance by members of the Committee at various internal/external pension related training events which had taken place since the last meeting. Individual members of the Committee gave feedback on their experience at the various events referred to in the report which were all considered informative and useful.

Resolved: That the report and feedback given at the meeting in relation to the training received by individual members of the Committee is noted.

16. Review of Committee Member Training Record for 2018/19

The Chair presented a report on the pension related training which members of the Committee had undertaken during 2018/19.

Resolved: That the 2018/19 Training Record, as set out at Appendix 'A' to the report presented, is noted.

17. Lancashire County Pension Fund Branding

The Committee considered a report on the proposed new branding and logo for the Lancashire County Pension Fund. In response to a query the Head of Fund undertook to check with the branding agency to provide assurance that the proposed typeface and colour scheme complied with current guidance on clear print and accessibility.

Resolved: That, subject to confirmation of compliance with current guidance on clear print and accessibility, the proposed new branding and logo for the Lancashire County Pension Fund, as set out in the Appendix to the report presented, is approved.

18. Urgent Business

No items of business were raised under this heading.

19. Date of Next Meeting

It was noted that the next scheduled meeting would be held at 10.30am (preceded by a 30 minute briefing for members of the Committee) on the 20th September 2019 in Committee Room 'C' - The Duke of Lancaster Room, at County Hall, Preston.

20. 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 each item. It is considered that in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

21. Local Pensions Partnership Update to 31 March 2019

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

The Committee considered a report on the performance of the investment and administration functions operated by the Local Pensions Partnership Fund up to the 31st December, 2018, which included updates on the following:

- The development of a future strategy based on key priorities identified by shareholders
- The performance and stabilisation of the pension administration service.
- Performance of the Contact Centre
- Engagement with members and employers.
- The financial position of the Local Pension Partnership at 31st March 2019.

Resolved:

1. That the updates on activity by the Local Pensions Partnership, as set out in the appendices to the report presented are noted.

2. That the update report to the next meeting also include details on activity to improve accessibility to information for Fund members, real estate investments and a breakdown of the type of calls handled by the Contact Centre and whether calls can be reduced through greater use of the My Pension Online facility.

22. Investment Panel Report

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

Ms Devitt, Independent Adviser to the Committee, presented her report on various macro-economic factors and how they influenced the investment market in which the Lancashire County Pension Fund operated. She also referred to a discussion earlier in the meeting on social value and highlighted that impact assessments of investments ensured positive impacts in relation to environmental, social and governance criteria.

The Head of Fund also updated the Committee on discussions which had taken place at the Investment Panel in relation to cash flow and the future reporting of risk management.

Resolved: That the report from the Investment Panel is noted.

23. Lancashire County Pension Fund Performance Overview - March 2019

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

Mr Lambert, Independent Adviser to the Committee, presented a report on the performance of the Lancashire County Pension Fund and highlighted key areas such as the total portfolio return over different periods and the current funding level. The Committee noted that the Fund continued to perform well and exceed internal/external benchmarks whilst maintaining low risk.

Resolved:

1. That the summary of the Fund's performance up to the 31st March 2019, as set out in Appendix 'A' to the report presented is noted.

2. That a report be presented to the next Committee on the detailed analysis by the Investment Panel of the cash flow within the Lancashire County Pension Fund.

24. Lancashire County Pension Fund - Risk Register

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

The Head of Fund presented a report on the risk register which had been updated following a review by county council officers in consultation with the Local Pensions Partnership and Lancashire Local Pension Board.

Resolved:

1. That the current risk summary document and risk register for the Lancashire County Pension Fund, as set out in the Appendices to the report presented are noted.

2. That future reports to the Committee include

   a) a narrative for the movement of individual risk ratings in the risk summary document (Appendix 'A').
   b) an amended register (Appendix 'B') to present information on individual risks in a clearer, more easily readable format.

3. That an update on the management structure of the Local Pensions Partnership be presented to the next meeting.

L Sales
Director of Corporate Services

County Hall
Preston

Pension Fund Committee
Meeting to be held on Friday, 20 September 2019

Electoral Division affected: None;

Lancashire County Pension Fund - External Audit Findings Report
Appendix 'A' refers

Contact for further information:
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Executive Summary

The report at Appendix 'A', sets out the findings of the external auditor following their audit of the Lancashire County Pension Fund Accounts for 2018/19. This report was presented to the Council's Audit, Risk and Governance Committee on 29 July 2019.

The external auditor provided an unqualified audit opinion on the pension fund accounts on 29 July 2019.

Recommendation

The Committee is asked to take note of the adjustments to the financial statements and the other issues raised by the auditor which are set out in the report.

Background and Advice

Attached at Appendix 'A' is the external auditor's Audit Findings Report following their audit of the accounts for Fund for 2018/19. This includes reporting the outcome of their work against the main audit risks highlighted in the Audit Plan as presented to the Pension Fund Committee on 29 March 2019.

The Audit Findings Report is as presented to the Audit, Risk and Governance Committee on 29 July 2019. At that meeting it was resolved that the presentational adjustments to the financial statements and the other issues raised by the auditor as set out in the report be noted. None of the adjustments had an impact on the net asset statement or fund account.

The Committee should note that the outstanding items highlighted on page 4 of the Audit Findings Report have now been finalised and the final unqualified audit opinion has been issued.

Angela Pieri, Senior Manager from Grant Thornton will be in attendance to present the report and address any questions the Committee may have.

Lancashire County Council

Consultations

The report has been agreed with the Head of Fund, Lancashire County Pension Fund and the County Council's Section 151 Officer.

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 Findings for Lancashire County Pension Fund

Year ended 31 March 2019

17 July 2019

Appendix A

Contents

Your key Grant Thornton team members are:

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Lancashire County Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Pension Fund's financial statements: • give a true and fair view of the financial position of the Pension Fund and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.	Our final accounts audit work was completed on site during June and July 2019. Our findings are summarised on pages 4 to 14. One adjustment was identified to the financial statements that impacted upon the primary financial statements. Pension Fund officers identified a £10.8 million change in the classification of the Fund Account between unrealised losses in market value and management expenses, with the net impact of the adjustment being nil. All audit adjustments are detailed in Appendix B and other items adjusted relate to disclosure note changes only. We have also raised one recommendation for management as a result of our audit work in Appendix A. The financial statements were prepared to a good standard, with effective quality review arrangements in place. Working papers were available on time at the start of the audit, and prepared to a good standard. Responses to our samples and other queries were comprehensive and timely. Our work is substantially complete and there are no matters of which we are aware at this stage that would require modification of our audit opinion, or material changes to the financial statements, subject to the resolution of the outstanding matters listed on page 4. Our anticipated audit report opinion for the financial statements will be unmodified as set out at Appendix D.
Annual Report	We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements	Our anticipated audit report opinion for the consistency of the financial statements within the Annual Report will be unmodified as set out at Appendix E.

Acknowledgements
We would like to take this opportunity to record our appreciation for the assistance provided by the Pensions Fund officers and other staff during our audit.

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls;
- controls testing of the Pension Fund's payment and members administration systems, and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit plan, as communicated to you on 7 March 2019.

Closedown arrangements

The financial statements were received on time, and published in advance of the statutory deadline on 23 May 2019. The financial statements were prepared to a good standard with embedded quality review processes in place. Working papers were available at the start of the audit and were detailed, and clear to understand. The responses to our audit samples and queries were comprehensive and timely.

Early work was undertaken by officers to review the new accounting standards introduced during 2018/19 for International Financial Reporting Standards (IFRS) 9 and 15, although there was minimal impact for the Pension Fund.

Conclusion

We have substantially completed our audit of your financial statements and subject to the resolution of the outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit, Risk and Governance Committee meeting on 29 July 2019, as detailed in Appendix D.

These outstanding items include:

- receipt of the management representation letter;
- review of the final set of financial statements,
- review of the final Annual Report,
- review of the auditors assurance report for the McCloud actuarial adjustments,
- final review of the audit file the Review Partner;
- on-going work on some minor disclosure notes to complete;
- receipt and review of one investment manager confirmation and some controls reports, and
- updating our post balance sheet review to the date of the audit opinion.

Summary

Our approach to materiality

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.

Materiality calculations have increased compared to those reported in our audit plan due to the increase in net assets at 31 March 2019.

We detail in the table below our determination of materiality for Lancashire County Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	84,101,000	• This equates to 1% of your net assets at 31 March 2019, and is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure.
Performance materiality	63,080,000	• Assessed to be 75% of financial statement materiality
Trivial matters	4,205,000	• This equates to 5% of financial statement materiality

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
1 **Revenue recognition – the risk of revenue including fraudulent transactions** Under ISA 240 (UK) there is a presumed risk that revenue 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.	**Auditor commentary** There are no changes to our assessment reported in our audit plan that this risk can be rebutted. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the 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; and • the culture and ethical frameworks of local authorities, including Lancashire County Council, 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.
2 **Management override of controls** Under ISA (UK) 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities. The auditing standards do not allow this presumption to be rebutted by the auditor. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** We carried out the following work: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work has not identified any instances of management override of controls. A recommendation is made in the Action Plan at Appendix A to strengthen existing journal authorisation processes.

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Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
3 **Valuation of Level 3 investments** The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. 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. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2019. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	**Auditor commentary** We carried out the following work: • evaluated management's processes for valuing Level 3 investments; • reviewed the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met; • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2019 with reference to known movements in the intervening period and; • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert. Our audit work to date has not identified any issues in respect of the risks relating to the valuation of Level 3 investments at year end. Our work is ongoing in this area as one level 3 confirmation is currently outstanding.

Going concern

Our responsibility

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) 570).

Going concern commentary

Management's assessment process	Auditor commentary
The Pension Fund has reviewed their going concern position and has concluded that it is appropriate to produce their accounts on a going concern basis and no material uncertainties exists. They have considered the Fund’s overall funding position and any communications with the relevant Department and Secretary of State.	• The Pension Fund’s use of the going the concern basis of accounting is appropriate. • The Pension Fund’s assessment of going concern was communicated to us by the Chair of the Audit, Risk and Governance Committee’s letter dated 20 May 2019. • The last triennial valuation, as at 31 March 2016 reported a funding level of 90%.
Work performed	**Auditor commentary**
Reviewed management's assessment of going concern and the assumptions and supporting information.	• No material uncertainty is identified. • There are sufficient assets to meet the liabilities as they fall due. The last triennial valuation, as at 31 March 2016 reported a funding level of 90%. • The Pension Fund continues to operate as usual with contributions and investment income being received and benefits being paid.
Concluding comments	**Auditor commentary**
The Pension Fund’s use of going concern basis of accounting is appropriate.	• Our opinion is unmodified in respect of the going concern conclusion.

Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

	Issue	Commentary
1	**McCloud judgement** The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members. The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy. The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits. Discussion has been ongoing through June and July in the sector regarding the impact of the ruling on the financial statements of Local Government bodies and Pension Funds.	**Auditor commentary** • The Pension Fund has reviewed their judgements and treatment of the McCloud legal ruling, as the promised benefits note in the draft financial statements did not include the impact of the case in the promised benefit figures provided by the Actuary. With the Government having been denied leave to appeal the ruling in June 2019, the Pension Fund's view was updated as it is now probable that the McCloud judgement impacted upon the calculations as at 31 March 2019. • The Pension Fund requested the Actuary to perform a review of the impact of the McCloud case and the figures changed the promised benefits disclosure note by increasing the promised benefits by £64 million. Additional narrative disclosure was also added. • We have confirmed that the figures from the Actuary have accurately been reflected within the final set of financial statements. • We are reviewing work from our internal actuaries to provide us with assurance over the assumptions and methods employed by Mercers in compiling the McCloud promised benefits estimates.

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

	Significant matter	Commentary
1	Significant events or transactions that occurred during the year	• The implementation of new accounting standards IFRS9 and IFRS15 from 1 April 2018 were discussed with officers during 2018/19. The impact of the new accounting standards were minimal to the Pension Fund and are adequately disclosed within the financial statements. • The impact of Brexit was discussed with officers during the year and will form part of our enquiries for future years when the position is more certain.
2	Business conditions affecting the Pension Fund, and business plans and strategies that may affect the risks of material misstatement	• No such issues were identified.
3	Concerns about management's consultations with other accountants on accounting or auditing matters	• No such issues were identified.
4	Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	• We were re-appointed as auditors of Lancashire County Council and Lancashire County Pension Fund for five years from 2018/19. We issued our fee letter for 2018/19 on the 20 April 2018 and presented this to the Audit , Risk and Governance Committee on 30 July 2018. • We issued our 2018/19 Audit Plan on 27 February 2019 and presented this to the Audit, Risk and Governance Committee on 20 May 2019.
5	Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	• No such issues were identified.
6	Other matters that are significant to the oversight of the financial reporting process	• No such issues were identified.
7	Internal Control matters	• The Pensions Committee receive updates with a summary of the outcomes of internal audit reports at Local Pensions Partnership (LPP). The 2018/19 program of work at LPP reported mixed assurance levels with an 'ineffective' rating for reports in benefits administration, cyber security and investments' legal and regulatory compliance. The position has been reflected in the Lancashire County Pension Fund Annual Governance Statement.

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Level 3 investments	The Pension Fund has investments in pooled property investments, private equity, long term credit and infrastructure investments that in total are valued on the balance sheet as at 31 March 2019 at £3.409 billion. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuations provided by the funds which the Fund invests in. The value of the investments has increased by £193 million in 2018/19, largely due to acquisitions and improvements in market conditions.	Management determine the value of Level 3 Investments through placing reliance on the expertise of the funds and investment managers. As such we have sought confirmations of year end valuations. We have also tested a sample of level 3 investments to audited accounts to determine if the values are estimated that they are reasonable. We have found no issues to date with this testing and are satisfied that the estimates are appropriately disclosed in the accounts. Note that our work on level 3 investments is still ongoing as not all investment confirmation requests have been received. This is being followed up as a matter of importance.	
Level 2 investments	The Pension Fund have investments in corporate and overseas government bonds and direct property holdings that in total are valued on the balance sheet as at 31 March 2019 at £761.9 million. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management rely on the information which they are given from the various fund managers and engage the services of a property valuer for direct property.	Management determine the value of Level 2 Investments through placing reliance on the expertise of the various fund managers and a property valuer. As such we have sought confirmations of year end valuations. We have also tested a sample of unit values used to value level 2 investments to externally quoted information sources, or where they are not quoted, to unit values provided by the investment manager's own independent custodian. We have found no issues with this testing and are satisfied that the estimates are appropriately disclosed in the accounts.	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process and key assumptions to be reasonable

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit, Risk and Governance Committee. We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	• We are not aware of any related parties or related party transactions which have not been disclosed.
3	**Matters in relation to laws and regulations**	• You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4	**Written representations**	• A standard letter of representation has been requested from the Pension Fund. The draft letter of representation is included as an agenda item at the Audit, Risk and Governance Committee meeting on 29 July 2019.
5	**Confirmation requests from third parties**	• We requested from management permission to send confirmation requests to Fund Managers, the Custodian, valuers and your bank for your cash balances (outside of the cash held by your fund managers). • We are still awaiting responses to some of our requests.

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Other communication requirements

	Issue	Commentary
6	**Disclosures**	• Our review found no material omissions in the financial statements.
7	**Audit evidence and explanations/significant difficulties**	• All information and explanations requested from management was provided. • The financial statements were received on time, and published one week in advance of the statutory deadline. • The financial statements were prepared to a good standard with embedded quality review processes in place. • Working papers were available at the start of the audit and were detailed, and clear to understand. • The responses to our audit samples and queries were comprehensive and timely.
8	**Matters on which we report by exception**	• We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report on the day we issue the financial statements opinion. • The Pension Fund Annual Report is produced by the Pension Fund by July, and therefore we can carry out the work to check the consistency of the Annual Report with the audited financial statements. Note that the statutory deadlines for the Pension Fund Annual Report to be published is not until the 1st December 2019, therefore producing the Annual Report early enables the separate opinion for the Annual Report to be given at the same time as the financial statements opinion.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix C.

Audit and Non-audit related services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified.

	Fees £	Threats identified	Safeguards
Non-audit related			
IAS19 assurance procedures for other bodies admitted to the pension fund	9,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £9,000 in comparison to the total fee for the audit of £26,310 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by management and reported to the Audit, Risk and Governance Committee. None of the services provided are subject to contingent fees.

For completeness we are reporting to you that the commercial arm of our firm undertakes the audit of the Local Pensions Partnership, of which Lancashire County Council is one of the two founding members, each holding 50%. Details of the work performed, and the fees charged, are shown below for transparency purposes. However we are satisfied that this work has no impact on our independence for the audit of Lancashire County Pension Fund for the reasons mentioned below.

Service	£	Threats	Safeguards
Audit related			
Local Pensions Partnership Authorised Contractual Scheme and investment funds structures audit	Not yet confirmed	Self Review	This is not considered a significant threat as the audit of Lancashire County Pension Fund and Lancashire County Council is undertaken by a completely separate team from the Public sector Services arm of the Firm, as opposed to the commercial audit team that delivers the LPP audits. These are different Engagement Leads in place for both audits, and where we seek to place reliance on the work performed on the LPP audit, this is treated as an auditor's expert for the purposes of our work.

Action plan

We have identified one recommendation for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2019/20 audit. The matter reported here is limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
1	● (Medium)	• Manual journals within the financial ledger are input by approved personnel, but they are not subject to authorisation controls at the time of input. • The risk is that the lack of authorisation controls at the time of input creates a higher level of risk of error or manipulation.	• Review the authorisation procedures in place over journal input. **Management response** Personnel based controls are in place, with only finance staff able to post journals. As such, the need for secondary authorisation is considered to be very low. There is also no incentive for finance personnel to manipulate journals.

Controls

- ● High – Significant effect on control system
- ● Medium – Effect on control system
- ● Low – Best practice

Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

The one adjusted misstatement is set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

	Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000
1	For consistency with pooling disclosures to be made in the Annual Report of the Fund, Pension Fund officers identified additional investment management expenses of £10.8 million for the year to 31 March 2019 following receipt of fee information for the final quarter of the financial year from the Local Pensions Partnership. The increase in management expenses recognises costs that are embedded in the market value of investments, rather than directly invoiced to the Fund. This adjustment is in classification only and has a net impact of nil on the primary statements as it is a reclassification between an unrealised loss in market value and investment and management expenses within the Fund Account.	-10,800 +10,800		
	Overall impact	**£0**	**£0**	**£0**

Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure area	Detail	Adjusted?
Annual Governance Statement	Minor changes were identified by Pension officers and as part of the audit to the Annual Governance Statement. This was due to the passage of time to update and include information relevant from June and July.	✓
Note 13 – Investments analysed by Manager	The analysis of investments by manager with the LPPI Private Equity Fund was updated for the split between HG Capital and HGGC. The investment value of HG Capital was reduced by £67.6 million from £80.8 million to £13.2 million. The investment value of HGGC was increased by £67.6 million from £ nil to £67.6 million. There was no impact on sub-totals or the overall total within this disclosure note.	✓
Note 13 – operating leases	The future value of minimum lease payments receivable under non-cancellable leases has been reduced by a credit allowance of 2.1% per annum, reflecting the Fund's expected loss from late or non-recovery of rents from tenants. The value of the adjustment is £5.4m as at 31 March 2019 and £4.9m as at 31 March 2018. This adjustment complies with section 7.2.9 of the Code which is a new requirement to recognise a credit allowance based on expected future losses, not as and when there is objective evidence of a loss having occurred. The information required from the Fund's property manager to calculate this adjustment was not available at the time of signing the draft financial statements.	✓
Note 25 – Actuarial present value of promised retirement benefits for the purpose of IAS 26	The Council reviewed their judgements and accounting treatment for the McCloud legal ruling, as the draft financial statements did not include at that time the impact of the case in the promised benefits figures provided by the Actuary. With the permission to appeal being unsuccessful in June 2019, the Pension Fund officer's view was updated as it was more probable that the McCloud judgement impacted upon the promised benefits calculations as at 31 March 2019. The Council requested the Actuary to perform a review of the impact of the McCloud case and the figures changed in the promised benefits note to increase the figure by £64 million from £10,923 million to £10,987 million.	✓
Presentation and consistency	A small number of minor changes have been made to the wording and presentation of existing disclosure notes in the financial statements to improve their clarity and consistency. None of them are significant to warrant disclosing separately.	✓

Audit Unadjusted misstatements

Impact of unadjusted misstatements

There are no unadjusted misstatements identified as part of the 2018/19 audit.

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements identified as part of the 2017/18 audit.

Fees

We confirm below our final fees charged for the audit and provision of non audit related services.

Audit Fees

	Proposed fee	Final fee
Pension Fund Audit	£26,310	£27.810*
Total audit fees (excluding VAT)	**£26,310**	**£27,810**

* Additional work was undertaken due to a national accounting issue that impacted the Pension Fund, and required additional audit time to be spent on the work carried out for the promised benefits disclosure note. The £1,500 will be subject to PSAA approval, and this will be submit to PSAA at a future date.

Non Audit Fees

Fees for other services	Fees £'000
Non Audit related services: • IAS19 Assurance letters to other auditors	£9,000 *
	£9,000

* The IAS19 fee is for our responsibilities in providing written assurances to auditors for eighteen bodies within the Public Sector Audit Appointments (PSAA) regime on controls over information provided by the Pension Fund to the actuary.

Note that any changes to fee are required to be approved by PSAA, and this has not yet been completed. The fee for this work is increased in 2018/19 from the historic level charged in 2017/18 and prior of £1,737 to recognise the work involved to carry out the testing to provide the assurance for eighteen separate bodies. The charge for 2018/19 is at £500 per request.

Draft proposed audit opinion on the financial statements

We anticipate we will provide the Pension Fund with an unmodified audit report on the financial statements

Independent auditor's report to the members of Lancashire County Council on the pension fund financial statements of Lancashire County Pension Fund

Opinion

We have audited the financial statements of Lancashire County Pension Fund (the 'pension fund') administered by Lancashire County Council (the 'Authority') for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2019 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Executive and Director of Resource's use of the going concern basis of accounting in the preparation of the pension fund's financial statements is not appropriate; or
- the Chief Executive and Director of Resources has not disclosed in the pension fund's financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for the pension fund for a period of at least twelve months from the date when the pension fund's financial statements are authorised for issue.

Other information

The Chief Executive and Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Annual Governance Statement and the Annual Report, other than the pension fund's financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund's financial statements or our knowledge of the pension fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund's financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Draft proposed audit opinion on the financial statements

Opinion on other matter required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund's financial statements and our knowledge of the pension fund the other information published together with the pension fund's financial statements in the Statement of Accounts, the Annual Governance Statement and the Annual Report for the financial year for which the financial statements are prepared is consistent with the pension fund's financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Chief Executive and Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 22, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Executive and Director of Resources. The Chief Executive and Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the pension fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Executive and Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund's financial statements, the Chief Executive and Director of Resources is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the pension fund will no longer be provided.

The Audit, Risk and Governance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and

Draft proposed audit opinion on the financial statements

for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

To be signed

Robin Baker, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

To be dated

Draft proposed audit opinion on the Annual Report

We anticipate we will provide the Pension Fund with an unmodified audit report on the Annual Report

Independent auditor's report to the members of Lancashire County Council on the consistency of the pension fund financial statements of Lancashire County Pension Fund included in the Pension Fund Annual Report

Opinion

The pension fund financial statements of Lancashire County Pension Fund (the 'pension fund') administered by Lancashire County Council (the "Authority") for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2019 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19 and applicable law.

Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated xx July 2019.

Section 151 Officer responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Section 151 Officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

To be signed

Robin Baker, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

To be dated

Pension Fund Committee
Meeting to be held on 20 September 2019

Electoral Division affected:
None;

Lancashire County Pension Fund Annual Report
Appendix 'A' refers

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

Executive Summary

This report sets out an updated draft of the Lancashire County Pension Fund Annual Report for the year ended 31 March 2019 for approval by Committee. The publication deadline is 1 December 2019.

The first draft of the annual report and accounts was reviewed by the Committee on 21 June 2019 when it was resolved that a further report on the final version be presented to the Committee on 20 September 2019 for approval.

Amendments made since the last Committee meeting are highlighted in yellow within Appendix 'A' to this report.

Recommendation

The Committee is asked to review the highlighted updates in the Annual Report for the year ended 31 March 2019 and, subject to any further changes being minor, approve it for publication on or before 1 December 2019.

Background and Advice

Regulations require each administering authority to prepare an annual report for the pension fund and publish it before 1 December following the year end.

The external auditors of the Fund, Grant Thornton, provided their opinion on both the accounts and the annual report of the Fund at the Lancashire County Council Audit, Risk & Governance Committee meeting on 29 July 2019. Their opinion was unqualified and concluded that the information provided within the annual report is consistent with the audited financial statements included within the Lancashire County Council Statement of Accounts.

It was reported to the Committee in June that additional disclosures in respect of post-pooling would be required. It was also expected that the narrative reports outlining administration and investment performance would be updated prior to publication. These changes are outlined below and are included in the updated draft Annual Report attached as Appendix 'A'.

Financial performance

Summary of financial performance included within section B – 'Management and financial performance'.

Pooling disclosures

The Local Pensions Partnership has provided cost and savings information, adding further detail regarding the transition of assets into pools, pool set up and transition costs, cumulative savings from pooling and ongoing investment management costs. This information can be found in section G - 'Asset Pools' of the draft at Appendix 'A'.

Investment policy and performance

Section F - 'Investment policy and performance' in Appendix 'A' has been updated to make explanatory references to changes arising from the Fund's pooling arrangements. The table setting out actual and strategic asset allocations has also been revised to report the Fund's investment in corporate bonds against the allocation to cash, rather than to fixed income investments as is the accounting policy. A footnote to the table is included to highlight this adjustment.

The responsible investment disclosures within Section F also have been revised to provide a focus on the main changes and developments over the past 12 months.

Pensions administration

The following narrative disclosures have been included in the updated annual report. These items have not been included previously:

1. A list of contributing employers analysed by admitted and scheduled bodies, showing the value of contributions received from both employer and employees during the year. This hasn't been disclosed in previous years and is included as Appendix 1 to the annual report.
2. Details of new pensioners during the year, analysed by ill health, early and normal retirements.

The following narrative disclosures remain outstanding and will be included in the final published version of the annual report, having not been disclosed previously.

1. A statement on value for money.

None of the updates impact on the audit opinion

Consultations

The Local Pensions Partnership.

Implications:

This item has the following implications, as indicated:

Risk management

The Lancashire County Council Statement of Accounts for the year ended 31 March 2019, which included the accounts of the Fund were published in line with the statutory deadline of 31 July 2019. The audit opinion included within the Fund accounts was unqualified.

The annual report will be published on or before the statutory deadline of 1 December 2019 on the websites of the Fund, Your Pension Service and the Scheme Advisory Board. Availability of the report will be highlighted in the next newsletter to members.

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

Contents

Appendices

A Foreword by County Councillor Eddie Pope, Chair of the Pension Fund Committee

Welcome to the 2018/19 Annual Report of the Lancashire County Pension Fund. The year has seen the number of scheme members continuing to increase with total members now being 176,476 an increase of 4,402 in the year. We are now in our third year of our partnership arrangement with the Local Pension Partnership (LPP) who are providing both administration and investment services to the Fund. The investment side of their business has performed well as noted below, however, it has been a challenging year for our administration service as LPP went live with a new operating model for the business in April 2018. Unfortunately this change wasn't implemented as successfully as anticipated and there were failures in services to both employers and members.

I am pleased to report that the administration service is now meeting most of the key performance indicators as can be seen on page 11 of this annual report. This successful turnaround is due to the collaborative working between LPP and members of the Pension Fund committee and Local Pension Board. It is also due to the hard work and commitment of the staff who work within the Pension Administration service.

Some of the highlights of the year are as follows:

- Delivering an 11.7% return on assets which outperformed the Lancashire benchmark of 8.0% and resulted in the value of the fund, at 31 March 2019, increasing to £8.4bn, bringing the Scheme closer to being fully funded and placing Lancashire at the top of the 2018/19 local authority fund league table for total fund performance. This league table is published by Pensions and Investments Research Consultants Ltd (PIRC) and comprises 64 local government pension funds with a combined value of £193bn.

- The continued development of the pooling of investments via Local Pensions Partnership which saw a new diversifying strategies vehicle launched in September. It is anticipated that the final vehicle covering property will be launched later in 2019.

- Responsible investment has continued to be an important issue for the committee. The Responsible Investment Working Group reviewed the Climate Change policy, and is working closely with the London Pension Fund Authority (LPFA) and LPP to ensure we support the most appropriate investments within this area.

- Along with the Head of Fund I have become a member of the Local Authority Pension Fund Forum (LAPFF) a collaborative shareholder group which aims to promote good corporate governance and responsibility by companies. This has enabled direct engagement with companies in which LAPFF members have investments.

Investment

The value of the Fund's net assets at 31 March 2019 was £8,410m, up from £7,621m at 31 March 2018.

The Fund uses Local Pensions Partnership Investment Ltd (LPP I) to manage all of its investment assets. LPP I initially undertook investments on behalf of Lancashire County Pension Fund and the LPFA to create a larger pool which is jointly invested to ensure greater reductions in management costs. In 2018/19 Royal County of Berkshire Pension Fund also invested in LPP I, therefore the value of the pool has increased to approximately £17bn at 31 March 2019.

One of the aims of the pooling arrangements is value for money. As part of this LPP reported to Government that the arrangement is on track to make investment cost savings. Other benefits from the pool include the access to investments and portfolio diversification.

Further details on investment performance is on page 18 of this report and some examples of Fund investments are set out below.

Guild Investments - Infrastructure

Guild Investments Limited is a private limited company established as a vehicle to hold infrastructure investments and in which LPPI Infrastructure Investments LP has a controlling interest.

Guild Investments owns six wind farm sites across Portugal, a growing global source of renewable energy which reduces carbon emission intensity.

Portugal is an attractive location for wind farm installations, having a windy terrain, a stable feed-in-tariff regime and the support of local communities. This investment enables us to partner with a top tier renewable energy operator who is a market leader in renewable energy electricity, enjoying technical and local expertise support.

Guild Investments also actively contribute to protecting the endangered species the Iberian Wolf, through formation and membership of the Iberian Wolf Habitat Conservation Association. This organisation was founded in 2006 through constituent members of Guild Investments.

Wind farm, Portugal

Forth Ports Group - Infrastructure

Forth Ports is the third largest Ports Group in the UK, with a diverse operational and port-centric logistic business model across Tilbury in the south east of England and several Scottish ports. Its strategy is focused on the delivery of efficient and low carbon supply chain solutions. This investment was made via the GLIL Infrastructure platform.

Currently undergoing a project to transform an old power station in Tilbury to extend the port. Not only is this initiative creating jobs within the area but the promotion and protection of wildlife is paramount within the scope of the project, including the building of a 12,000 strong water vole park. Further regeneration projects are underway in Scotland.

Investment in Forth Ports Group

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Endeavour Vision – Private equity

Endeavour Vision has invested in medical technology for over 10 years as they recognised an opportunity to invest in devices that can improve the overall standard of care, reduce healthcare costs and have a life-changing impact on patients around the world.

To date, their Endeavour Medtech Growth Fund has invested in 12 medtech companies with a total investment value of over EUR 115 million. Every company they invest in must meet their strict criteria, meaning that the device must be considered ‘best-in-class’ in terms of patient safety and efficacy and offer superior clinical benefits, both to doctors and patients.

Friargate Court, Preston – Real estate

Friargate Court is newly built exemplary student accommodation providing future generations of those electing to study at the University of Central Lancashire with modern, stylish and safe lodgings to enhance their experience of university life. En-suite bathrooms, Wi-Fi, 24 hour security and a range of utilities make this property a popular choice.

Friargate Court, Preston

Park Hotel East Cliff, Preston - Real estate

A landmark property in the area, having originally been built in 1883 as a luxury hotel and formerly serving as offices to Lancashire County Council.

The conversion exercise will revert the property back to 4-star hotel. The property will comprise of 70 bedrooms, a ground floor restaurant and function rooms.

This hotel will be the highest quality hotel facility in Preston and demonstrate how the Council is transforming the area and seeking to increase the number of visitors to the City and the wider County. The rejuvenation and construction plans associated with this project will create jobs and the hotel operator plans to employ 100 staff at the hotel which will bring a direct economic benefit to Preston.

Artist's impression of restored and converted Park Hotel

Administration

During the year the Fund's administration service, provided by LPP processed around 32,637 items of work (ranging from changes of address to the calculation of pension benefits). As noted above this has been a challenging year for this area of the business and we have been working hard to improve the service received by both members and employers in the Fund.

County Councillor Eddie Pope
Chair of the Pension Fund Committee

B Management and financial performance

Administering authority
Lancashire County Council

Pension Fund Committee
Lancashire County Council committee members
County Councillor J Burrows
County Councillor S Clarke
County Councillor L Collinge*
County Councillor G Dowding
County Councillor C Edwards
County Councillor K Ellard
County Councillor J Fillis**
County Councillor T Martin
County Councillor J Mein
County Councillor E Pope (Chair)
County Councillor A Riggott
County Councillor A Schofield (Deputy Chair)
County Councillor K Snape***
County Councillor A Snowden
*Appointed 23 May 2019
**Until 24 May 2018
*** 24 May 2018 to 23 May 2019

Co-opted representatives
P Crewe – Trade union
J Tattersall – Trade union
D Borrow – City and Borough councils
I Moran – City and Borough councils
M Smith – Blackpool Council
R Whittle – Blackburn with Darwen Council
J Eastham – Further / Higher education

Scheme administrators
Local Pensions Partnership Limited

Head of Fund
A Leech

Chief Executive and Director of Resources
A Ridgwell

External auditor to the Fund
Grant Thornton LLP

Pooled investments manager
Local Pensions Partnership Investments Ltd

Non-pooled investment managers
Local Pensions Partnership Investments Ltd
Knight Frank LLP
BNP Paribas

Actuary
Mercer

Lancashire Local Pension Board
W Bourne (Chair)
C Gibson
K Haigh
B Harvey*
Y Moult
T Pounder
S Thompson
C Wakeford (County Councillor)
K Wallbank**
*Until May 2019
**Appointed October 2019

Custodian to the Fund
Northern Trust

Independent investment advisors
A Devitt
E Lambert

AVC providers
Equitable Life
Prudential

Legal advisors
Addleshaw Goddard
Allen and Overy
Clifford Chance
DWF
Eversheds
Lancashire County Council
MacFarlanes
Taylor Wessing
Pinsent Masons

Independent property valuer
Avison Young Partnership

Performance measurement
Northern Trust

Governance and research consultants
Pension and Investment Research Consultants

Bankers
Lloyds Bank plc
Natwest Bank plc
Svenska Handelsbanken

For contact details refer to page 132

Financial performance of the Fund

The Fund asset value increased by £788.9m from £7,621.2m at 31 March 2018 to £8,410.1m as at 31 March 2019 and delivered an 11.7% return on investment assets over the twelve months, outperforming the Lancashire benchmark of 8.0% and placing the Fund at the top of the 2018/19 Local Authority Fund league table for total fund performance, from a population of 64 local government pension funds with a combined value of £193bn.

Benefits payable by the Fund and transfers out of the Fund exceed the value of contribution income and transfers in to the Fund on a regular basis. This net cash outflow from transactions with members, together with management expenses, is funded from investment income.

Fund account	2018/19	2017/18	2016/17
	£m	£m	£m
Net additions / (withdrawals) from dealing with members	(109.8)	113.7	(20.4)
Management expenses	(76.3)	(62.4)	(70.4)
Net (outflow) / inflow before investment returns	(186.1)	51.3	(90.8)
Investment income	193.5	138.7	109.9
Change in market value of investments	781.5	221.9	1,154.0
Net increase / decrease in the Fund	788.9	411.9	1,173.1

A one year budget is prepared for the Fund on an annual basis and both officers and the Pension Fund Committee closely monitor investment performance, contribution income and Fund expenditure against the budget, with committee reporting on a quarterly basis. The most significant budget variance for the year to 31 March 2019 arose due to the accounting treatment adopted in the prior financial year for up-front deficit and future service rate contributions received from some employers. The budget assumed this early receipt of income would be apportioned over the associated time period but, following review by external auditors, the full amount of up-front income was recognised in the 2017/18 fund account with a corresponding shortfall in the current year. There was no net impact on the cash flow of the Fund as this was an accounting adjustment only.

The last triennial valuation was carried out by Mercer, the Fund's independent actuary, as at 31 March 2016 and the resultant 90% funding level was a significant improvement when compared to 78% in 2013. 2019/20 is a valuation year and the Fund is expected to again be closer to fully funded. The new valuation will set the contribution rates for employers within the Fund for at least the three years commencing 1 April 2020.

Employer contribution rates in 2018/19 range from 0.0% to 28.0% of pension pay and are dependent on the assumptions applied by the actuary at the date of valuation. The Fund collects contributions by direct debit on a monthly basis and does not have a significant issue in respect of timeliness of receipt of contribution income. No interest on overdue contributions has been levied during the year.

Further information on the 2016 valuation can be found in section J of this annual report.

C Governance of the Fund

Lancashire County Pension Fund Governance Policy Statement

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

Under regulation 55 of the LGPS Regulations 2013, all Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Governance Policy Statement setting out whether the authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority.

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

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

The Fund’s Governance Compliance Statement is shown on the following page, and the Governance Policy Statement is included as Appendix 1 to this report.

LANCASHIRE COUNTY PENSION FUND GOVERNANCE COMPLIANCE STATEMENT - JANUARY 2018

A. Structure	(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council (b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee (1) (c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels. (d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	√ Partial (see Note 1) √ Partial (see Note 3)
B. Representation	(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1) These include: (i) employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members) (iii) independent professional observers (2) (iv) expert advisers (on an ad hoc basis)	Partial (see Notes 1 and 2)
C. Selection and Role of Lay Members	(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. (It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all times).	√
D. Voting	(a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	√

E. Training/Facility time/Expenses	(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. (b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	√ √
F. Meetings - Frequency	(a) that an administering authority's main committee or committees meet at least quarterly. (b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sit. (c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	√ √ √
G. Access	(a) that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	√
H. Scope	(a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	√
I. Publicity	(a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	√

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Notes - Reasons for partial compliance

1) Unitary councils, district councils and further and higher education employers, are represented. Other admitted bodies only represent 9% of contributors to the Fund and are therefore not represented. However, all employers receive a full annual report and are alerted to important events. Although employee representatives, i.e. trade unions, do not formally represent deferred and pensioner scheme members, it is accepted that representation is available to deferred and pensioners members via this route where necessary and/or appropriate. In addition the interests of all scheme members and employers are specifically represented in the composition of the Local Pension Board.

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

3) The members of the investment panel are not voting members on the committee. However, all the panel members attend the committee meetings and are able to contribute to any discussions.

D Administration of the Fund

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

The Local Government Pension Scheme is a statutory public sector pension scheme which operates on a "defined benefit basis".

Lancashire County Council as "Administering Authority" is required by law to administer the scheme within the geographical area of Lancashire.

Pension administration services are provided to Lancashire County Pension Fund by the Local Pensions Partnership (LPP).

Review of the Year

LPP introduced the new target operating model for the pension administration business which went live at the beginning of April 2018, following months of planning and significant changes to the way LPP manage our services.

This new operating model created three main service hubs:

- Member services
- Engagement; and
- Business development.

In particular, the new operating model was designed to provide greater resilience and ultimately give employers and members an improved service and experience.

As a result of the volume of change at the start of the new fiscal year, there were some initial challenges and dips in productivity which were more significant than originally anticipated.

Productivity has subsequently increased. By Q3 2018, remedial action was taken to address backlogs and stabilise the position, including the implementation of an engagement programme to help clients understand the change and the remedial action taken. The improvements from Q3 are demonstrated in the table below:

	Q1	Q2	Q3	Q4	Annual
Performance against SLA	73%	86%	90%	93%	87%
Complaints	49	45	66	48	208
Compliments	4	3	5	5	17

During the year to 31 March 2019, 32,637 individual calculations and enquiries were completed, of which 28,414 met the performance standard; an overall performance of 87%.

The next phase of the service improvement programme will include enhancements to the member and employer experience through new technologies and digital solutions, improved team-learning, improved reporting, customer satisfaction surveys and embedding best practice.

Membership and employers

The Scheme is administered on behalf of over 400 organisations including local authorities, further and higher education colleges, voluntary and charitable organisations and private contractors undertaking a local authority function following outsourcing to the private sector. The Local Government Pension Scheme is open to 2 main types of employers, 'Scheduled Bodies' and 'Admitted Bodies'.

Scheduled bodies listed in Part 1 of Schedule 2 of the LGPS regulations must participate in the scheme. Those scheduled bodies listed in Part 2 of Schedule 2 are eligible to participate.

Admitted bodies participate through a written contractual agreement and the majority of cases are established when outsourcing a service or function, where the new contractor wishes to provide continued LGPS membership. Membership of the LGPS is automatic although employees are able to opt-out of membership if they choose. However, employees are re-enrolled every 3 years under the government's auto-enrolment regulations.

Fund membership	**31 March 2018**	**31 March 2019**
Active scheme members		
Lancashire County Council	25,126	25,721
Other employers	26,220	27,422
Total*	**51,346**	**53,143**
Pensioners		
Lancashire County Council	23,722	24,692
Other employers	23,723	24,651
Total	**47,445**	**49,343**
Deferred members		
Lancashire County Council	37,410	37,691
Other employers	35,873	36,299
Total*	**73,283**	**73,990**
Total membership	**172,074**	**176,476**

*The number of active scheme members at 31 March 2019 includes 5,089 pending leavers who are accounted for as a deferred member for the purpose of this report.

** The number of pensioner members of the Fund has continued to rise in common with other local government pension funds, reflecting the increasing maturity of the Fund.

New pensioners during the year to 31 March 2019 are analysed in the following table.

Pensioners at 1 April 2018	**47,445**
Normal retirements	507
Early retirements	506
Dependants	351
Late or flexible retirements	260
Ill health retirements	138
Retirements through redundancy	136
Pensioners at 31 March 2019	**49,343**

Performance

The Pension Fund Committee receives regular reports on the administration of the Fund ensuring that best practice standards are satisfied and met and to satisfy itself and justify to all stakeholders, including employers that the Fund is being run on an efficient and effective basis.

Specific service level standards and corresponding service level targets have been agreed between the Fund and the Local Pensions Partnership and an Annual Administration Report is presented to the Pension Fund Committee. A copy of the report for the year to 31 March 2019 is included as Appendix 2 to this annual report.

Customer Service

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

The annual employer conference was held on 13 November 2018 at the Hallmark Hotel in Leyland with over 100 employers in attendance. Presentations included the role of a Local Pension Board, amendment regulations update, an overview of the ill health process and an update on the LPP administration service. Guest speakers attended from the Pensions Ombudsman and the Pensions Regulator. The service also hosted an employer forum in April 2018 on behalf of the fund with over 40 finance professionals in attendance.

A dedicated contact centre, AskPensions, provides the first point of contact for members and employers. The contact centre has a target to answer 90% of calls received. Between 1 April 2018 and 31 March 2019, 39,303 calls were received and 87% of them were answered.

In January 2019 the contact centre survey was launched and of those eligible to be surveyed and who agreed to take part, 92.46% indicated they were satisfied with our service, providing us with an average score of 4.67 out of 5.

During the year to 31 March 2019, the service received 17 compliments (18 in the previous year), relating to the helpful, prompt and professional service provided by the staff within the pensions administration team. During the same period, 208 complaints were received (49 in the previous year). The complaints in general related to delays in processing benefits. It is worth noting that this was at times due to pending information from the employer or previous scheme provider.

Legislative Changes

Amendments to the Scheme's rules took effect during 2018. These include allowing members aged between 55 and 60 who left before 1 April 2014 to draw their deferred benefits at a reduced rate without needing their former employer's consent.

Service Developments

During the year the Fund's administration service processed 32,637 items of work.

Working closely with employers helps to enhance the quality and timeliness of data meaning that Annual Benefit Statements for the year ended 31 March 2019 were published in line with the statutory deadline of 31 August 2019.

Pension surgeries are hosted throughout the county on an annual basis from October through to March. The sessions help members to understand their annual benefit statements and members can also be helped through the process of registering to use the online self-service portal.

Additionally, 28 pre-retirement presentations and 21 scheme basic presentations have been delivered during the year.

Online Services

My Pension Online is an online facility allowing members to view their details and also securely update any changes in contact details.

Members who are registered can run various pension estimates assisting with planning for retirement. Members can also view their annual benefit statement via My Pension Online.

Other benefits of the system include: allowing members to view their nominated beneficiaries; access to a host of forms and guides and also allows the administration service to communicate with registered members via email.

Currently around 33% of Lancashire County Pension Fund members are registered online.

Appeals

Fund members who disagree with decisions taken by their employer or administering authority may appeal using the Internal Dispute Resolution Procedure (IDRP) under the Local Government Pension Scheme rules.

The IDRP is a formal appeal procedure which contains two stages. The first stage allows the person to ask the body who originally made the decision to review it, i.e. either the employer or the administering authority. The second stage allows the person, if they are not satisfied with the outcome at the first stage, to ask the Appeals Officer appointed by the administering authority to review the disagreement.

Charges

Charges are on a per member basis. The on-going level of charge to the Fund is kept under review.

Other information

For further information relating to the administration of the scheme please refer to the Communication Policy Statement and the Pensions Administration Strategy Statement included as Appendices 3 and 4 respectively.

E Knowledge & skills framework

There is a requirement for all those involved in the management and oversight of public sector pension funds (whether members or officers) to ensure they achieve the level of knowledge and skill necessary for performing their duties and responsibilities effectively.

CIPFA pensions finance knowledge and skills framework
The Chartered Institute of Public Finance and Accountancy (CIPFA) first published a code of practice on public sector pensions finance knowledge and skills in October 2011 which was revised in 2013 to reflect the provisions of the Public Service Pensions Act 2013 and remains a definitive guide to expected standards.

The Code of Practice works in conjunction with detailed knowledge and skills frameworks (KSF) also published by CIPFA which support knowledge and skills development by all those involved in the management and oversight of public sector pension funds.

In 2015 a new KSF focussed on the knowledge requirements of Local Pension Board members was introduced to reflect the Pensions Regulator Code of Practice No 14 which came into force in April 2015. CIPFA has identified a syllabus of 8 core areas of knowledge across the KSFs it has published to date:

1. pensions legislation;
2. public sector pensions governance;
3. pensions administration;
4. pensions accounting and auditing standards;
5. financial services procurement and relationship management;
6. investment performance and risk management;
7. financial markets and product knowledge;
8. actuarial methods, standards and practices.

Training approach
Since its adoption of the CIPFA Code of Practice in February 2012 the Pension Fund Committee has reviewed the Fund's training approach at regular intervals. The current training policy for the Fund is aimed at ensuring the Fund is overseen by individuals who:

- have appropriate levels of knowledge and skill;
- understand and comply with legislative and other requirements;
- act with integrity and;
- are accountable to the Fund's stakeholders for their decisions.

The competency and performance of senior officers charged with managing and directing the Lancashire County Pension Fund fall under the auspices of Lancashire County Council's Performance Development Review (PDR) process and wider continuing professional development (CPD) frameworks. For this reason, officers are outside the scope of this training policy which focusses specifically on the training needs of members of the Pension Fund Committee and Lancashire Local Pension Board.

The policy provides a framework for ensuring members receive appropriate support (both collectively and individually) for gaining the knowledge and understanding they need. Training is responsive to the learning needs of individuals in their different roles and members have regular opportunities to build skills and knowledge through a range of methods and approaches including:

- in-house training from officers and/or external advisors
- external training events by recognised bodies
- attendance at external seminars and conferences
- practical support and guidance through recommended reading and targeted information
- key documents/learning materials made accessible via a secure online library

Committee and Board members are personally responsible for identifying gaps in their knowledge which could prevent them performing their duties effectively. They are expected to undertake self-directed learning to complement the training provided and to seek additional support and advice from fund officers as required.

Details of training provided internally and attended externally by members of the Pension Fund Committee (PFC) and Lancashire Local Pension Board (LLPB) during the year ended 31 March 2019 are detailed below.

Date	Subject	Venue	Attendees	
			PFC	LLPB
10 May 2018	ESG and Sustainable Investments for Pension Funds Conference	London	1	0
21/23 May 2018	Local Authority Conference 2018	Gloucestershire	2	0
22 May 2018	Workshop on Credit and Infrastructure	County Hall, Preston.	10	4
8 June 2018	Pre committee briefing – the role of the Lancashire Local Pension Board.	County Hall, Preston	15	0
28 June 2018	Workshop on LCPF Annual Report and accounts	County Hall, Preston	9	2
16/18 July 2018	LAPFF Investment Seminar	Hertfordshire	1	0
6/7 Sept 2018	LGC Investment Seminar	Newport, South Wales	2	0
14 Sept 2018	Pre committee briefing – Media report on LGPS investment in shale gas extraction.	County Hall, Preston	16	0
23/24 Sept 2018	Pension Trustees Circle Seminar	York	1	0
26 Sept 2018	Workshop on 'Analysing the Macro Backdrop for Investing'	County Hall, Preston	7	2
26 Sept 2018	Introduction to the Local Government Pension Scheme	London	1	1
12 Oct 2018	LGPS Autumn Seminar for Pension Board members	Liverpool	0	2
17/19 Oct 2018	PLSA Annual Conference and Exhibition.	Liverpool	2	0
6 Nov 2018	Workshop on the Actuarial Valuation	County Hall, Preston	8	5

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15 Nov 2018	Ministry for Housing, Communities and Local Government and Local Government Pension Scheme Advisory Board Infrastructure event.	London	1	0
22 Nov 2018	Northern Conference on Pension Funds	Manchester	1	0
30 Nov 2018	Pre committee briefing – LCPF Actuarial Valuation.	County Hall, Preston	15	0
5/7 Dec 2018	LAPFF Annual Conference	Bournemouth	1	1
17/18 Jan 2019	LGPS Governance Conference	Bristol	1	2
23 Jan 2019	Workshop on Responsible Investment	County Hall, Preston	9	3
7 Feb 2019	LAPF Strategic Investment Forum	London	1	0
7 Feb 2019	6th Annual Public Sector update for Payroll and HR Professionals	London	0	1
6/8 Mar 2019	PLSA Investment Conference 2019	Edinburgh	2	0
12 March 2019	Workshop on Asset safety and cyber resilience	County Hall, Preston	2	2
13 Mar 2019	SPS Local Authority Pension Fund Investment Issues Conference.	London	1	0
13 Mar 2019	CIPFA Local Pension Board Seminar	Liverpool	0	1
29 Mar 2019	Pre committee briefing on Asset Pooling Guidance	County Hall, Preston	13	0

In addition some members of the Pension Fund Committee and the Lancashire Local Pension Board have completed the following online modules in The Pension Regulators Public Service Toolkit:

1. Conflict of interest.
2. Managing risk and internal controls;
3. Maintaining accurate member data;
4. Maintaining member contributions;
5. Providing information to members and others;
6. Resolving internal disputes;
7. Reporting breaches of the law

F Investment Policy and Performance

Performance

As a pension fund, the Lancashire County Pension Fund's ("LCPF" and the "Fund") investment horizon is long term. The investment strategy is based on the Fund's objectives of balancing capital growth with capital preservation, maintaining adequate cash flows to cover all liabilities as they fall due. The Fund invests its assets to meet its liabilities over the long-term, and therefore performance should be assessed against these objectives and over a corresponding period.

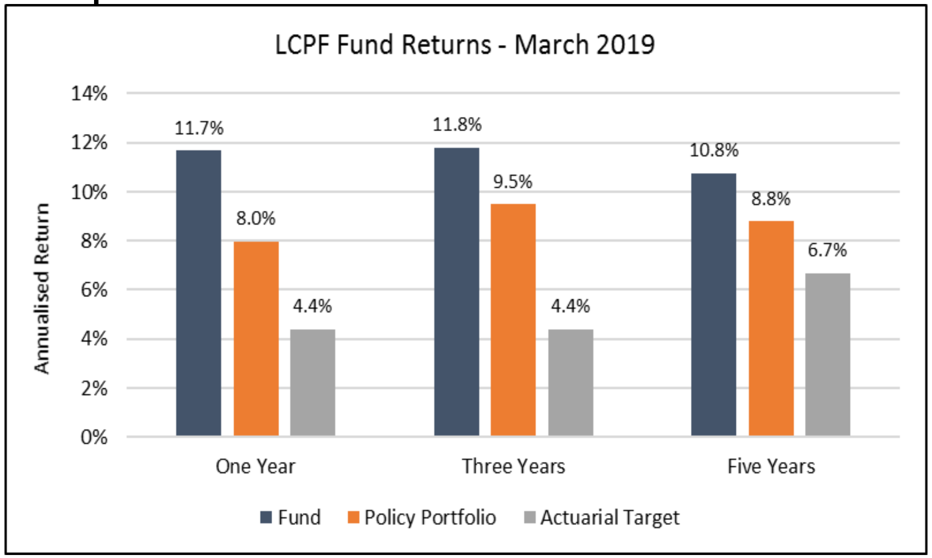
All the performance figures presented here are as at 31 March 2019. Over the year, the Fund delivered 11.7% return on assets, outperforming its policy portfolio and its triennial discount rate (the "actuarial benchmark") by 3.4% and 7.0% respectively. The actuarial benchmark with effect from the 2016 actuarial valuation is an inflation-linked measure, CPI + 2.2% p.a. At the 31 March 2016 valuation this discount rate was 4.4% p.a. and this is reflected as a fixed actuarial benchmark from that date in the table below. Policy portfolio returns reflect the Fund's long-term strategic asset allocation returns (strategic weights multiplied by an asset class benchmark).

The value of the Fund's investment assets at 31 March 2019 was £8,379 million, up from £7,610 million at 31 March 2018. Public equities, private equity and infrastructure were the top contributors from an asset class perspective. Longer-term (over a 3-year or 5-year horizon) the Fund's returns have been strong, comfortably outperforming both its actuarial benchmark and its policy portfolio.

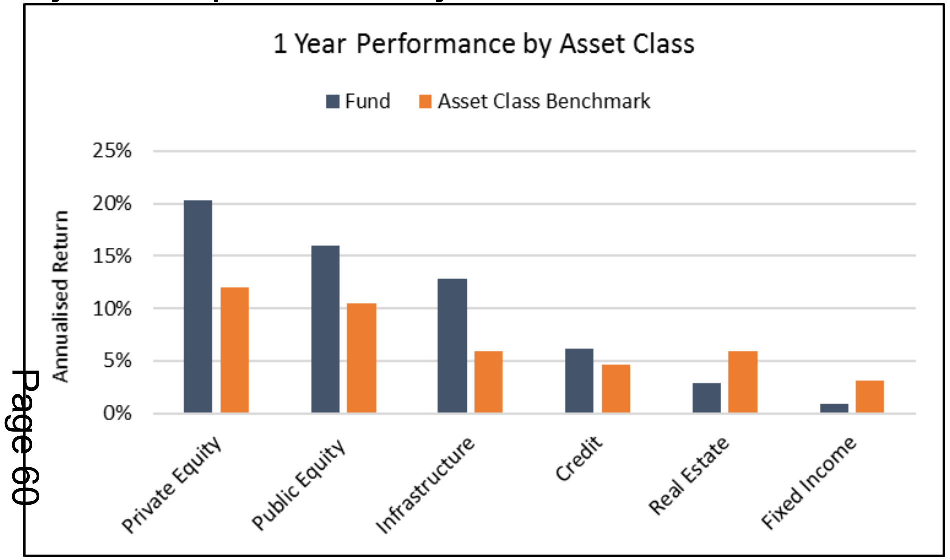
Return Metric	1 Year	3 Year*	5 Year*
Investment Assets Return	11.7%	11.8%	10.8%
Actuarial Benchmark	4.4%	4.4%	6.7%
Policy Portfolio	8.0%	9.5%	8.8%

* Annualised Returns

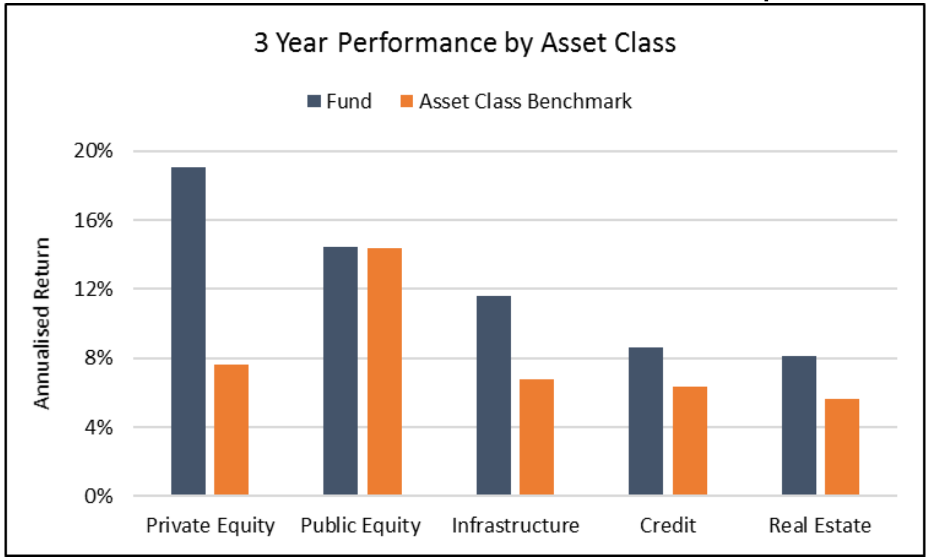
Fund performance at 31 March 2019



1 year Fund performance by asset class at 31 March 2019



3 year Fund performance by asset class at 31 March 2019



Investment pooling

In 2016, LCPF appointed Local Pensions Partnership Investments Limited ("LPPI") to manage its assets. LPPI is a Financial Conduct Authority ("FCA") regulated investment company which is wholly owned by Local Pensions Partnership Limited, a 50:50 joint venture between Lancashire County Council and London Pensions Fund Authority (LPFA). LPFA has also appointed LPPI to manage its assets, in addition to The Royal County of Berkshire Pension Fund ("RCBPF") which joined the pooling initiative in May 2018. The combined assets of all three parties now totals approximately £17bn. The investment teams of Lancashire County Pension Fund, LPFA and RCBPF have been merged, leading to a more diversified pool of resources. As at the end of March 2019, LPPI had created 6 asset "pools" (vehicles) across public equities, private equity, infrastructure, credit, fixed income and diversifying strategies to manage clients' assets. The final investment vehicle for Real Estate assets is expected to be set up by Q4 2019.

Further information regarding the Local Pensions Partnership pools in which the Fund participates, including set-up, investment transition and ongoing investment management costs is available in section G, 'Asset Pooling' of this annual report.

Note 13 to the financial accounts, section H, provides an analysis of investments between those held within the LPPI pools and those assets within the Fund's portfolio that are not.

Current and Strategic Asset allocation

In recent years the Fund has focused on reducing its equity risk, increasing allocations to other asset classes such as infrastructure, real estate and credit with the intention to better diversify its exposure and to increase its income yielding asset allocation. This was also reinforced with an updated strategic asset allocation (SAA) in Q4 2017, which led to a 2.5% reduction in the SAA target for private equity and corresponding increase in infrastructure.

The performance of the assets is assessed on a “total return” basis (i.e. income and capital return combined). Having adequate cash inflows to pay liabilities as they fall due reduces both the need for investment trading (and its impact on fees) and the risk of having to liquidate assets during adverse market periods (which can have a negative effect on assets that are marked-to-market). Ultimately, the aim is to improve risk-adjusted returns over the long term, whilst ensuring LCPF’s objectives are met.

The following table presents LCPF’s current asset allocation versus strategic target at the end of March 2019;

Asset Class	March 2019		March 2018		Strategic Allocation (%)	Range
	Assets (GBP Million)	Allocation (%)	Assets (GBP Million)	Allocation (%)		
Public equities	3,730	44.4%	3,214	42.2%	42.5%	40% - 50%
Fixed income*	319	3.8%	184	2.4%	2.5%	0% - 10%
Private equity	650	7.7%	548	7.2%	5.0%	0% - 10%
Infrastructure	1,146	13.7%	991	13.0%	15.0%	10% - 20%
Credit	1,486	17.7%	1,562	20.6%	19.0%	10% - 25%
Real estate	886	10.6%	829	10.9%	15.0%	10% - 20%
Cash*	177	2.1%	282	3.7%	1.0%	0% - 5%
Total*	**8,394**	**100.0%**	**7,610**	**100.0%**	**100.0%**	

* Corporate bonds are included within the fixed income asset class for financial reporting. For performance reporting and within the investment strategy, the cash allocation includes corporate bonds held for liquidity.

The allocation of the Fund's assets for the previous financial year has been added for comparison purposes. LPPI provides input to the Fund on its long-term strategic asset allocation (SAA), but LCPF retains autonomy in deciding how this is set. LPPI has discretion to manage LCPF's assets within the asset class ranges set as part of the SAA decision. The SAA target and range for each asset class has remained unchanged since December 2017. The next SAA review is anticipated in 2020.

Macro outlook – the last 12 months

The year through to March 2019 was a period of slowing global economic activity. The deceleration in global gross domestic product ('GDP') growth was relatively synchronised across the developed and emerging markets. Inflation, within the UK, Eurozone and U.S., subsided from key central bank levels in the first quarter of 2019. GDP growth and inflation are two key macroeconomic variables that impact all asset classes (to varying degrees and over different time horizons) and are cornerstone elements of our analysis.

Amid this macroeconomic backdrop LPPI maintained a cautious view, avoiding taking excess risk for the Fund in a period we consider as late stage in the economic cycle. Our anticipation of favourable market conditions ending informed our decision to pivot LCPF's portfolio more defensively. Accordingly, we reduced the Fund's overweight position in public equity (versus its SAA target), moved to an underweight position in credit and an overweight position in fixed income over the year. In broad terms, GDP growth tends to be a variable that impacts public equity indirectly though the pace of companies' earnings growth, whilst inflation can have a stronger effect on fixed income assets indirectly through current and future interest rate expectations.

The Fund's tactical positioning assisted in the investment outperformance versus its Policy Portfolio over the past year, by having less direct exposure to the market sell-offs exhibited in Q1 2018 and Q4 2018. Overall we have a cautious view, informed by the tightening of financial conditions and a less accommodative monetary policy from major central banks. LPPI's approach is not to "time the market", but to steer the Fund's allocation through the ongoing market risks and opportunities.

From a regional perspective, the U.S. continued to be the strongest performer among major developed economies, despite a notable slowdown in Q4 2018. The economy continued to benefit from a tight labour market, with ongoing net employment gains and stronger wage growth – both close to cyclical highs – being a tailwind for consumers' spending.

In the U.K., growth has been somewhat slower in the past twelve months. Despite the slowdown, our labour market has remained healthy, with the unemployment rate dipping to the lowest level since December 1974. Nominal and real wage (after accounting for inflation) gains were close to cyclical highs at the end of March, providing additional support to consumption and overall growth.

Although the Fund is less affected by the growth outlook in the domestic economy directly, there is a bigger indirect effect through the exchange rate, inflation and interest rates. These parameters have been broadly favourable for the Fund throughout this period. With most assets denominated in dollars or other foreign currency, the weakening of Sterling increased the Fund's net asset value in domestic currency terms. Additionally, the moderate inflation levels experienced in the past year have been positive for most asset classes and prompted the Bank of England (BoE) to raise rates only once (25 basis points).

Turning to the Eurozone, GDP growth decreased significantly over the past twelve months with activity in Germany and Italy being the biggest headwind among the biggest regional economies.

In aggregate, the labour market has remained healthy, with the unemployment rate declining to the lowest level since 2008. However, the European economy (unlike the U.S. and the UK) is still likely operating at a lower than full employment level. This has reinforced an ongoing accommodative monetary policy from the European Central Bank ("ECB"), as inflation also has remained persistently below target, despite the termination of its quantitative purchase programme as scheduled in 2018.

In China, officials have been in the midst of an ongoing trade dispute with the U.S. After both countries raised tariffs on billions worth of imports from each other, they started bilateral negotiations that have yet to provide a sustainable solution.

Although the Fund is not directly impacted by these developments (its direct exposure to China and Emerging Markets is relatively small), its indirect exposure through companies' global supply chain systems as well as market access and profit generation makes these headwinds far from insignificant. LPPI continuously monitors these developments and aims to minimise any impact by investing the Fund's assets within a multi-asset, global and well diversified portfolio.

Public Equities (Global)

The LPPI Global Equity Fund ("GEF") combines an internally managed portfolio with a variety of external equity managers, which operate with differing and complementary styles of investment selection. During the year LPPI has not changed the composition of external managers within its GEF. The GEF maintains a Quality (factor investing style) bias, however other styles are included to provide diversification. Although the GEF's performance has been strong this year, the full merits of its strategies are better assessed over the longer-term (GEF was launched in October 2016).

The GEF's sector and regional exposures compared to its benchmark the MSCI All Country World index (MSCI ACWI) remained broadly unchanged over the year. From a sector exposure perspective, the GEF maintained an overweight to Consumer Staples versus its benchmark, which follows naturally from its Quality style bias. From a regional exposure perspective, Western Europe (which includes the UK) remains the largest overweight position, whilst the Asia-Pacific region is the fund's largest underweight. Overall, the GEF maintains an underweight position to Emerging Markets compared to benchmark.

GEF – factor breakdown as at 31 March 2019

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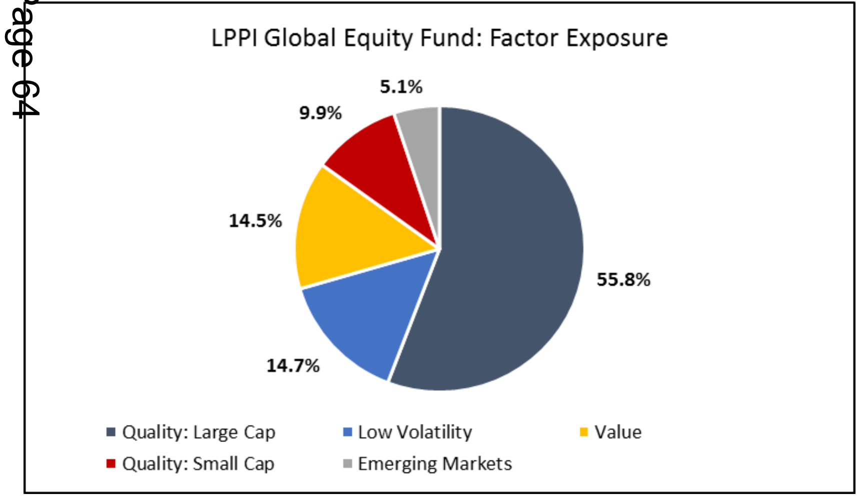
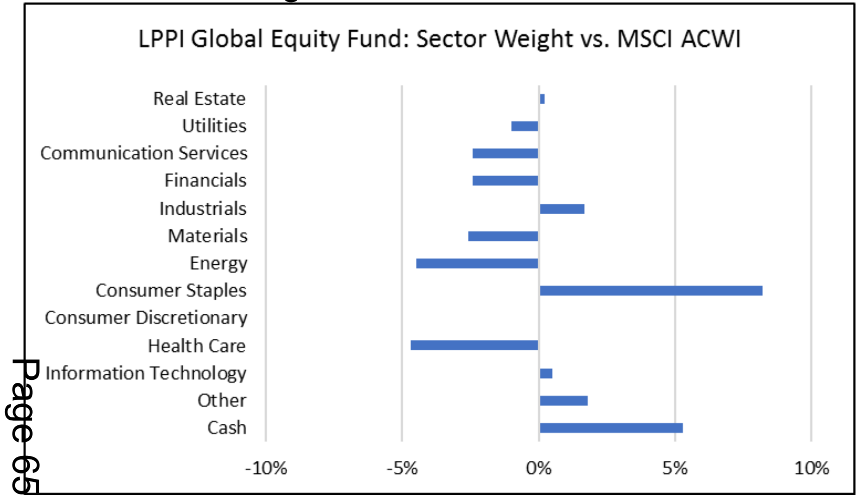


GEF – sector weights v MSCI ACWI as at 31 March 2019



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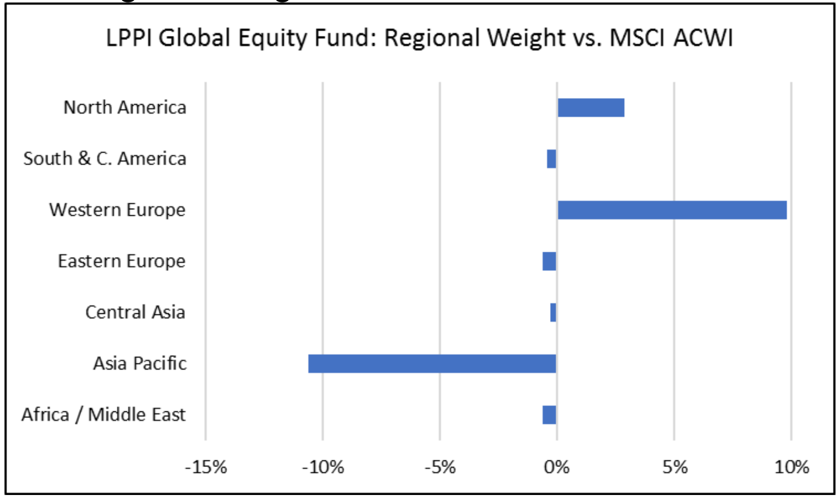
GEF–regional weights v MSCI ACWI as at 31 March 2019



GEF – ten largest equity holdings as at 31 March 2019

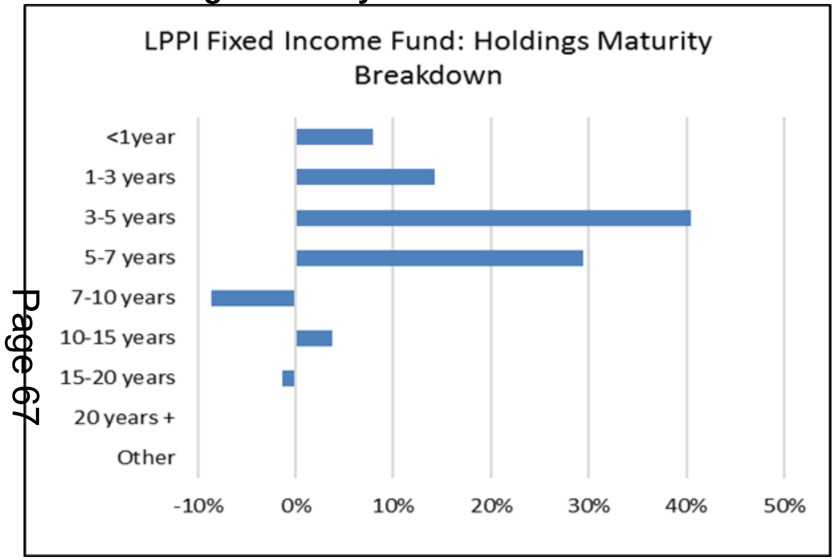
Company	GICS Industry	% of GEF
Visa Inc	IT Services	3.1%
Nestle SA	Food Products	3.1%
British American Tobacco Plc	Tobacco	2.6%
Accenture Plc	IT Services	2.5%
Colgate-Palmolive Co	Household Products	2.4%
Apple Inc	Technoloy Hardware, Storage % Peripherals	2.1%
Starbucks Corp	Hotels, Restaurants & Leisure	2.0%
Pepsico Inc	Beverages	1.7%
Waters Corp	Life Sciences Tools & Services	1.4%
Automatic Data Processing	IT Services	1.4%

Fixed Income

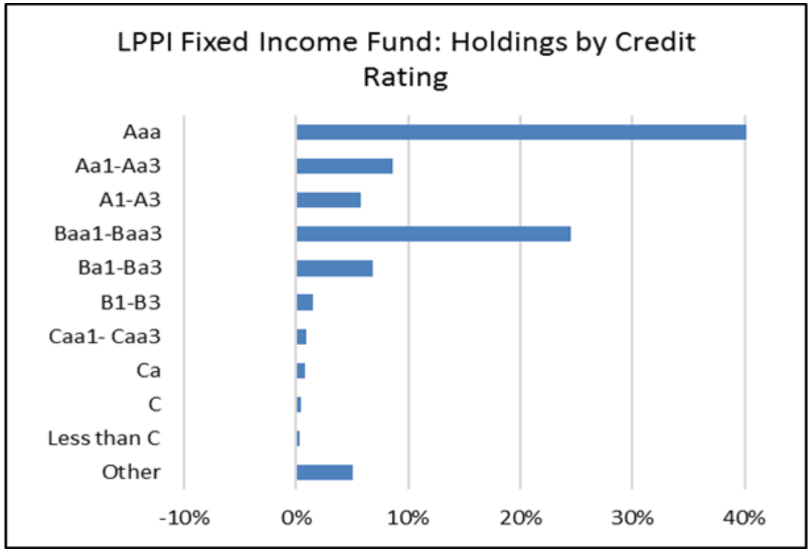
LPPI's Fixed Income Fund ("FIF") was launched in February 2018 and LCPF invested in it on launch day. The FIF currently consists of two complementary managers, one with a "top down" investment style and the other with a "bottom up" focus. The FIF's performance since launch has been positive, whilst also providing a "cushion" for LCPF's returns during the Q4 2018 market downturn.

Over a 1-year horizon, the FIF has underperformed its benchmark, the Bloomberg Barclays Global Aggregate Index (Global Agg), but this can be attributed to the significantly lower interest rate exposure (i.e. duration) compared to benchmark. The lower duration profile of the fixed income fund is the result of a deliberate decision based on the liquidity needs of the Fund. Below are three charts, exhibiting the FIF's aggregate positioning as at 31 March 2019. Please note that individual exposures may not sum to 100% due to derivative contract positions.

FIF – holdings maturity as at 31 March 2019



FIF – holdings by credit rating as at 31 March 2019



FIF – holdings sector exposure as at 31 March 2019

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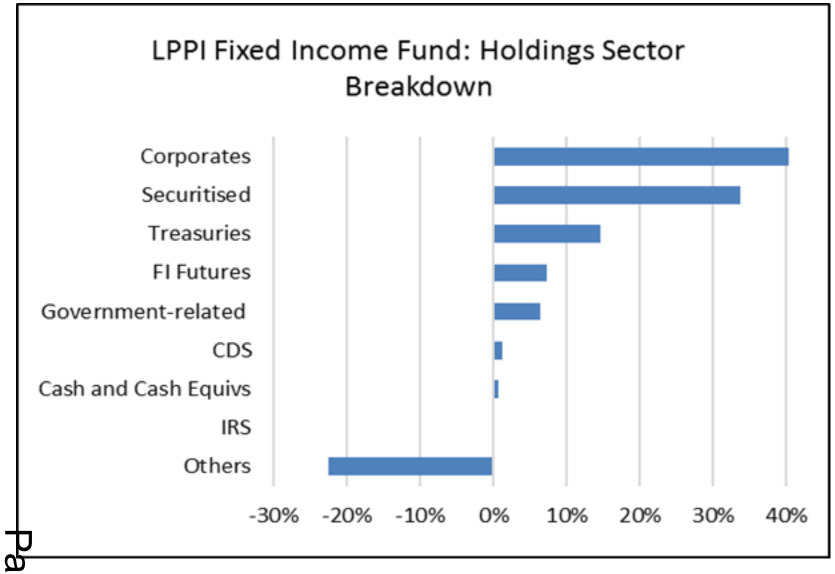

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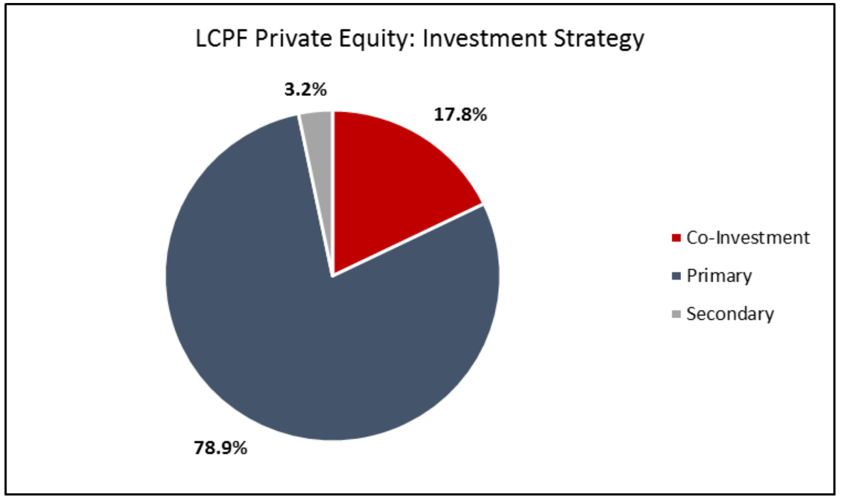
Private Equity

Private Equity investments are held through a variety of closed-ended limited partnerships, spanning a wide range of vintages and managed by a diverse collection of different managers who, in turn, cover a variety of strategies and geographic areas. Compared to Public Equity, Private Equity offers a higher risk and higher return profile. This comes from generally investing in smaller companies with higher leverage. Private Equity also has reduced liquidity – a 10-year fund life is common.

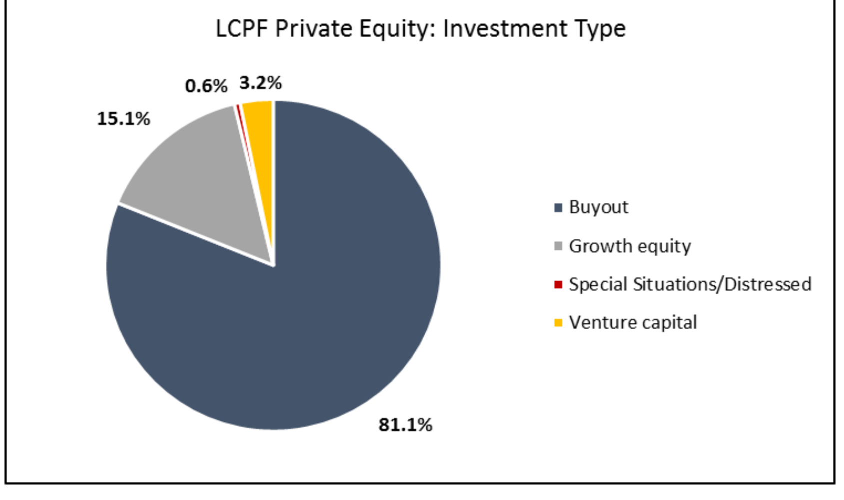
The last 10 years has seen favourable conditions for Private Equity, driven by a rise in valuation multiples, low interest rates and improvement in fundamentals. LCPF's Private Equity portfolio has performed particularly well, consistently outperforming the benchmark return due to well diversified exposure to many top quartile managers.

LCPF has reduced the rate of commitment to new private equity funds over the last 12 months in line with its aim of reducing its asset class exposure over the next few years, whilst ensuring that vintage diversification and manager relationships are maintained. A reduction in exposure to large buyouts, where valuations and leverage are currently at high levels has also been ongoing.

LCPF private equity portfolio – investment strategy breakdown as at 31 March 2019



LCPF private equity portfolio – investment type breakdown as at 31 March 2019

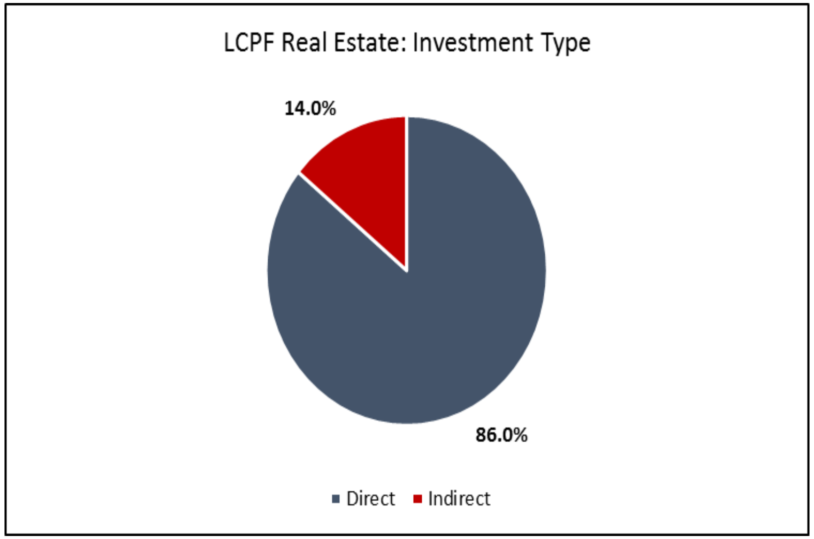


Real Estate

LCPF's real estate portfolio comprises two investment types: direct and indirect. The direct portion of the portfolio, which forms the majority of the real estate allocation, is managed by Knight Frank and consists of UK commercial property investments. It also comprises an allocation to local investment opportunities. The indirect portion of the portfolio includes allocations to a European real estate investment fund managed by M&G and a healthcare property fund managed by Kames.

Real estate plays a strategically important role within LCPF's overall investment portfolio, both because of its diversification benefits as well as the rental income generated that is used to fund member benefits without the need to liquidate other investments. Given the long term-nature of these investments, performance should be assessed over longer time horizons. LCPF's real estate portfolio has produced strong performance over a 3-year and 5-year horizon, comfortably outperforming its target return over these periods.

LCPF real estate portfolio – investment type breakdown as at 31 March 2019



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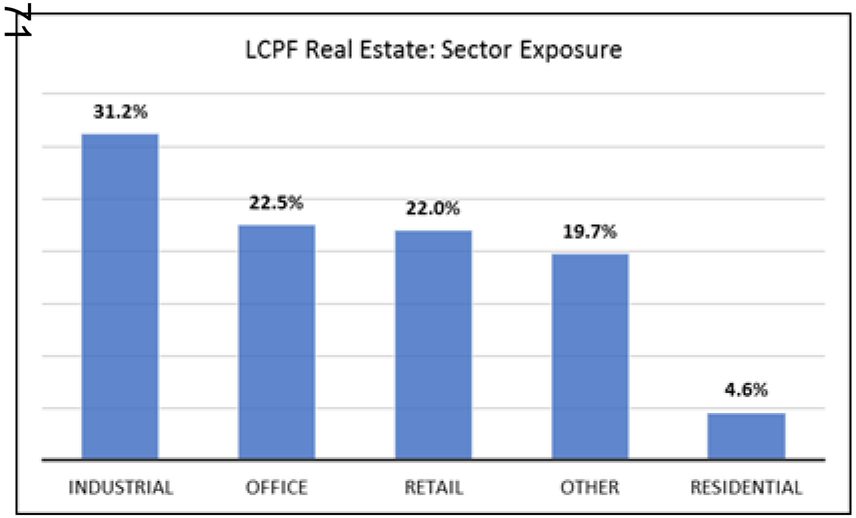
LCPF real estate portfolio – sector breakdown as at 31 March 2019

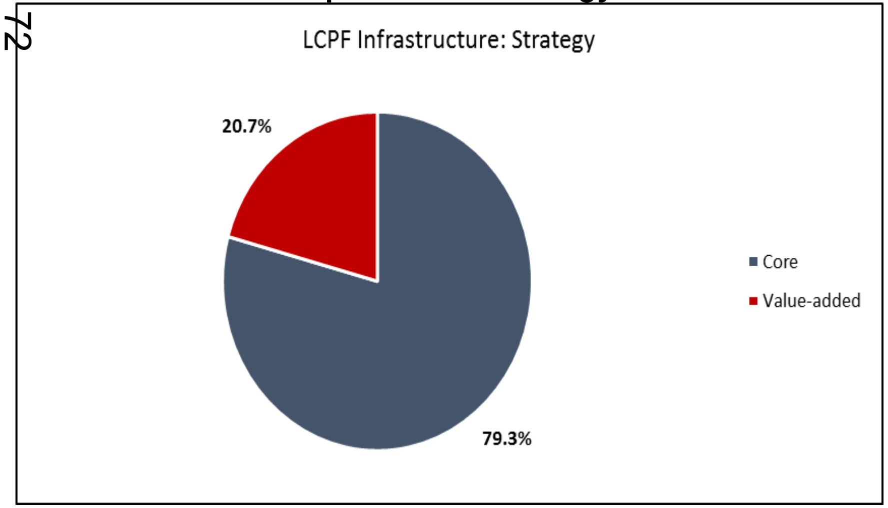


Infrastructure

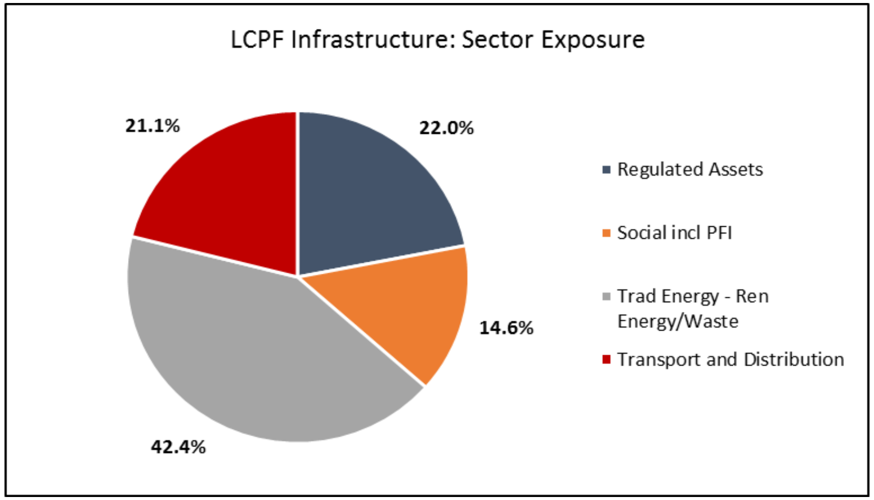
The majority of LCPF's infrastructure exposure is through LPPI's Global Infrastructure Fund ("GIF"). This comprises allocations to a variety of global infrastructure funds, and direct investment projects. A key component of the pool is GLIL. Through GLIL LCPF now owns interests in various core infrastructure assets in the UK, including investments in wind-powered electricity generation, water assets, rail rolling stock and ports. LPPI is the appointed Alternative Investment Fund Manager (AIFM) of GLIL.

Infrastructure as an asset class typically offers long-term returns that are aligned to the Fund's investment objectives whilst also providing a source of diversification from other asset classes within the portfolio. As well as investing in infrastructure funds, the GIF has made an increasing number of direct investments in global infrastructure with significant allocations in the renewable energy sector. The scale that the GIF brings enables investments to be made on favourable terms, which reduces fee costs over the investment horizon, and also provides stronger governance rights to protect LCPF's long-term interests. Like real estate, significant initial investment costs may be needed which could impact performance in the short-term. From a sector exposure the LCPF's infrastructure portfolio continues to be well diversified.

LCPF infrastructure portfolio – strategy breakdown as at 31 March 2019



LCPF infrastructure portfolio – sector breakdown as at 31 March 2019



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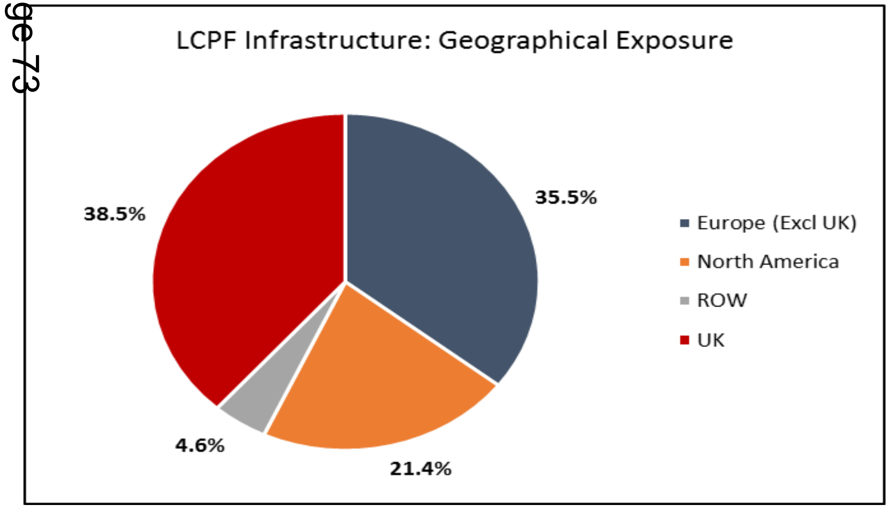
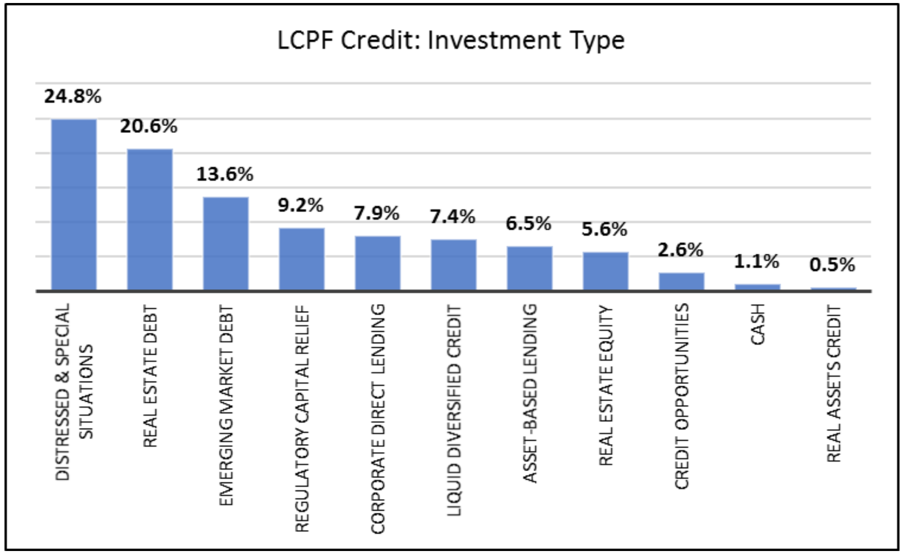
LCPF infrastructure portfolio – geographical breakdown as at 31 March 2019



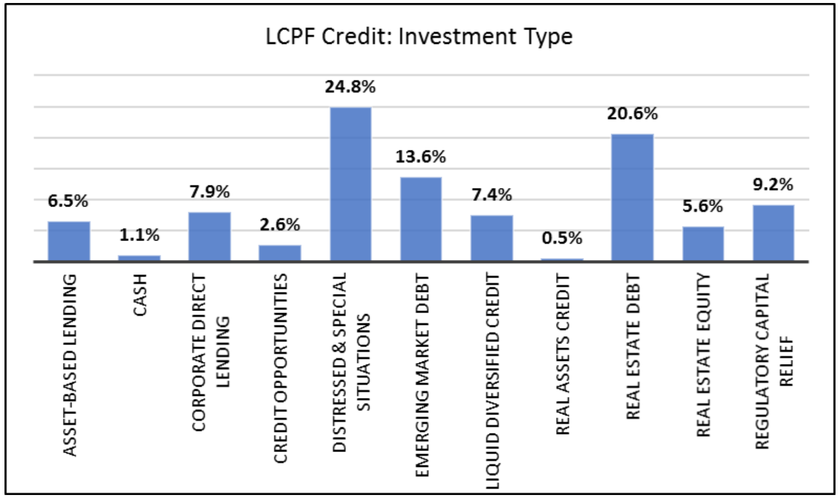
Credit

The majority of LCPF's credit exposure is through LPPI's Global Credit Fund ("GCF"). The GCF invests in a range of credit-linked assets globally, predominantly in illiquid investments on a buy and hold basis, across the credit ratings spectrum. The income generated from the GCF is another useful source of cash to meet liability payments and this is incorporated into the cash flow modelling that LPPI conducts on behalf of the Fund.

2018 was a challenging year for credit markets. The GCF's return over one year lagged that of the benchmark set for the strategy. Over the longer-term performance remains strong, notably outperforming the benchmark over a three-year period. The broad types of the investments comprising the GCF at 31 March 2019 are included in the graph below.



GCF credit portfolio – investment type breakdown as at 31 March 2019



Governance

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

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

- The Investment Panel ("Panel") provides expert professional advice to the Pension Fund Committee in relation to investment strategy. The Panel supports the Head of Fund with the specialist advice required by the Pension Fund Committee. The Investment Panel consists of two independent external investment advisors and the Head of Fund.

- The investment management team of Local Pensions Partnership Investments Ltd (LPP I) undertake day-to-day investment fund selection, monitoring and due-diligence;

- Where LPP I have chosen to make allocations to third party investment managers or to invest in third party unitised investment vehicles, those managers fix precise weightings and select the individual investments within their particular remit;

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

Responsible investment

The Fund's responsible investment activities, with a focus on the main changes and developments over the past 12 months are highlighted below.

As a Fund we are committed to ensuring members' retirement savings are being managed responsibly through well-informed investment decisions and appropriate ownership oversight. Responsible Investment contributes to the delivery of the sustainable returns needed to pay pensions and its objective is to decrease investment risks and to improve risk-adjusted returns.

Our approach to RI begins at a strategic level with decisions about which asset classes the Fund will invest in and continues through the objectives and priorities we identify within our RI Policy. Whatever the asset class or the sector, it is a clear requirement for our asset managers to evaluate material influences which could affect the future value of our investments by incorporating Environmental, Social and Governance (ESG) considerations into their analysis. You can read more about our beliefs and approach to Responsible Investment including our commitment to ESG integration within our Investment Strategy Statement (ISS) which is available from our website https://www.yourpensionservice.org.uk/media/1585/investment-strategy-statement-approved-march-2018.pdf

The importance we place on Responsible Investment is reflected in the standards we hold ourselves and our asset managers accountable to, the policies and arrangements that guide the practical implementation of our strategy and the actions we undertake (directly and through our asset managers) as an engaged asset owner.

We became a signatory to the Principles of Responsible Investment (PRI) in 2015 as a way to measure ourselves against a globally recognised standard of good practice and we have been reporting to the PRI in detail for the past two years. During this time our thinking and priorities have continued to evolve and have also adapted to accommodate practical changes connected with asset pooling. Bringing our investments under common management arrangements alongside partner pension Funds meant agreeing a range of delegations which place day to day asset selection and portfolio management responsibilities with LPPI. Objective standards, clear expectations and strong arrangements have been an important foundation for us delegating significant aspects of the practical delivery of RI.

During 2018/19 the main landmarks from our direct activity on RI include the following;

- undertaking a thorough review of our RI Policy;
- delisting as a signatory to the Principles of Responsible Investment (a condition of enabling LPP to become a PRI signatory);

- having two representatives appointed onto the Executive of the Local Authority Pension Fund Forum (LAPFF).

In light of changes introduced by asset pooling and a continually evolving wider landscape of stewardship good practice, it was timely to review the scope and focus of Fund's RI Policy. A sub-group of the Pension Fund Committee convened as a Responsible Investment Working Group to discuss and undertake a considered review which began in the early part of 2018. The group considered the approach and priorities for RI against good practice, latest guidance, and specific priority themes and recommended an updated RI Policy to the Pension Fund Committee which was adopted in November 2018.

The updated policy confirms the values and principles which underpin the Fund's approach to RI, identifies climate change and corporate governance standards as issues of primary concern and divides the implementation of RI into 5 activities

- Voting Globally
- Engagement through Partnerships
- Shareholder Litigation
- Active Investing
- Divestment

The Fund receives a quarterly report from LPP on the implementation of its RI Policy which includes detailed insights on each of these areas of activity. A copy of the Fund's RI Policy is publicly available from the Fund website https://www.yourpensionservice.org.uk/media/1728/lcpf-responsible-investment-policy-nov-2018.pdf

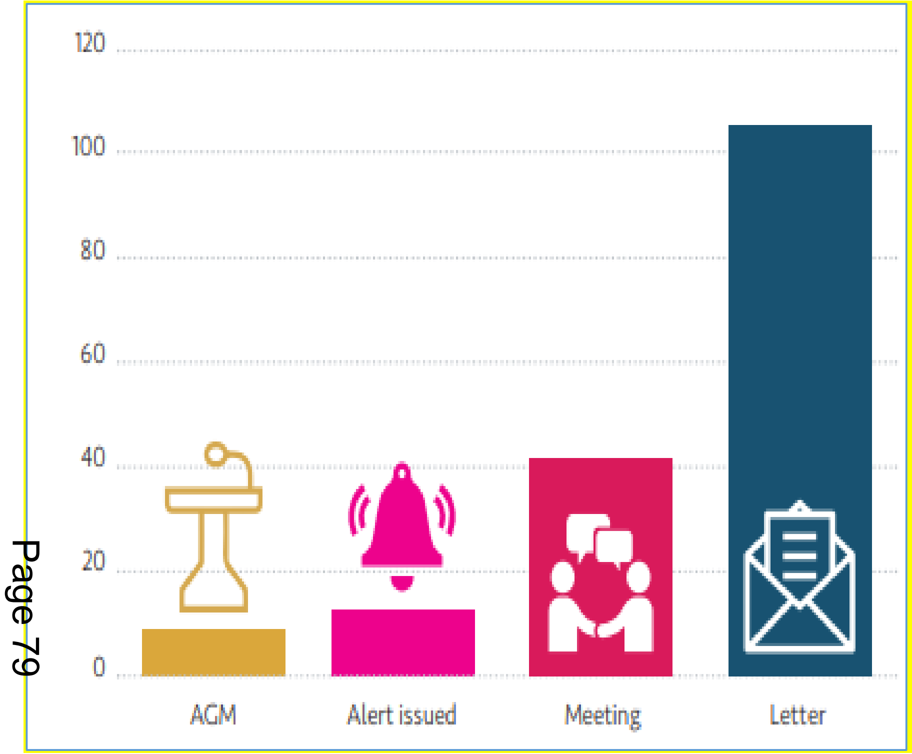
During 2018 LCPF considered the case and took the decision to support LPP becoming a signatory to the PRI in its own right. Guidance from the PRI confirmed the Fund would need to delist if LPP became a signatory to prevent duplicate reporting. We took the decision to go ahead on the basis that the practical implementation of our investment strategy and the activities which fulfil our commitment to integrate ESG are being undertaken by LPPI day to day. There are strong benefits from LPP making these same commitments, being networked directly with other practitioners and reporting on activities publicly.

LCPF delisted and LPP became a PRI signatory in July 2018. Subsequently LPP submitted a first set of detailed reporting against the PRI framework in spring 2019. A Transparency Report capturing LPP's disclosure is accessible from the PRI website. https://www.unpri.org/signatories/local-pensions-partnership/3478.article.

The Fund has identified collaboration with other investors and engagement through partnerships as important facets of its RI approach. We recognise that working collaboratively can achieve greater influence than acting unilaterally and we seek to align ourselves with likeminded investors through collective organisations such as the Local Authority Pension Fund Forum (LAPFF). LAPFF has long been LCPF's preferred engagement partner and the Fund has been represented at quarterly business meetings, conferences and events for a number of years. In 2018 we took the additional step of seeking nomination to the LAPFF Executive in order to contribute to strategic decision-making. Both the Chair of the Pension Fund Committee and the Head of Fund successfully gained seats on the Executive (as councillor and officer representatives respectively) at the Forum's AGM in 2018 and have been working productively to help LAPFF develop policy, plan activities and undertake engagement with companies on behalf of the 80 LGPS funds who are members. Further information on LAPFF and its activities are available from the Forum's website. http://www.lapfforum.org/

LAPFF's Annual Report for 2018 provides details of the Forum's engagement work during the year and illustrates the range of issues and themes covered within 166 engagements across 98 individual companies.

Route of Engagement



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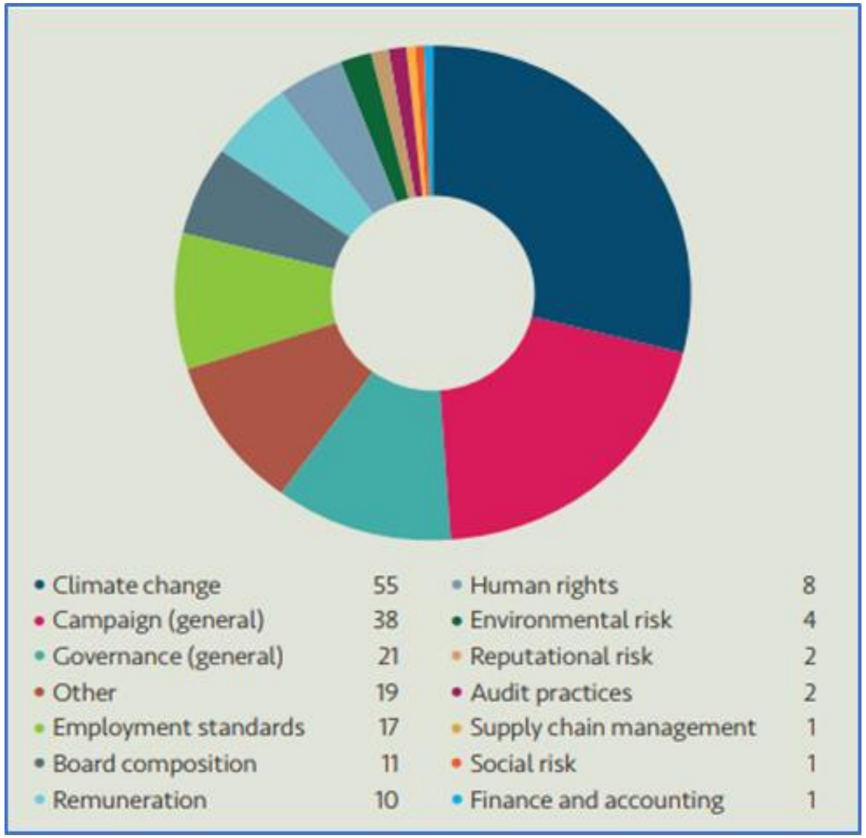
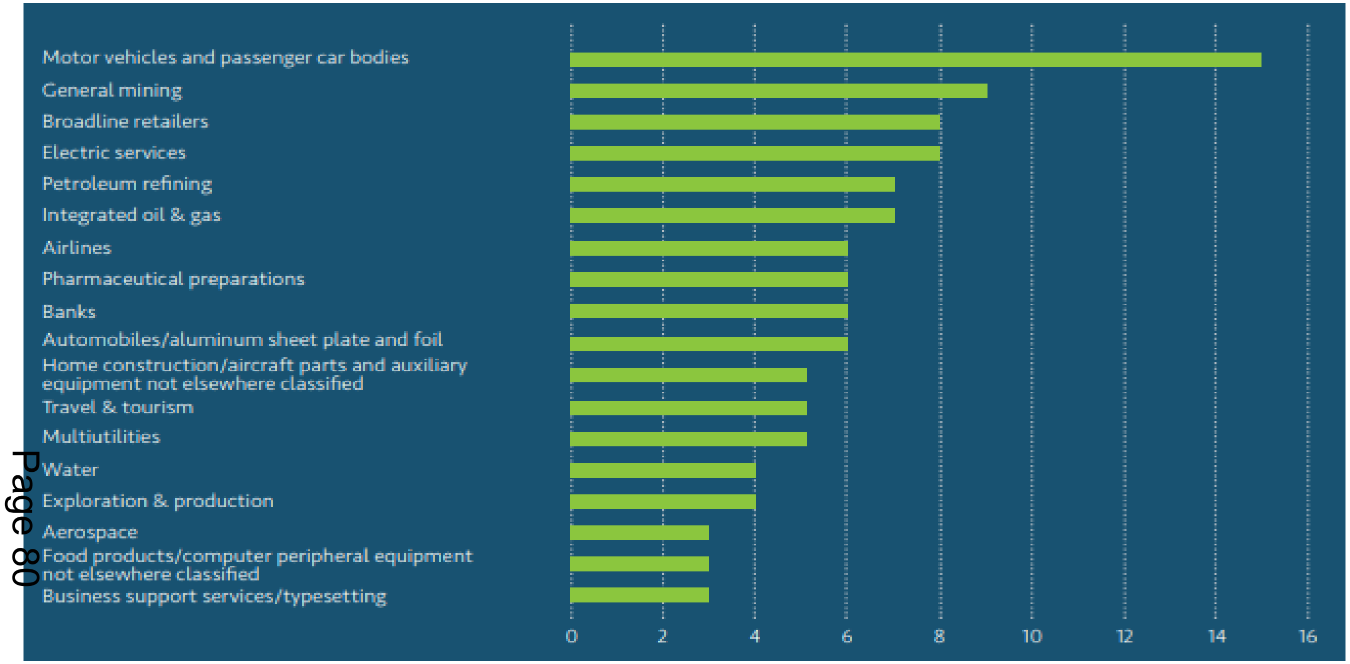
Theme of Engagement



Engagements by Industry



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One of the most direct routes for exerting ownership influence and sharing views with companies (to urge change or improvement) is through exercising the right of shareholders to vote at the annual meetings of listed companies. Since our investments were pooled LCPF hasn't owned shares in listed companies directly. Our interests in listed companies are now through holding units in the LPPI Global Equities Fund.

LPPI vote all shares in their Global Equities Fund centrally and publish quarterly reports containing information on all meetings voted, the individual resolutions tabled and whether voting supported or opposed proposals. During 2018/19 shareholder voting by LPPI encompassed 483 company meetings and a total of 6,206 resolutions.

Risk Management

The Fund recognises the importance of managing risks effectively. To this end, the Fund has a risk officer to manage and monitor all risks through effective risk management processes. A central risk register is maintained to identify, record and mitigate all risks under the following four main group headings:

- Investment and funding risk – all financial risks associated with the Fund;
- Member risk – all risks which may impact on the high levels of service the fund members receive;
- Operational risk – risks which could negatively impact the smooth and effective running of all aspects of Fund operations and governance;
- Transition risk – the temporary risks associated with change. Once the change is embedded, the risk lies in one of the other categories above.

Risk management and monitoring is also supported by service level agreements with LPP, who provide analysis and reporting across the four main groups above.

Risk reporting is carried out every 6 months to the Lancashire Pension Fund Committee. Additional oversight is also undertaken by the Lancashire Local Pension Board.The Fund's local pension board plays a vital role in helping the Pension Fund Committee to hold LPP to account. Regular reports on performance across all aspects of pension fund management are provided and discussed. Neither the Local Pension Board, employers nor members play a formal role on the oversight structures of the LPP since the LPP is established as a group corporate structure, with statutory directors sitting on the LPP Boards. It is not a joint committee. However there are robust legal agreements in place which ensure the Fund is able to hold LPP to account.

Compliance with Myners Principles

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

G Asset pools

In 2015, the Department for Housing, Communities and Local Government (DCLG, now MHCLG) issued *LGPS: Investment Reform Criteria and Guidance* which set out how the government expected funds to establish asset pooling arrangements.

The objective was to deliver:

- Benefits of scale
- Strong governance and decision making
- Reduced costs and excellent value for money
- An improved capacity and capability to invest in infrastructure.

This led to the creation of eight asset pools, of which the partnership between the LPFA and LCPF is one. Responsibility for determining asset allocation and investment strategy remains with individual pension funds.

In 2016 CIPFA and AON published *Investment Pooling Governance Principles*, in order to support LGPS funds through the transition to asset pools and specifically to ensure they continued to operate strong governance arrangements.

There are a number of governance issues to consider with new pooling arrangements, specifically:

- the relationship between the pension fund and the asset pool
- the governance structure of the pool
- the role and involvement of administering authorities.

The market value and performance of pooled assets is set out in sections F (Investment Policy and Performance) and H (Accounts of the Fund) of this annual report. The implications of pooling for the governance and risks of the Fund have been considered and incorporated within this annual report and also within the updated policies and strategy statements of the Fund.

The following disclosures aim to provide further detail regarding the transition of assets into pools, pool set up and transition costs, cumulative savings from pooling and ongoing investment management costs.

Pool set up and investment transition costs by type of expense

	Year ended 31 March 2019			Cumulative
	Direct costs	**Indirect costs**	**Total**	**Total**
	£m	**£m**	**£m**	**£m**
Legal fees	-	-	-	0.5
Professional fees	-	-	-	0.5
Other support costs	-	-	-	0.1
Total	**-**	**-**	**-**	**0.9**
Transition costs	-	-	-	2.3

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Pool set up and investment transition costs by year

	2014/15	**2015/16**	**2016/17**	**2017/18**	**2018/19**
	£m	**£m**	**£m**	**£m**	**£m**
Legal fees	-	0.1	0.1	0.3	-
Professional fees	-	0.1	0.1	0.3	-
Other support costs	-	-	-	0.1	-
Total	-	**0.2**	**0.2**	**0.7**	-
Transition costs	-	-	2.0	0.3	-

Total expected costs and savings

The following table sets out the fee savings realised from the inception of pooling versus the years prior to the establishment of the Local Pensions Partnership.

	2014/15	2015/16	2016/17	2017/18	2018/19
	£m	£m	£m	£m	£m
Set up costs	-	0.2	0.2	0.7	
Transition costs	-	-	2.0	0.3	
Fee savings	-	-	(0.6)	0.4	(9.1)
Net (savings)/costs realised	**-**	**0.2**	**1.6**	**1.4**	**(9.1)**

Ongoing investment management expenses 2018/19

	Investments held within Local Pensions Partnership pools			Investments held outside Local Pensions Partnership pools			
	Direct costs	Indirect costs	Total	Direct costs	Indirect costs	Total	Total
	£m	£m	£m	£m	£m	£m	£m
Fund value based fees	38.1	-	38.1	10.1	-	10.1	48.2
Performance fees	14.1	-	14.1	8.4	-	8.4	22.5
Transaction costs	1.0	-	1.0	-	-	-	1.0
Custody fees	-	-	-	-	-	-	-
	53.2	**-**	**53.2**	**18.5**	**-**	**18.5**	**71.7**

H Accounts of the Fund

Responsibilities for the Statement of Accounts

The responsibilities of the administering authority

The administering authority is required:

- To make arrangements for the proper administration of the financial affairs of the Lancashire County Pension Fund (Pension Fund), and to ensure that an officer has the responsibility for the administration of those affairs. For Lancashire County Council, the respective officer is the Chief Executive and Director of Resources, who is also the Section 151 Officer to the Pension Fund;
- To manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets.

The responsibilities of the Section 151 Officer to the Pension Fund

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

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

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

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

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

The Statement of Accounts relate to the financial year ended 31 March 2018 and include the Fund Account and the Statement of Net Assets which are prepared in accordance with standard accounting practice as outlined in the notes to the accounts of the Pension Fund.

Angie Ridgwell

Section 151 Officer

Lancashire County Pension Fund

Lancashire County Pension Fund – Annual Governance Statement 2018/19

Introduction

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

At 31March 2019 the Lancashire County Pension Fund provides a means of pension saving and retirement security for 176,476 members across 300 organisations with active members and a range of other organisations with only deferred or pensioner members.

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

The Pension Fund's Responsibilities

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

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

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

https://www.yourpensionservice.org.uk/media/1204/governance-policy-statement-updated-january-2018.pdf

In addition the operation of the Fund is subject to Lancashire County Council's Code of Corporate Governance. The County Council's Annual Governance Statement is prepared in accordance with the Framework prepared by CIPFA/Solace "Delivering Good Governance in Local Government" (2016 edition). The Framework defines the 7 core principles that should underpin the governance of each local authority namely:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the Fund's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

This statement sets out both how the Pension Fund has complied with its own Governance Policy Statement and Lancashire County Council's Code of Corporate Governance

The Purpose of the Governance Framework

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

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

This statement reports on the annual review of the governance framework by officers which confirms that the framework has been in place within the Pension Fund for the year ended 31 March 2019.

The Fund's Governance Framework

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

The identification and communication of the Fund's purpose objectives and intended outcomes to Fund members and employers.

The Fund has a clear objective as established by statute and it has an established planning process focussed around the triennial actuarial review. The Fund has a communication strategy which keeps both Members and employing bodies informed. This is supported by the role of the Local Pension Board.

Review of the Fund's objectives and intended outcomes and implications for the Fund's governance arrangements

The Head of Fund reviews new and proposed legislation and the results of activities such as the triennial valuation on an ongoing basis and proposes any necessary changes either to objectives and outcomes or the governance arrangements to the Pension Fund Committee.

The Pension Fund Committee are responsible for establishing the strategic objectives of the Fund through a rolling 3 year Strategic Plan and for monitoring the progress on the delivery of the strategic objectives.

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

Measurement of the quality of services provided to Fund members and employers, ensuring they are delivered in line with the Fund's objectives and ensuring that they represent the best use of resources and value for money.

The Pension Fund Committee has approved a strategic plan for the Fund setting out specific objectives in relation to the four dimensions of the running of a pension fund. Many of these functions are now performed under contract by Local Pension Partnership (LPP). These functions and the overall strategic plan will continue to be monitored by the Head of Fund.

Reports on the performance against Investment Strategy are taken to each meeting of the Pension Fund Committee. This reporting focuses not just on the performance of investments but on the scale of the Fund's liabilities. Asset allocation strategies are as efficient as possible in providing the best returns (net of fees) for the appropriate amount of risk.

The administration service is undertaken by LPP. As part of its responsibility for the Governance of the Fund the Pension Fund Committee are responsible for overseeing the administration function. To do this the Committee receives a quarterly update report on the activities of LPP.

Definition and documentation of the roles and responsibilities of those involved in the management of the Fund with clear delegation arrangements and protocols for communication*.*

Appropriate guidance documents and constitutional documents such as the Governance Policy Statement provide the basis on which the management of the Fund is undertaken. Matters reserved for the Pension Fund Committee and the Head of Fund are defined in the Governance Policy Statement and more widely in the County Council's Constitution.

Development communication and embedding codes of conduct, definition of the standards of behaviour for members and staff.

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

Review of the effectiveness of the Fund's decision making framework including delegation arrangements and robustness of data.

The interaction between the Pension Fund Committee and the Investment Panel, meet the needs of the Fund in terms of effective delivery of the Investment Strategy. This is reflected in specific reporting arrangements in relation to investment activity.

Review and update of standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals which define how decisions are taken and the processes and controls required to manage risks.

At the top level these requirements are set out in the Governance Policy Statement and within the County Council's Constitution. These are reviewed on a regular basis and are supported by a range of detailed materials appropriate to specific activities.

The management of risk is central to the Fund's activities and the Fund has continued to develop and update its risk register. Key areas of risk include:

- Investment and Funding Risk – all financial risks associated with the fund;
- Member risk – all risks which may impact on the high levels of service the fund members receive;
- Operational risk – risks which could negatively impact the smooth and effective running of all aspects of Fund operations and governance;
- Transition risk – the temporary risks associated through pooling with LPP.

Through the use of a detailed Risk Management Framework, LCPF maintain a detailed risk register cover all the risks identified within the four main risk groups. Mitigating actions are carried out and reviewed quarterly to ensure that each risk is effectively managed or reduced.

Fulfilling the core functions of an Audit Committee

The functions of an audit committee for the Fund are performed by Lancashire County Council's Audit, Risk and Governance Committee, which conducts an annual review of its effectiveness in undertaking this role.

Ensuring compliance with relevant laws and regulations, internal policies and procedure and that expenditure is lawful

The various Local Government Pension Scheme Regulations, covering both the structure and benefits payable by the Fund and the investment of funds, are key from an operational point of view.

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

The Fund's investments are managed in line with the relevant regulations with independent assurance in relation to compliance provided by either the Fund's or LPP's custodian. LPP Investments Limited is a Financial Conduct Authority (FCA) registered company and therefore has to follow strict rules over compliance and has a compliance team which is independent from the investment management team.

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

Assurance provided by internal audit

Assurance over the council's governance and oversight of the Fund and the operational activity for which the council is responsible is provided by the county council's internal audit service. Assurance over the Fund's administration and investment activities is provided by Local Pensions Partnership Ltd's own internal audit service.

A short programme of work has been completed in respect of the county council's responsibilities, resulting in substantial assurance the controls are adequately designed and effectively operated. The longer programme of work addressing LPP's activities has included seven audit engagements, the outcomes of which have been mixed. In particular the internal auditor has provided assurance that controls over benefits administration, cyber security, and investments' legal & regulatory compliance, are currently ineffective. However, these are being reviewed again as part of the LPP internal audit work plan for 2019/20.

Whistle blowing and receiving and investigating complaints from the public

The Fund participates in the National Fraud Initiative, and actively investigates all data matches found as a result of this process. The results of this work are reported to the Audit, Risk and Governance Committee.

The Fund is covered by the County Council's whistle blowing policy, the effectiveness of which is reported to the Audit, Risk and Governance Committee annually.

Complaint handling is carried out in line with either the Internal Dispute Resolution Procedure (in relation to complaints by members in relation to the level of benefit awarded) or the County Council's complaints procedure (in relation to other matters). These policies are publicly available and the numbers and outcomes of complaints under the Internal Dispute Resolution Procedure are reported annually in the Annual Administration Report.

Identifying the development needs of members and senior officers in relation to their roles and supporting them through appropriate training.

Elected members undertake training needs analysis linked to the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework. This has resulted in the provision of access to a range of specific reading material and the provision of a programme of learning opportunities targeted at areas of identified need. In addition prior to major decisions coming before the Pension Fund Committee topic based training relating to the decision at hand is provided.

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

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

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

- Newsletters for active, deferred and pensioner members;
- Campaign materials focussed around scheme changes;

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

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

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

The Fund seeks to comply with the principles set out in CIPFA's Statement "The Role of the Chief Finance Officer in Local Government", and the arrangements within Lancashire County Council comply with the principles of this statement. The Fund, is not a local authority in its own right and therefore the applicability of some elements of the statement within the context of the Fund is limited. The responsibility for fulfilling the County Council's functions as administering authority rests with the Head of Fund.

Review of Effectiveness

The Pension Fund Committee is responsible for conducting, an annual review of the effectiveness of its governance framework. This is informed by the work of the Head of the Pension Fund, the Head of Internal Audit's annual report, and also reports of the external auditor. The key planned activities of the Fund during 2018/19 were:

- Continued development of a socially responsible investment policy
- Monitor Pensions administration including impact of LPP's administration transformation plan
- To review the compliance of employers and undertake an assessment of the risk they pose to the Fund.

Actions Planned for 2019/20

The following specific actions are proposed for during 2019/20.

- The triennial valuation of the Fund
- To monitor the administration service as changes continue to be made within LPP.
- To review the cost of LPP and estimated savings made.
- To revise the Funding Strategy Statement as necessary

Conclusion

Overall, the Pension Fund Committee has the appropriate systems and processes in place to ensure good governance is maintained over the Fund. The Committee have noted the issues raised by the Head of Internal Audit in relation to the Local Pension Partnerships internal audit and will continue to ensure that they are held to account for any areas of concern and that the Head of Internal Audit performs extra work in these areas to provide further assurance.

Signed

County Councillor Eddie Pope	Abigail Leech
Chair of the Pension Fund Committee	Head of Fund
	Lancashire County Pension Fund

Date 31 July 2019

Grant Thornton

Independent auditor's report to the members of Lancashire County Council on the consistency of the pension fund financial statements of Lancashire County Pension Fund included in the Pension Fund Annual Report

Opinion

The pension fund financial statements of Lancashire County Pension Fund (the 'pension fund') administered by Lancashire County Council (the "Authority") for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2019 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19 and applicable law.

Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 29 July 2019.

Section 151 Officer responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Section 151 Officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Robin Baker

Robin Baker, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

29 July 2019

Fund account

2017/18		Note	2018/19
£m			**£m**
	Dealing with members, employers and others directly involved in the Fund		
374.9	Contributions [1]	6	170.9
11.5	Transfers in from other pension funds	7	11.0
386.4			**181.9**
(254.8)	Benefits	8	(275.3)
(17.9)	Payments to and on account of leavers	9	(16.4)
(272.7)			**(291.7)**
113.7	**Net (withdrawals)/additions from dealings with members**		**(109.8)**
(62.4)	Management expenses	10	(76.3)
51.3	**Net (withdrawals)/additions including fund management expenses**		**(186.1)**
	Returns on investments		
138.7	Investment income	11	193.5
221.9	Profit and losses on disposal of investments and changes in the value of investments	13	781.5
360.6	**Net return on investments**		**975.0**
411.9	**Net increase in the net assets available for benefits during the year**		**788.9**
7,209.3	**Opening net assets of the scheme**		**7,621.2**
7,621.2	**Closing net assets of the scheme**		**8,410.1**

[1] Following the actuarial valuation in 2016, the Fund gave some employers the option of paying their 3 year future service rate and deficit contributions up front. A number of employers opted to do this and as a result the normal and deficit recovery contributions from the County Council and scheduled bodies for the year ended 31 March 2018 include 3 years contributions from these employers, amounting to £218.0m.

Net assets statement as at 31 March 2019

31 March 2018		Note	31 March 2019
£m			£m
7,448.2	Investment assets	13	8,327.3
162.0	Cash deposits	13	67.1
7,610.2	**Total net investments**		**8,394.4**
23.4	Current assets	19	22.0
(12.4)	Current liabilities	20	(6.3)
7,621.2	**Net assets of the fund available to fund benefits at the end of the reporting period**		**8,410.1**

Note: The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 24.

This statement of accounts is that upon which the auditor should enter his certificate and opinion. It presents fairly the position of the Lancashire County Pension Fund as at 31 March 2019 and its income and expenditure for the year then ended.

Notes to the financial statements

Note 1 - Pension Fund operations and membership

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

An up-front contribution of £137.0 m was received from employers during the year ended 31 March 2018, relating to the years ending 31 March 2019 and 2020. The upfront contribution was recognised in the year of receipt and therefore contribution income for the year ended 31 March 2019 is significantly reduced when compared to the prior year. Contribution income of £170.9m together with transfers in of £11.0m part funded the payment of £291.7m in respect of benefits and transfers out. The resulting net cash outflow from transactions with members for the year ended 31 March 2019, together with management expenses is funded from investment income.

The following description of the Fund is a summary only. For more detail, reference should be made to the Lancashire County Pension Fund Annual Report 2018/19 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

General

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

- the Local Government Pension Scheme (Amendment) Regulations 2018
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

The Fund is overseen by the Lancashire Pension Fund Committee, which reports directly to Full Council. The Head of Fund is designated as the officer responsible for the management of the Fund.

The Pension Fund Committee comprises twelve County Councillors and seven voting co-optees representing the further and higher education sectors, the Lancashire borough, district and city councils, Blackburn with Darwen Council, Blackpool Council and trade unions.

The Committee meets at least quarterly, or otherwise as necessary, with the Investment Panel in attendance and is responsible for fulfilling the role of Scheme Manager (which includes the administration of benefits and strategic management of Fund investments and liabilities), the establishment of policies for investment management, the monitoring and review of investment activity and Fund performance and the presentation of an annual report to Full Council on the state of the Fund and investment activities for the year.

The Investment Panel provides professional expert advice and makes recommendations to the Committee in relation to investment strategy. The Panel comprises the Head of Fund as Chair and two independent advisers.

Full details of the responsibilities of the Panel and Committee are published in the Investment Strategy Statement which is available from the Fund website at Lancashire Fund Information.

The Lancashire Local Pension Board, established in 2015, assists Lancashire County Council in its role as scheme manager and provides a scrutiny role to ensure effective and efficient governance and administration of the Fund. The Board comprises an independent chair together with representatives acting on behalf of employers and members. All members of the Board must be able to demonstrate the knowledge and skills set out in the terms of reference of the Board which are available to view on the Fund website at Lancashire Fund Information.

The investments of the Fund are managed by the Local Pensions Partnership (LPP), a joint venture owned, in equal shares, by Lancashire County Council and the London Pension Fund Authority (LPFA). LPP manages the administration and investment functions on behalf of the two partner authorities.

Membership

Membership of the LGPS is automatic although employees are free to opt out of the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Employees are re-enrolled every 3 years under the government's auto-enrolment regulations.

Organisations participating in the Lancashire County Pension Fund include:

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

There are 432 employer organisations (2017/18: 412) within Lancashire County Pension Fund including the County Council itself, of which 300 have active members (2017/18: 287) as detailed in the following table.

31 March 2018	Lancashire County Pension Fund	31 March 2019
412	Total number of employers	432
287	Number of employers with active members[1]	300
	Number of active scheme members[2]	
25,126	County Council	25,721
26,220	Other employers	27,422
51,346	**Total**	**53,143**
	Number of pensioners	
23,722	County Council	24,692
23,723	Other employers	24,651
47,445	**Total**	**49,343**
	Number of deferred pensioners[2]	
37,410	County Council	37,691
35,873	Other employers	36,299
73,283	**Total**	**73,990**
172,074	**Total membership**	**176,476**

[1] includes employers for whom admission to the Fund is in progress

[2]March 2018 membership numbers have been adjusted to transfer 5,330 pending leavers as at that date from active membership category to deferred membership category. An adjustment of 5,089 pending leavers has been made at 31 March 2019.

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Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made by active members of the Fund in accordance with the LGPS (Amendment) Regulations 2018 and range from 5.5 % to 12.5% of pensionable pay for the financial year ending 31 March 2019. Employer contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016 for the three years commencing 1 April 2017. Currently, employer contribution rates range from 0.0 % to 28.0 % of pensionable pay and are dependent on the assumptions applied by the actuary when carrying out the valuation. Examples of variables which may differ between employers are demographic assumptions regarding the age profile and life expectancy of employees, probability of dependant's pensions becoming payable and the likelihood of ill health retirements.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year. Accrued pension is updated annually in line with the consumer prices index. A range of other benefits are also provided including early retirement, disability pensions and death benefits.

The scheme benefits are summarised in the following table.

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

Note 2 - Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the financial year and its position as at 31 March 2019. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in United Kingdom 2018/19* which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in note 24 to these accounts. The accounts have been prepared on a going concern basis.

Accounting standards issued but not yet adopted

Under the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19,* the Fund is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2019 but not yet adopted by the Code. It is anticipated that the 2019/20 code will introduce amendments in respect of:

- Amendments to IAS 40 *Investment Property: Transfers of Investment Property*
- *Annual Improvements to IFRS Standards 2014 - 2016 Cycle*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments*
- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*

The amendments noted above are not considered likely to have a significant impact on the accounts of the Fund.

Note 3 - Accounting policies

Fund account - revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Member contributions are made in accordance with the LGPS (Amendment) Regulations 2018 using common percentage rates for all schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate recommended by the fund actuary, in the payroll period to which they relate.

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

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

Transfers to and from other schemes

Transfer values represent amounts received and paid during the period for individual members who have either joined or left the Fund during the financial year and are calculated in accordance with Local Government Pension Scheme (Amendment) Regulations 2018.

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

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in.

Investment income

Interest income

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

Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend and is included within distributions from pooled funds.

Distribution from pooled funds

Distributions from pooled funds are recognised at the date of issue.

Dividend income arising on equities which are now held within pooled funds is included within distributions from pooled funds.

Property related income

Property-related income consists primarily of rental income.

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

Any property income not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Movement in the net market value of investments

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

Fund account – expense items

Benefits payable

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

Taxation

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

Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance "*Accounting for Local Government Pension Scheme Management Expenses (2016)*".

- Administrative expenses
- Oversight and governance costs
- Investment management expenses

Administrative expenses

Administrative expenses consist of the following:

- Expenses related to LGPS members and pensioners. These include all activities the pension scheme must perform to administer entitlements and provide members with scheme and benefit entitlement information. Examples of this include pension allocations, benefit estimates, payment of benefits, processing of the transfer of assets, commutation, communications with members and pensioners, and annual benefit statements;
- Expenses related to interaction with scheme employers e.g. data collection and verification, contributions collection and reconciliation, the employer's help desk or other employer support, and communications with employers; and
- Associated project expenses.

All administrative expenses are accounted for on an accruals basis.

Oversight and governance costs

Oversight and governance expenses include the following costs:

- Investment advisory services (strategic allocation, manager monitoring etc.);
- Independent advisors to the pension fund;
- Operation and support of the pension fund committee (i.e. those charged with governance of the pension fund), local pensions board, or any other oversight body;

- Governance and voting services;
- Costs of compliance with statutory or non-statutory internal or external reporting (annual reports and accounts, etc.);
- Legal, actuarial and tax advisory services;
- Non-custodian accountancy and banking services; and
- Internal and external audit.

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

Investment management expenses

Investment management expenses are defined as any expenses incurred in relation to the management of pension fund assets and financial instruments entered into in relation to the management of fund assets. This includes expenses directly invoiced by investment managers, custody fees and any fees payable to fund managers which are deducted from fund assets. Transaction costs for all categories of investment, other than directly held property, are included within investment management expenses. All investment management expenses are accounted for on an accruals basis.

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

The fund has negotiated with a number of managers that an element of their fee be performance related.

Where an investment manager's fee note has not been received by the net assets statement date, an estimate based upon the market value of their mandate as at the end of the year is used for the inclusion in the fund account. In 2018/19, £0.7m of fees is based on such estimates (2017/18: £11.5m).

Net assets statement

Financial assets

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the code and IFRS13. For the purpose of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

The investments of the Fund are managed by the Local Pensions Partnership and, other than direct property holdings and a number of legacy assets, the investments have been transitioned into pools within the partnership. Lancashire County Council is a shareholder of the Local Pensions Partnership. The Fund does not have a direct investment in the partnership itself and no investment balance is included on the net asset statement of the Fund. The pooled investments are disclosed in more detail in note 13 and note 22 provides information on the transactions between the Fund and the partnership.

Freehold and leasehold properties

The properties were valued at open market value at 31 March 2019 by independent property valuers Avison Young in accordance with the Royal Institute of Chartered Surveyors' Valuation Global Standards 2017 (the Red Book). The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arms-length terms.

Foreign currency transactions

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

Loans and receivables

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

The Fund's loans and receivables comprise of trade and other receivables and cash deposits and are recognised in the net asset statement at amortised cost

Cash and cash equivalents

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

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

Financial liabilities

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

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 24).

Additional voluntary contributions

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

AVCs are not included in the Pension Fund accounts in accordance with section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in note 18.

Note 4 - Critical judgements in applying accounting policies

Pension Fund liability

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

Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments. They are inherently based on forward looking estimates and it is necessary to apply judgement to the valuation. Unquoted private equities and infrastructure investments are valued by the investment managers using the International Private Equity and Venture Capital Valuation Guidelines 2012.

Directly held property

The Fund's property portfolio includes directly owned properties which are leased commercially to various tenants. Under the classifications permitted by IAS7 and the Code, the Fund has determined that the tenant leases are operating leases. The risks and rewards of ownership of the properties remain with the Fund and therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account on a straight line basis over the life of the lease.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions are made taking into account historical experience, current trends and future expectations. The nature of estimation means that actual outcomes could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming year are set out in the following table.

Item	Uncertainties	Impact if actual results differ from assumptions
Private equity and infrastructure investments	Private equity and infrastructure investments are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2012 or equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The market value of private equity and infrastructure investments in the financial statements totals £1,796.5 m. There is a risk that these investments might be under or overstated in the accounts. Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.
Long-term credit investments	Long-term credit investments are valued as the Fund's percentage share of the independently audited Net Asset Value of each individual strategy as provided by the relevant manager. In some cases the underlying investments will be classified as level 3 investments, defined in note 16 as those investments for which valuation involves at least one input which is not based on observable market data.	The market value of long-term credit investments in the financial statements (excluding the investment in Heylo Housing Trust listed separately below) totals £1,134.1m. There is a risk that these investments might be under or overstated in the accounts. Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.
Loans secured on real assets	The Heylo Housing Trust loans are held at the best estimate of market value. The value is based on long term expectations of interest rates, inflation and credit spreads in the housing association sector. Exact market benchmarks for these estimates may not be easily observable.	The market value of housing authority loans to Heylo Housing Trust totals £352.0m in the financial statements. There is a risk that this may be under or overstated. Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.

Indirect property valuations	Indirect properties are valued at the current open market value as defined by the RICS Appraisal and Valuation Standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Indirect property investments in the financial statements total £124.0m. There is a risk that these investments may be under or overstated in the accounts. Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Mercer) is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.25% reduction in the discount rate assumption would increase the value of the liabilities by approximately £500m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £185m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £220m.

Note 6 - Contributions receivable

2017/18 £m	By category	2018/19 £m
56.5	**Members**	**58.7**
	Employers:	
221.3	Normal contributions [1]	96.8
89.9	Deficit recovery contributions [1]	11.4
7.2	Augmentation contributions [2]	4.0
318.4	**Total employers contributions**	**112.2**
374.9	**Total contributions receivable**	**170.9**
	By type of employer	
174.9	County Council [1]	57.8
176.5	Scheduled bodies [1]	93.1
23.5	Admitted bodies	20.0
374.9		**170.9**

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[1] Following the actuarial valuation in 2016, the Fund gave some employers the option of paying their 3 year future service rate and deficit contributions up front. A number of employers opted to do this and as a result the normal and deficit recovery contributions from the County Council and scheduled bodies for the year ended 31 March 2018 include 3 years contributions from these employers, amounting to £218.0m

[2] Augmentation contributions comprise additional pension benefits awarded by employers to scheme members in line with the general conditions of employment.

Within the employee contributions figure for 2018/19, £0.3m is voluntary and additional regular contributions (2017/18: £0.4m).

17.9	

Note 7 - Transfers in from other pension funds

2017/18		2018/19
£m		£m
11.5	Individual transfers in from other schemes	11.0
11.5		**11.0**

Note 8 - Benefits payable

2017/18		2018/19
£m	**By category**	£m
213.6	Pensions	226.5
35.1	Commutation and lump sum retirement benefits	43.0
6.1	Lump sum death benefits	5.8
254.8		**275.3**
	By type of employer	
107.1	County Council	116.4
126.5	Scheduled bodies	137.5
21.2	Admitted bodies	21.4
254.8		**275.3**

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Note 9 - Payments to and on account of leavers

2017/18		2018/19
£m		£m
0.6	Refunds to members leaving service	0.6
17.3	Individual transfers	15.8

Note 10 - Management expenses

2017/18		2018/19
£m		£m
3.8	Fund administrative costs	3.7
57.3	Investment management expenses[1]	71.7
1.3	Oversight and governance costs [1,2]	0.9
62.4		**76.3**

[1]£3.2m investment property management expenses have been reclassified from oversight and governance costs to investment management expenses in the 2017/18 comparatives.

[2] Oversight and governance costs above include external audit fees which amounted to £34,169 (2017/18: £34,169). Additional fees of £10,500 were paid to the external auditor for IAS19 assurance work on behalf of Fund employers within the PSAA regime.

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Investment management expenses

2017/18		2018/19
£m		£m
0.4	Transaction costs[1]	1.0
45.0	Fund value based management fees [2]	48.3
0.3	Transition fees	-
11.5	Performance related fees[3]	22.4
0.1	Custody fees	-
57.3		**71.7**

[1]Transaction costs are not directly invoiced to the Fund and are included within the net asset value of investments by investment managers. In accordance with CIPFA guidance these fees are identified and reported through the Fund account.

[2] Fund value based management fees include costs invoiced directly to the Fund by investment managers and fees accounted for by investment managers within net asset value and recognised in the fund account in accordance with CIPFA guidance. Fees are charged as a percentage of the value of assets held by each manager. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

[3]Performance related fees in the year ended 31 March 2018 included a non-recurring fee on global equities of £2.3m.

138.7	**Total investment income**

Note 11 - Investment income

2017/18		2018/19
£m		£m
3.3	Fixed interest securities	2.1
0.8	Index linked securities	-
103.4	Pooled investment vehicles	157.2
2.2	Pooled property investments	1.7
28.9	Net rents from properties	32.0
0.1	Interest on cash deposits	0.5

Note 12 - Property income

2017/18		2018/19
£m		£m
32.2	Rental income	36.7
(3.3)	Direct operating expenses	(4.7)
28.9	**Net income**	**32.0**

Note 13 - Reconciliation of movements in investments and derivatives

	Market value as at 1 April 2018	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in value during the year [1]	Market value as at 31 March 2019
	£m	**£m**	**£m**	**£m**	**£m**
Fixed interest securities	116.8	321.3	(329.1)	1.7	110.7
Index linked securities	178.0	122.2	(3.1)	(13.5)	283.6
Pooled investment vehicles	6,321.5	507.0	(496.3)	711.0	7,043.2
Pooled property investments	113.3	8.3		2.4	124.0
Direct property	715.5	34.8		11.6	761.9
	7,445.1	**993.6**	**(828.5)**	**713.2**	**8,323.4**
Other investment balances:					
Cash deposits	162.0				67.1
Investment income due	3.1				3.9
Net investment assets	**7,610.2**				**8,394.4**

[1] £781.5m on the face of the Fund account includes the change in market value of investments disclosed above (£713.2), plus profits and losses on disposals and changes in the market value of investments held within the pools.

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	Market value as at 1 April 2017	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value [1]	Market value as at 31 March 2018
	£m	£m	£m	£m	£m
Fixed interest securities	132.2	341.8	(351.3)	(5.9)	116.8
Index linked securities	127.1	1,940.4	(1,889.4)	(0.1)	178.0
Pooled investment vehicles	6,136.7	1,956.1	(1,879.5)	108.2	6,321.5
Pooled property investments	99.4	-	(0.1)	14.0	113.3
Direct property	637.0	43.0	(17.9)	53.4	715.5
	7,132.4	**4,281.3**	**(4,138.2)**	**169.6**	**7,445.1**
Other investment balances:					
Cash deposits	56.3				162.0
Investment accruals	2.7				3.1
Net investment assets	**7,191.4**				**7,610.2**

[1] £221.9m on the face of the Fund account includes the change in market value of investments disclosed above (£169.6m), plus profits and losses on disposals and changes in the market value of derivatives held within the pools.

Investments analysed by fund manager

31 March 2018			31 March 2019	
£m	% of net investment assets		£m	% of net investment assets
Investments managed by LPPI Private Equity Fund				
83.5	1.1%	Capital Dynamics	75.9	0.9%
37.1	0.5%	HGGC	67.6	0.8%
22.1	0.3%	Hermes GPE	38.5	0.5%
26.1	0.3%	Insight Venture Partners	38.0	0.5%
30.0	0.4%	Permira	35.3	0.4%

32.1	0.4%	Genstar Capital	33.6	0.4%
10.0	0.1%	Adveq TMC	25.7	0.3%
13.1	0.2%	Colbeck Capital Management	23.4	0.3%
17.4	0.2%	BV Investment Partners	22.3	0.3%
15.1	0.2%	Waterland	20.4	0.2%
14.1	0.2%	ECI Partners	18.8	0.2%
14.4	0.2%	Mid Europa Partners	17.6	0.2%
15.1	0.2%	CVC Capital Partners	17.2	0.2%
21.4	0.3%	Nordic Capital	16.8	0.2%
15.2	0.2%	Thoma Bravo	15.4	0.2%
9.6	0.1%	CBPE Capital	14.8	0.2%
10.0	0.1%	Advent Life Sciences	14.0	0.2%
16.5	0.2%	Apax Partners	14.0	0.2%
16.1	0.2%	Hg Capital	13.2	0.2%
10.8	0.1%	Rutland Fund Management	12.5	0.2%
7.5	0.1%	Endeavour Vision	12.0	0.1%
14.1	0.2%	Ironbridge Equity Partners	11.3	0.1%
13.2	0.2%	SL Capital Partners	10.9	0.1%
6.3	0.1%	NorthEdge Capital	9.9	0.1%
6.0	0.1%	Advent Venture Partners	9.8	0.1%
9.9	0.1%	Alpha Group	7.9	0.1%
6.1	0.1%	Littlejohn & Co	6.5	0.1%
6.0	0.1%	Advent International	5.7	0.1%
6.3	0.1%	Triton Partners	5.7	0.1%
7.0	0.1%	LPP internal managers	4.5	0.1%
6.5	0.1%	Chequers Capital	3.6	-
3.5	0.1%	Charterhouse Capital Partners	3.4	-
4.4	0.1%	Accent	3.0	-
-	-	True Capital	1.8	-

-	-	MCP	1.6	-
1.8	-	Abingworth Management	1.0	-
0.8	-	Private Equity Partners	0.8	-
1.8	-	EQT Partners	0.5	-
0.1	-	Italian Capital Management	0.1	-
531.0	**7.0%**		**635.0**	**7.6%**
Private equity investments managed outside of LPPI Private Equity Fund				
16.7	0.2%	Trilantic Capital Partners	15.4	0.2%
16.7	**0.2%**		**15.4**	**0.2%**
Investments managed by LPPI Credit Investments Fund				
200.4	2.6%	Prima Mortgage Investment Trust LLC	180.6	2.2%
114.8	1.5%	Bluebay	96.1	1.2%
-	-	Robeco	87.4	1.0%
73.8	1.0%	White Oak	78.8	0.9%
-	-	Primerica	70.3	0.8%
84.3	1.1%	Apollo	67.1	0.8%
61.9	0.8%	Venn Commercial Real Estate	66.7	0.8%
67.2	0.9%	King Street	59.2	0.7%
64.5	0.9%	Permira	49.3	0.6%
51.7	0.7%	Monarch	47.1	0.6%
38.5	0.5%	M&G	32.3	0.4%
37.2	0.5%	MFO King Street	29.3	0.3%
35.7	0.5%	Kreos	26.7	0.3%
10.4	0.1%	Muzinich Private Debt Fund	13.5	0.1%
14.4	0.2%	Blackrock	6.6	0.1%
8.5	0.1%	Westmill	6.6	0.1%
79.7	1.0%	LPPI internal managers	5.4	0.1%
128.1	1.7%	Pictet	-	-
1,071.1	**14.1%**		**923.0**	**11.0%**

Credit investments managed outside of LPPI Credit Investments Fund				
198.3	2.6%	Heylo Housing Trust	352.0	4.2%
138.0	1.8%	CRC	111.5	1.3%
56.6	0.7%	Neuberger Berman	52.1	0.6%
48.3	0.6%	Pimco Bravo	31.8	0.4%
31.2	0.4%	EQT	10.1	0.1%
18.8	0.3%	Hayfin	5.6	0.1%
491.2	**6.4%**		**563.1**	**6.7%**
Investments managed by LPPI Fixed Income Fund				
92.0	1.2%	PIMCO	157.6	1.9%
91.8	1.2%	Wellington	155.9	1.8%
-	-	LPPI internal managers	1.2	-
183.8	**2.4%**		**314.7**	**3.7%**
Liquid credit investments managed outside of LPPI Fixed Income Fund				
282.0	3.7%	LPPI internal and LCC Treasury Management	181.6	2.1%
282.0	**3.7%**		**181.6**	**2.1%**
Investments managed by LPPI Global Equities Fund				
1,306.2	17.2%	LPPI internal managers	1,531.8	18.3%
482.5	6.3%	Magellan	551.1	6.6%
469.0	6.2%	Robeco	548.8	6.5%
466.7	6.1%	First Eagle	540.4	6.4%
315.1	4.1%	Wellington	368.6	4.4%
174.9	2.3%	Baron	188.2	2.2%
-	-	MFS	0.5	-
-	-	Macquarie	0.2	-
3,214.4	**42.2%**		**3,729.6**	**44.4%**
Investments managed by LPPI Infrastructure Investments Fund				
84.2	1.1%	GLIL Infrastructure LLP	266.9	3.2%

95.0	1.2%	Guild Investments Limited	105.4	1.3%
111.4	1.5%	Elisandra Spain	102.1	1.2%
79.5	1.0%	Semperian PPP	93.6	1.1%
44.8	0.6%	ISquared Global Infrastructure	56.7	0.7%
47.2	0.6%	Global Infrastructure Partners	54.3	0.5%
61.6	0.8%	Cape Byron Infrastructure	41.6	0.5%
34.2	0.5%	Meridiam Infrastructure	41.6	0.5%
30.8	0.4%	ISQ Viridian	34.6	0.4%
32.7	0.4%	EQT Infrastructure	31.8	0.4%
35.6	0.5%	LPPI internal managers	29.9	0.4%
24.9	0.3%	Capital Dynamics	27.8	0.4%
20.7	0.3%	Stonepeak Infrastructure	24.2	0.3%
15.5	0.2%	Glennmont	9.0	0.1%
6.3	0.1%	Icon Infrastructure Partners	6.9	0.1%
3.0	0.1%	Stonepeak Claremont	3.9	-
727.4	**9.6%**		**930.3**	**11.1 %**
Infrastructure investments managed outside of LPPI Infrastructure Investments Fund				
104.6	1.4%	Arclight Energy	103.2	1.2%
77.1	1.0%	Icon Infrastructure Partners	55.6	0.7%
49.4	0.7%	Highstar Capital	31.5	0.4%
32.7	0.4%	Capital Dynamics Red Rose	25.5	0.3%
263.8	**3.5%**		**215.8**	**2.6%**
Property				
715.5	9.4%	Knight Frank	761.9	9.1%
46.0	0.6%	M&G Europe fund	47.9	0.6%
39.0	0.5%	Gatefold Hayes	40.3	0.5%
28.3	0.4%	Kames Target	28.3	0.3%
-	-	BaseCamp Real Estate Partners Ltd	7.4	0.1%
828.8	**10.9%**		**885.9**	**10.6%**

7,610.2	**100.0%**		**8,394.4**	**100.0%**

The following individual investments represent over 5% of the net assets of the fund.

31 March 2018			31 March 2019	
£m	% of total fund		£m	% of total fund
3,214.4	42.2%	LPPI Global Equity Fund	3,729.6	44.4%
727.4	9.6%	LPPI Infrastructure Fund	930.3	11.1%
1,071.1	14.1%	LPPI Credit Strategies Fund	923.0	11.0%
531.0	7.0%	LPPI Private Equity Fund	635.0	7.6%

Fixed interest securities

31 March 2018		31 March 2019
£m		£m
32.5	UK corporate bonds quoted	63.8
14.2	Overseas public sector	12.0
70.1	Overseas corporate bonds quoted	34.9
116.8		**110.7**

Index linked securities

31 March 2018		31 March 2019
£m		£m
178.0	UK quoted	283.6
178.0		**283.6**

Pooled investment vehicles

31 March 2018		31 March 2019
£m	**UK funds:**	**£m**
183.8	Fixed income funds	314.7
108.2	Private equity	137.0
760.1	Infrastructure	955.8
1,110.3	Long term credit investments	997.0
67.3	Property funds	68.6
	Overseas funds:	
242.8	Fixed income funds	195.3
439.5	Private equity	513.4
231.1	Infrastructure	190.3
31.2	Long term credit investments	10.1
3,214.4	Equity funds[1]	3,729.6
46.0	Property funds	55.4
6,434.7		**7,167.2**

[1]Equity funds are held in the LPPI Global Equity Fund which includes UK equities.

Direct property investments

31 March 2018		31 March 2019
£m		**£m**
601.8	UK – freehold	624.8
113.7	UK – long leasehold	137.1
715.5		**761.9**

Property holdings

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

Details of these directly owned properties are shown in the table.

31March 2018		31 March 2019
£m		£m
637.0	**Opening balance**	**715.5**
	Additions:	
18.3	• Purchases	3.4
15.5	• New construction	31.2
9.2	• Subsequent expenditure	0.9
(17.9)	Disposals	-
53.4	Net increase in market value	10.9
715.5	**Closing balance**	**761.9**

Operating leases

The Fund leases out property under operating leases. The table shows the future minimum lease payments receivable under non-cancellable leases in future years.

2017/18		2018/19
£m		£m
29.3	Leases expiring within one year	36.3
81.1	Leases expiring between one and five yea	
126.1	Leases expiring later than five years	
236.5	**Total future minimum lease payments cancellable leases**	

The above disclosures have been reduced by a credit loss allowance of 2.1 % per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This has been based on the Fund's own historic experience but also information on similar properties received from the Fund's property management agents.

There are no contingent rents as all rents are fixed until the next rent review (generally on 5 year review patterns) and then are either reviewed to market rent, a fixed uplift or in line with an index. The income is contractually secured against a wide range of tenants who in turn operate in a range of market sectors. Income is generally reviewed to market rent five yearly, and there is also an element of the portfolio income that is indexed or has fixed uplifts (generally being in the range of 2-4% per annum). The portfolio also features a number of vacant properties for which the future income depends on the terms agreed by tenants, and the investment manager is working with property managers to fill these voids.

Cash deposits

31 March 2018		31 March 2019
£m		**£m**
109.1	Sterling	43.5
52.9	Foreign currency	23.6
162.0		**67.1**

Note 14 - Financial instruments classification

The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading. Directly held property is excluded from this note.

31 March 2019

	Fair value through profit or loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	110.7		
Index linked securities	283.6		
Pooled investment vehicles	7,043.2		
Pooled property investments	124.0		
Cash deposits		67.1	
Investment accruals	3.9		
Debtors		22.0	
Total financial assets	**7,565.4**	**89.1**	
Financial liabilities			
Creditors			6.3
Total financial liabilities			**6.3**

31 March 2018

	Fair value through profit or loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	116.8		
Index linked securities	178.0		
Pooled investment vehicles	6,321.5		
Pooled property investments	113.3		
Cash deposits		162.0	
Investment accruals	3.1		
Debtors		23.5	
Total financial assets	**6,732.7**	**185.5**	

Financial liabilities			
Creditors			12.4
Total financial liabilities			**12.4**

Note 15 - Net gains and losses on financial instruments

The net gain on financial assets at fair value through profit and loss was £781.5m (2017/18: £221.9m) after adjusting for directly owned property.

Note 16 - Financial instruments – fair value hierarchy

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

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

Level 2

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

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

Level 3

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

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

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

Fair value hierarchy

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

31 March 2019

	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£m	£m	£m	£m
Financial assets at fair value through profit and loss	4,155.9	-	3,409.5	7,565.4
Loans and receivables	67.1	-	-	67.1
Non-financial assets at fair value through profit and loss (property holdings)	-	761.9	-	761.9
Net investment assets	**4,223.0**	**761.9**	**3,409.5**	**8,394.4**

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31 March 2018

	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£m	£m	£m	£m
Financial assets at fair value through profit and loss	3,399.4	116.9	3,216.4	6,732.7
Loans and receivables	162.0	-	-	162.0
Non-financial assets at fair value through profit and loss (property holdings)	-	715.5	-	715.5
Net investment assets	**3,561.4**	**832.4**	**3,216.4**	**7,610.2**

Basis of valuation

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled global equities	Level 1	Unadjusted quoted bid market prices.	Not required.	Not required.
Fixed income funds	Level 1	Unadjusted market values based on current yields.	Not required.	Not required.
Corporate and overseas government bonds	Level 2	Market approach – active 'over the counter' markets	Corroborative indicative quotes, interest rates, inflation.	Not required.
Direct property holdings	Level 2	Valuation performed by independent professional valuers Avison Young in accordance with Royal Institute of Chartered Surveyor's (RICS) Valuation Standards (9th edition).	Comparable recent market transactions on arm's length terms; general changes in property market prices; rental growth; vacant properties ;existing lease terms; nature of tenancies,	Not required.
Pooled property investments	Level 3	Current open market value in accordance with RICS Appraisal and Valuation Standards.	Unobservable fund net asset value.	Ability to exit fund; market opinion; general market movements.
Private equity, long term credit and infrastructure investments	Level 3	Annually at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012 or equivalent.	Discount rates, cash flow projections.	Material events occurring between the date of the financial statements provided and the pension fund's own reporting date; changes to expected cash flows; differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having consulted with the Fund's independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

Description of asset	Assessed valuation range[1]	Value at 31 March 2019	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Fixed income funds	-	198.2	198.2	198.2
Private equity funds	7.7%	650.3	700.4	600.2
Infrastructure funds	7.7%	1,146.1	1,234.3	1,057.9
Long term credit excluding index linked	7.7%	1,007.3	1,084.9	929.7
Index linked long term credit	-	283.6	283.6	283.6
Pooled property investments	4.0%	124.0	129.0	119.0
Level 3 investments		**3,409.5**	**3,630.4**	**3,188.6**

[1] All movements in the assessed valuation range derive from changes in the underlying profitability of component companies and investments.

Reconciliation of fair value measurements within level 3

	Fixed income funds	Private equity	Infrastructure funds	Long term credit investments	Property funds	Total level 3 investments
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Market value 1 April 2018	**244.8**	**547.7**	**991.2**	**1,319.4**	**113.3**	**3,216.4**
Purchases during the year and derivative payments	-	125.4	191.4	122.7	8.3	447.8
Sales during the year and derivative receipts	(62.8)	(124.9)	(90.7)	(221.0)	-	(499.4)
Unrealised gains / losses	3.1	40.9	4.0	41.3	2.4	91.7
Realised gains / losses	13.1	61.2	50.2	28.5	-	153.0
Market value 31 March 2019	**198.2**	**650.3**	**1,146.1**	**1,290.9**	**124.0**	**3,409.5**

Note 17 - Nature and extent of risks arising from financial instruments

Risk and risk management

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

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

Market risk

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

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

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

Other price risk

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

The Fund is exposed to share and derivatives price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risks are reasonably possible for the 2018/19 reporting period.

Asset type	Potential market movements (+/-)
Total bonds (including index linked)	6.7%
Total equities	9.8%
Alternatives	7.7%
Total property	4.0%

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

Asset type	31 March 2019	Potential market movements (+/-)	Potential value on increase	Potential value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total equities	4,380.0	9.8%	4,807.4	3,952.5
Alternatives	2,946.8	7.7%	3,173.7	2,720.0
Total property	886.0	4.0%	921.5	850.6
Total bonds (including index linked)	110.6	6.7%	118.0	103.2
Total assets available to pay benefits	**8,323.4**		**9,020.6**	**7,626.3**

Asset type	31 March 2018	Potential market movements (+/-)	Potential value on increase	Potential value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total bonds (including index linked)	132.7	7.2%	142.3	123.1
Total equities	3,762.1	9.6%	4,123.3	3,400.9
Alternatives	2,721.5	7.4%	2,922.9	2,520.1
Total property	828.8	3.9%	861.1	796.5
Total assets available to pay benefits	**7,445.1**		**8,049.6**	**6,840.6**

Interest rate risk

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

The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors. The Fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

31 March 2018	Asset type	31 March 2019
£m		£m
162.0	Cash and cash equivalents	67.1
162.0	**Total**	**67.1**

Interest rate risk - sensitivity analysis

The Fund has recognised that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy (1BPS = 0.01%). The Fund's investment advisor has advised that long–term average rates are expected to move less than 100 basis points for one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

		Impact of	
	31 March 2019	1% increase	1% decrease
Asset type	£m	£m	£m
Cash and cash equivalents	67.1	0.7	(0.7)
Total change in assets available		**0.7**	**(0.7)**

		Impact of	
	31 March 2018	1% increase	1% decrease
Asset type	£m	£m	£m
Cash and cash equivalents	162.0	1.6	(1.6)
Total change in assets available		**1.6**	**(1.6)**

Currency risk

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

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

The following table summarises the Fund's currency exposure as at 31 March 2019 and as at the previous year end.

31 March 2018 £m	Currency exposure – asset type	31 March 2019 £m
3,653.8	Overseas equities	4,243.0
505.2	Overseas alternatives	395.7
46.0	Overseas property	55.4
84.3	Overseas bonds (including index linked)	46.9
4,289.3	**Total overseas assets**	**4,741.0**

Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 8.0%.

An 8.0% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant (2017/18: 8.5%).

An 8.0% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value at 31 March 2019	Potential market movement +/- 8.0%	Value on increase	Value on decrease
	£m	£m	£m	£m
Overseas equities	4,243.0	341.1	4,584.1	3,901.9
Overseas alternatives	395.7	31.8	427.5	363.9
Overseas property	55.4	4.5	59.9	50.9
Overseas bonds (including index linked)	46.9	3.8	50.7	43.1
Total assets available to pay benefits	**4,741.0**	**381.2**	**5,122.2**	**4,359.8**

Currency exposure - asset type	Asset value at 31 March 2018	Potential market movement +/- 8.5%	Value on increase	Value on decrease
	£m	£m	£m	£m
Overseas bonds (including index linked)	84.3	7.2	91.5	77.1
Overseas equities	3,653.8	310.6	3,964.4	3,343.2
Overseas alternatives	505.2	42.9	548.1	462.3
Overseas property	46.0	3.9	49.9	42.1
Total assets available to pay benefits	**4,289.3**	**364.6**	**4,653.9**	**3,924.7**

Credit risk

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

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

Contractual credit risk is represented by the net payment or receipts that remain outstanding, and the cost of replacing the derivatives position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Credit risk on over-the-counter derivatives contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

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

The Fund's cash holding under its treasury management arrangements at 31 March 2019 was £67.1m (31 March 2018: £162.0m) and was held with the following institutions:

31 March 2018	Summary	Rating	31 March 2019
£m			£m
	Bank deposit accounts		
154.5	Northern Trust	A+	58.3
7.5	Svenska Handelsbanken	A+	7.6
	Cash float with property manager		
-	Barclays Bank Plc	A-	1.2
162.0	**Total**		**67.1**

Liquidity risk

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

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

The Fund has financial liabilities of £6.3m at 31 March 2019, all of which is due within one year.

Note 18 - Additional voluntary contributions (AVC)

Members participating in AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year. A summary of the information provided by Equitable Life and Prudential is shown below. (This summary has not been subject to Audit and the Pension Fund relies on the individual contributors to check deductions made on their behalf are accurately reflected in the statements provided by the AVC providers). The figures relate to the financial year 1 April 2018 to 31 March 2019 for Prudential and 1 September 2017 to 31 August 2018 for Equitable Life and are not included in the Pension Fund accounts in accordance with *Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016*

	Equitable Life	Prudential	Total
	£m	**£m**	**£m**
Value at start of the year	**0.7**	**27.3**	**28.0**
Income (incl. contributions, bonuses, interest and transfers in)	0.0	5.9	5.9
Expenditure (incl. benefits, transfers out and change in market value)	(0.1)	(4.2)	(4.3)
Value at the end of the year	**0.6**	**29.0**	**29.6**

Note 19 - Current assets

31 March 2018		31 March 2019
£m		**£m**
7.7	Contributions due – employers	8.0
6.3	Contributions due – members	4.9
9.4	Sundry debtors	9.1
23.4		**22.0**

31 March 2018 £m	
1.6	Unpaid benefits
10.8	Accrued expenses
12.4	

Note 20 – Current liabilities

Note 21 - Contractual commitments

As at 31 March 2019 the commitments relating to outstanding call payments due to unquoted limited partnership funds held in the private equity and infrastructure part of the portfolio totalled £566.2m (2018: £546.6m). The amounts 'called' by these funds are irregular in both size and timing and commitments to these partnerships are drawn down over a number of years. The term of a fund investment is typically 10 years. Realisation of these investments in the form of distributions normally occurs in the second half of the fund life, when portfolio companies have built value and can be sold.

Commitments to outstanding call payments for credit strategies stood at £190.9m (2018: £462.4m). The majority of these amounts are expected to be called over the coming two years and relate to various different investments including direct lending and distressed credit opportunities which are expected to begin repaying capital after 5 years. In order to maintain a steady level of investment in the long term, the Fund will enter into further commitments to fund this type of strategy over the coming years.

The commitments on direct property development contracts relating to properties under construction held in the direct property part of the portfolio totalled £21.9m (2018: £47.3m). These amounts are expected to be drawn down over the next 6 months based on valuation certificates.

During the year, the Fund has invested in an indirect real estate fund with an outstanding commitment of £22.0m as at 31 March 2019(2018: £0m).

Note 22 - Related party transactions

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

There are three groups of related parties; transactions between Lancashire County Council as administering authority and the Fund; between employers within the Fund and the Fund; and between members and senior officers and the Fund.

Lancashire County Council

The Lancashire County Pension Fund is administered by Lancashire County Council.

The Council incurred costs of £0.5m (2017/18: £0.6m) in relation to the administration of the Fund. This includes a proportion of relevant officers' salaries in respect of time allocated to pension and investment issues. The Council was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of the members of the Pension Fund and contributed £32.6m to the Fund in 2018/19. A contribution prepayment of £118m was received in 2017/18 for the years ending 31 March 2018, 2019 and 2020. Total employer contributions from the Council in 2017/18 amounted to £152m. All monies owing to and due from the Fund were paid in year.

Lancashire County Council is a shareholder in the Local Pensions Partnership (LPP), having an ownership in the company equal to that of the London Pension Fund Authority. LPP manages the investment and administration functions of the Fund and the Fund makes regular payments to LPP to cover investment management charges, scheme administration expenses, employer risk services and liability modelling. Payments made for the year to 31 March 2019 amount to £5.5m (2017/18: £6.8m).

Employers within the Fund

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 6 and in respect of March 2019 payroll, are included within the debtors figure in note 19.

Pension Fund Committee, Pensions Board and Senior Officers.

The Pension Fund Committee, Pensions Board members and senior officers of the Pension Fund were asked to complete a related party declaration for 2018/19 regarding membership of, and transactions with such persons or their related parties. No related party transactions were identified during the year to 31 March 2019.

Each member of the Pension Fund Committee and Pension Board formally considers conflicts of interest at each meeting.

Note 23 - Key management personnel

The key management personnel of the Fund are the Lancashire County Council Chief Executive and Director of Resources, the Lancashire County Council Director of Finance and the Head of Fund.

Total remuneration payable to key management personnel is set out below:

2018/19

	Employment period	Salary[1]	Employer Pension contributions[1]	Total including pension contributions[1]
		£	£	£
Head of Fund	01/04/18 – 31/03/19	56,667	8,557	65,224
Director of Finance	01/04/18 – 31/03/19	1,938	293	2,231
Chief Executive and Director of Resources	01/04/18 – 31/03/19	4,029	-	4,029

[1] The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work.

2017/18

	Employment period	Salary[1]	Employer Pension contributions[1]	Total including pension contributions[1]
		£	£	£
Head of Fund	01/04/17 – 31/03/18	54,699	8,228	62,927
Director of Financial Resources / Finance[3]	01/04/17 – 31/03/18	4,653	703	5,356
Chief Executive and Director of Resources [2]	03/01/18 – 31/03/18	874	-	874

[1] The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work.

[2] The Chief Executive and Director of Resources was a new post and was appointed on 3 January 2018.

[3] Following a restructure the role of Director of Financial Resources was replaced with Director of Finance during the year ended 31 March 2018.

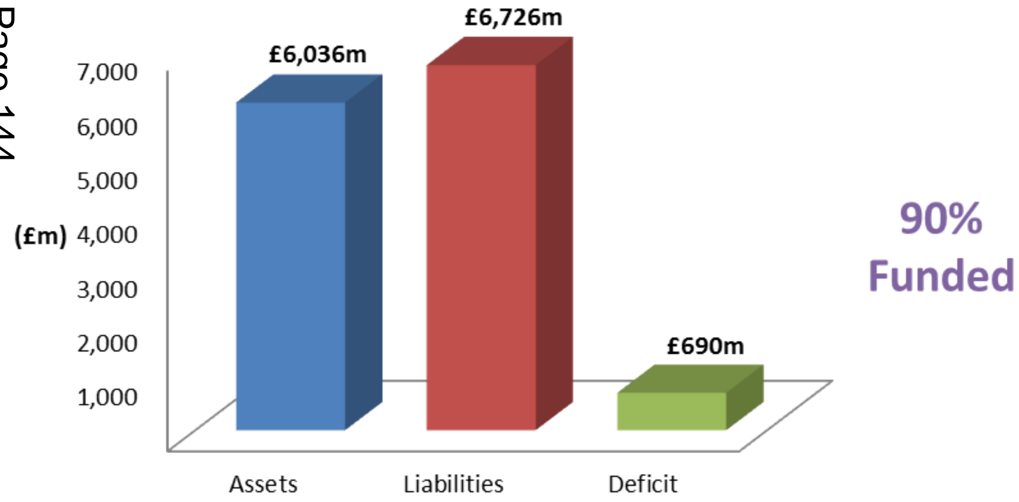
Note 24 - Funding arrangements

Accounts for the year ended 31 March 2019 - Statement by the Consulting Actuary

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

An actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £6,036 million represented 90% of the Fund's past service liabilities of £6,726 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £690 million.



The valuation also showed that a Primary contribution rate of 14.9% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 16 years, and the total initial recovery payment (the “Secondary rate”) for 2019/20 is approximately £46 million. The Secondary rate of the employer’s contribution is an adjustment to the Primary rate to arrive at the overall rate the employers are required to pay. For most employers, the Secondary rate will increase at 3.7% per annum. Finally, some employers have opted to prepay their contributions, either on an annual basis each April or by paying all 3 years’ contributions in April 2017. In each case, that contribution is reduced to reflect its earlier payment.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

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

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

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

	For past service liabilities (Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	4.4% per annum	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% per annum

* allowance was also made for short-term public sector pay restraint over a 4-year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2019 (the 31 March 2018 assumptions are included for comparison):

	31 March 2018	31 March 2019
Rate of return on investments (discount rate)	2.6% per annum	2.4% per annum
Rate of CPI Inflation / CARE Benefit revaluation	2.1% per annum	2.2% per annum
Rate of pay increases*	3.6% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension) / Deferred revaluation	2.2% per annum	2.3% per annum

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

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected rate of long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2%. Both of these factors served to increase the liabilities over the year.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £10,022 million. Interest over the year increased the liabilities by c£261 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£72 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). We have also included an amount of £64 million by way of an estimate of the effect of the McCloud judgement (see note below for further details). There was an increase in liabilities of £568 million due to "actuarial losses" (i.e. the effect of changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2019 is therefore £10,987 million.

The McCloud Case

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to "McCloud"), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government attempted to appeal the cases, but it was announced on 27 June 2019 that the appeal had been refused by the Supreme Court. Remedial action in the form of increases in benefits for some members of the Firefighter and Judicial arrangements will almost certainly be required. There may well also be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action. At this stage it is uncertain whether remedial action will be required, nor is it clear what the extent of any potential remedial action might be.

We have carried out some costings of the potential effect of McCloud as at 31 March 2019, based on the individual member data as supplied to us for the 2016 actuarial valuation, and this results in an additional liability of £64 million using the IAS26 assumptions outlined above. The approach to the calculations is as instructed by the administering authority after consideration of the categories of members potentially affected, but in very broad terms calculates the cost of applying a "final salary underpin" (on a member by member basis) to those active members who joined the Fund before 1 April 2012 and who would not otherwise have benefited from the underpin.

GMP Equalisation

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgement) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided further clarity in this area. However, in response to this judgement HM Treasury stated that "public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment", clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so we have not made any allowance for any additional liabilities within the above figures at this stage. However, in due course there may be a further cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

John Livesey

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

July 2019

Mark Wilson

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

July 2019

I Lancashire Local Pension Board Annual Report – 2018/19

The Lancashire County Pension Fund's Local Pension Board (LPB) has now been up and running for nearly four years. As a reminder to readers, our legal duty is to assist the Pension Fund Committee (PFC). Because LPB members explicitly represent either employers or members, we also have a representative role in the Fund's governance structure.

When they were set up in 2015, LPBs were new bodies and it has taken time to establish how we should fulfil our duties without duplicating the PFC's role. There is a wide variation in the effectiveness of LPBs across the country and the national Scheme Advisory Board will be conducting a survey into the operation of LPBs in 2019. Your LPB is seen as one of the leading models and I shall be contributing a response in order to spread what I regard as good practice.

We create an annual work plan to ensure that we are methodical in our activities. The core of our work is to review the reports and compliance assurances which support the Fund's activities and comment on them to the PFC. If we believe something requires particular attention, we may make a formal recommendation to them which requires a response. However, we are always aware that our role is to assist the PFC and a good relationship between the two bodies is absolutely essential.

In this report, I will start by reminding readers of the mechanics of the LPB; cover the training we undertake; and finally comment on our activities in the past twelve months, noting where we expect to focus our efforts in the next year.

Membership of the Pension Board

The LPB has nine members, four Employer representatives, four Scheme Member representatives and I act as the Independent Chair. Members serve an eight year term, except for the Chair who serves four. Apart from the Chair, none are remunerated other than for expenses incurred in attending meetings or training.

During the year we welcomed Keith Wallbank, who was appointed to fill a vacancy for a Scheme Member representative which had arisen in June 2018 and I have been reappointed by the County Council to serve as Chair for up to a further four years.

The LPB meets four times a year and we additionally create informal groups if we feel they are needed. Members attend training events both in Preston and elsewhere. In my capacity as Chair I am also invited to attend meetings of the Pension Fund Committee to present reports and advise on the work of the Board. I have attended three out of the four Committees held over the past year.

Attendance of Board members at meetings of the Pension Board

Details of individual members' attendance at Board meetings (between 1 May 2018 and 30 April 2019), together with changes to the membership of the Board, are set out below.

Name	Representing	3rd July 2018	16th October 2018	29th January 2019	30th April 2019
W Bourne	Chair	✓	✓	✓	✓
T Pounder	Employer rep - LCC	apologies	✓	✓	✓
County Councillor C Wakeford	Employer rep - LCC	✓	✓	✓	✓
S Thompson	Employer – Unitary, City, Borough, Police & Fire	✓	✓	✓	✓
C Gibson	Employer rep - Others	apologies	✓	apologies	✓
K Haigh	Scheme Member rep	✓	✓	✓	✓
R Harvey	Scheme Member rep	✓	✓	apologies	✓
Y Moult	Scheme Member rep	apologies	✓	✓	✓
K Wallbank	Scheme Member rep	N/A	✓	✓	✓
Change to the membership of the Board K Wallbank appointed in October 2018 to fill a scheme member representative vacancy which arose in June 2018.					

Training
The Board has a small internal budget, which is used primarily for Members' attendance at training events or conferences. During the year £10,474.66 was spent running the Board and training.

The LPB is under a legal obligation to maintain its levels of knowledge and understanding through regular training. We conduct a gap analysis of training needs once a year as part of our own annual appraisal, which becomes an agenda item at our next meeting and have all committed to completing the online training modules from The Pension Regulator's Public Service toolkit. Members are actively encouraged to join internal training sessions held jointly with the members of the Pension Fund Committee. During the year, internal training workshops were held on a number of topics including cyber resilience, infrastructure, property, the triennial fund valuation and responsible investment. Members are also notified of and encouraged to attend external training conferences/event to extend their knowledge and meet LPB members from other funds.

The table below shows the number of training events which individual Board members attended during the period 1 May 2018 to 30 April 2019, and those who have completed online modules from The Pension Regulators Public Service Toolkit.

Name	Internal events	External events	Online modules
W Bourne	0	2	7
County Councillor C Wakeford	0	0	0
T Pounder	2	1	0
S Thompson	1	1	0
C Gibson	0	1	0
K Haigh	6	1	3
R Harvey	4	0	0
Y Moult	3	2	7
K Wallbank	4	0	0
D Owen	1	0	0

Further information about the Board, including minutes and public papers, can be viewed on the Your Pension Service website.

Activities during the year

A year ago I expected the focus to be largely on the LPB's core scrutinising role. In particular I said we would monitor improvements expected from the Administration Transformation Plan, as well as the governance processes over LPP (Local Pensions Partnership, the entity created with the London Pension Fund Authority to perform the Fund's investment and administration activities). The Fund's ability to fulfil its fiduciary duty and thereby pay pensions in full and on time depends critically on LPP providing an effective service to it.

In practice, we have spent more time than we had envisaged on the changes to the administration service. The LPB was fully supportive of the concept behind the plan but did, in 2017, recommend a risk assessment ahead of its implementation date. With hindsight, had this been done and acted on it might have prevented many of the problems the service encountered in the first half of this year.

We have consequently been actively involved in engaging LPP, both through recommendations to the PFC and on occasion directly, to ensure that client service quality is given priority. We have also been carefully monitoring the recovery of service levels since the implementation of the Administration Plan. At our January 2019 meeting, we set up an informal advisory group together with LPP and officers to assist by providing feedback from the employers' and members' perspectives. We are aware that there is more work to be done to improve the client experience but at the same time remain firmly behind LPP's ambition to use the combination of the two administration services as an opportunity to change things for the better.

I noted last year an external review of LPP's effectiveness, which had been commissioned after two years' operation to provide third-party assurance that it is indeed cost-effective for both funds. The report by PwC was duly delivered but was perhaps too early in LPP's life to provide a definitive answer to the question. The LPB will remain vigilant on this front because LPP's role is so important to the smooth running of the Fund.

With the next valuation due as of 31 March 2019, communication and engagement will remain at the forefront of our work in the next year. Valuations almost always involve changes to employer contributions and effective communication to manage expectations is essential.

I comment next on some of our more routine scrutinising work. At every meeting, we look at any breaches of the regulations and at the key performance indicators in detail. One of our objectives for next year is to review the KPIs to ensure they properly reflect the experience of Fund members. This will help us in our aim of assisting the PFC in monitoring LPP's performance effectively.

During the year we also reviewed and commented on a wide range of documents. These included statutory documents such as the Administration, Investment and Governance Strategy statements, as well as policies such as that on responsible investment and climate change. We also looked for assurance that the Fund is compliant with The Pension Regulator's Code 14 and CIPFA's guidance, as well as internal and external audit requirements. Looking forward to the next year, we expect to be able to spend more of our time on this basic scrutiny. The regulations governing the LGPS are complex and varied, and the LPB's second pair of eyes provides the PFC with a valuable check to ensure that the Fund is fully compliant.

Your Fund is, in my view, currently in a good position. The funding level at 31 March 2019 is likely to be not too far off 100% and fund governance, which is the LPB's major concern, is seen as a market leader in many respects within the LGPS. This can be expected to result in a good outcome for stakeholders i.e. that all pensions are paid in full and on time while employers' contributions are kept no higher than they need be. The LPB is looking forward to being part of the process of continuing to seek improvements, particularly as regards administration service quality.

I would like once again to thank the officers at LCPF who support us in our duties. As part of our annual Board appraisal I speak individually to each member, and I can again record unanimous agreement that we are ably and effectively supported by the team at LCPF. In my view it is important that we recognise that publicly in this report.

William Bourne
Independent Chair of the Lancashire Local Pension Board
April 2019

J Actuarial Valuation

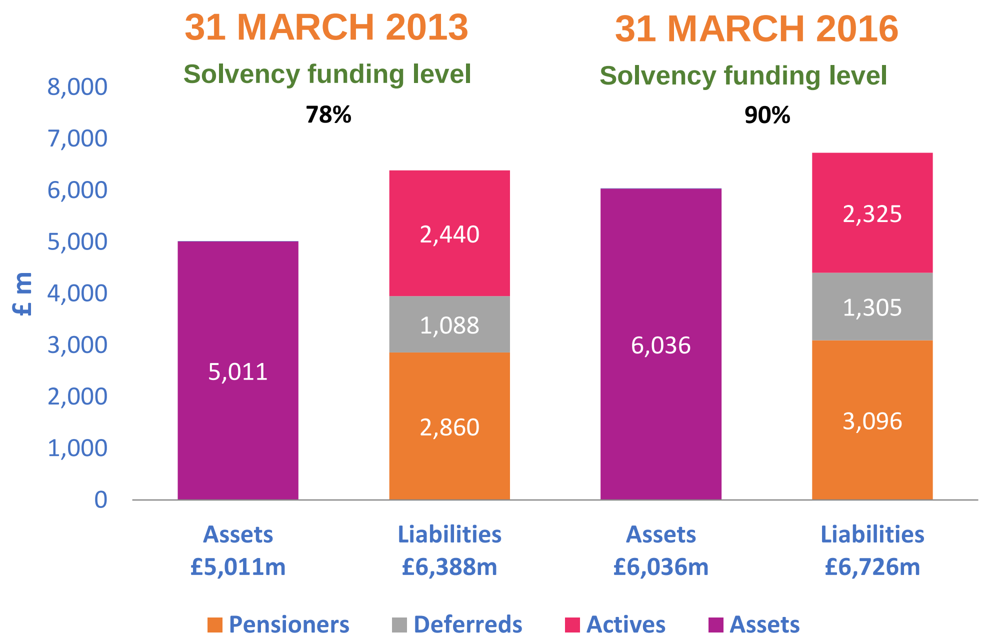
An actuarial valuation of the Fund is carried out every three years by the Fund's actuary Mercer. The most recent valuation carried out was at 31 March 2016 which determines contribution rates effective from 1 April 2017 to 31 March 2020.

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

The FSS specifies an average period for achieving full funding of 16 years. The FSS sets out the circumstances in which this may vary from one employer to another Where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put into place which requires additional contributions to correct the shortfall.

The valuation (effective from 1 April 2017) revealed a funding level of 90% and an average employer's contribution rate of 14.9% plus a deficit contribution in 2017/18 of £41.5m. For most employers the deficit contribution will increase at 3.7% per annum for 16 years.

The chart below, taken from the certified actuarial valuation as at 31 March 2016, compares the assets and liabilities of the Fund at 31 March 2016. Figures are also shown for the last valuation as at 31 March 2013 for comparison.



The employer contributions for 2017/18 are based on the 2016 valuation and the recommended employer contributions for the period 1 April 2017 to 31 March 2020 are set out in the Schedule to the Rates and Adjustments of this report.

The projected unit method of valuation was used for the valuation and is in common use for funding Pension Funds in the United Kingdom. The Valuation results depend on financial and demographic assumptions and these are detailed in full in the Actuarial Valuation and at Appendix 1 of the Funding Strategy Statement. Your Pension Service - Lancashire Fund Information

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

RATES AND ADJUSTMENTS CERTIFICATE ISSUED IN ACCORDANCE WITH REGULATION 62

NAME OF FUND	Lancashire County Pension Fund

PRIMARY CONTRIBUTION RATE

I hereby certify that, in my opinion, the primary rate of the employers' contribution for the whole Fund for each of the three years beginning 1 April 2017 is 14.9% of pensionable pay.

The primary rate of contribution for each employer for the three year period beginning 1 April 2017 is set out in the attached schedule.

SECONDARY CONTRIBUTION RATE

I hereby certify that, in my opinion, the secondary rate of the employer's contribution for the whole Fund for each of the three years beginning 1 April 2017 is as follows:

2017/18	£36.0 million plus 0.6% of pensionable pay
2018/19	£37.1 million plus 0.7% of pensionable pay
2019/20	£38.1 million plus 0.9% of pensionable pay

The secondary rate of contribution for each employer for each of the three years beginning 1 April 2017 is set out in the attached schedule.

CONTRIBUTION AMOUNTS PAYABLE

The total contribution payable for each employer is the total of the primary and secondary rates as detailed in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) unless otherwise noted in the schedule.

FURTHER ADJUSTMENTS

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

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

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

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

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

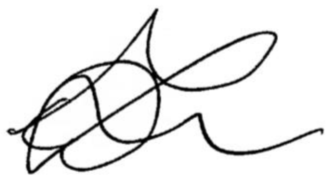
REGULATION 62(8)

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

Signature: 

Name: John Livesey

Qualification: Fellow of the Institute and Faculty of Actuaries

Signature: 

Name: Mark Wilson

Qualification: Fellow of the Institute and Faculty of Actuaries

Date of signing: 31 March 2017

SCHEDULE TO THE RATES AND ADJUSTMENTS CERTIFICATE DATED 31 MARCH 2017

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Major authorities							
Blackburn with Darwen Borough Council	14.8%	-2.4% plus £4,773,000	-1.4% plus £4,773,000	£4,857,500	12.4% plus £4,773,000	13.4% plus £4,773,000	14.8% plus £4,857,500
Blackpool Borough Council	14.8%	*£3,315,200	*£4,087,500	*£4,501,400	14.8% plus *£3,315,200	14.8% plus *£4,087,500	14.8% plus *£4,501,400
Burnley Borough Council	15.4%	*£1,379,800	*£1,370,600	*£1,361,400	15.4% plus *£1,379,800	15.4% plus *£1,370,600	15.4% plus *£1,361,400
Chorley Borough Council	14.4%	£790,500	£840,500	£966,300	14.4% plus £790,500	14.4% plus £840,500	14.4% plus £966,300
Fylde Borough Council	15.2%	*£583,800	*£579,900	*£576,000	15.2% plus *£583,800	15.2% plus *£579,900	15.2% plus *£576,000
Hyndburn Borough Council	15.3%	12.7%	12.7%	12.7%	28%	28%	28%
Lancashire Chief Constable	14.0%	**£1,791,700	**£1,858,000	**£1,926,700	14% plus **£1,791,700	14% plus **£1,858,000	14% plus **£1,926,700
Lancashire County Council - excluding schools	15.1%	*£9,534,200	*£9,470,300	*£9,406,900	15.1% plus *£9,534,200	15.1% plus *£9,470,300	15.1% plus *£9,406,900
Lancashire County Council schools	15.1%	4.7%	4.8%	4.9%	19.8%	19.9%	20.0%
Lancashire Fire & Rescue Service	14.7%	***(£312,700)	***(£324,300)	***(£336,300)	14.7% less ***£312,700	14.7% less ***£324,300	14.7% less ***£336,300
Lancaster City Council	15.5%	*£945,900	*£939,600	*£933,300	15.5% plus *£945,900	15.5% plus *£939,600	15.5% plus *£933,300

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Pendle Borough Council	15.5%	*£1,219,900	*£1,211,700	*£1,203,600	15.5% plus *£1,219,900	15.5% plus *£1,211,700	15.5% plus *£1,203,600
Preston City Council	15.4%	*£1,409,100	*£1,399,700	*£1,390,300	15.4% plus *£1,409,100	15.4% plus *£1,399,700	15.4% plus *£1,390,300
Ribble Valley Borough Council	16.5%	**£173,500	**£179,900	**£186,500	16.5% plus **£173,500	16.5% plus **£179,900	16.5% plus **£186,500
Rossendale Borough Council	15.6%	*£996,900	*£990,200	*£983,600	15.6% plus *£996,900	15.6% plus *£990,200	15.6% plus *£983,600
South Ribble Borough Council	14.9%	**£547,200	**£567,500	**£588,400	14.9% plus **£547,200	14.9% plus **£567,500	14.9% plus **£588,400
West Lancashire District Council	16.3%	*£985,600	*£979,000	*£972,400	16.3% plus *£985,600	16.3% plus *£979,000	16.3% plus *£972,400
Wyre Borough Council	15.8%	*£707,700	*£702,900	*£698,200	15.8% plus *£707,700	15.8% plus *£702,900	15.8% plus *£698,200

Other scheme employers							
Accrington & Rossendale College	15.1%	£269,300	£279,200	£289,600	15.1% plus £269,300	15.1% plus £279,200	15.1% plus £289,600
Blackburn College	14.2%	£82,800	£85,900	£89,000	14.2% plus £82,800	14.2% plus £85,900	14.2% plus £89,000
Blackburn St Mary's College	14.6%	£9,100	£9,400	£9,800	14.6% plus £9,100	14.6% plus £9,400	14.6% plus £9,800
Blackpool & The Fylde College	14.4%	£192,600	£199,700	£207,100	14.4% plus £192,600	14.4% plus £199,700	14.4% plus £207,100
Blackpool Coastal Housing	13.9%	-1.9%	-1.9%	-1.9%	12%	12%	12%
Blackpool Housing Company Ltd	13.4%	-0.1%	-0.1%	-0.1%	13.3%	13.3%	13.3%
Blackpool Sixth Form College	12.1%	-0.3%	-0.3%	-0.3%	11.8%	11.8%	11.8%

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Burnley College	13.2%	£124,900	£129,500	£134,300	13.2% plus £124,900	13.2% plus £129,500	13.2% plus £134,300
Cardinal Newman College	13.9%	£49,400	£51,200	£53,100	13.9% plus £49,400	13.9% plus £51,200	13.9% plus £53,100
County Councils Network	5.2%	£700	£700	£800	5.2% plus £700	5.2% plus £700	5.2% plus £800
Edge Hill University	14.3%	£780,300	£809,200	£839,100	14.3% plus £780,300	14.3% plus £809,200	14.3% plus £839,100
Lancaster & Morecambe College	15.3%	£121,300	£125,800	£130,400	15.3% plus £121,300	15.3% plus £125,800	15.3% plus £130,400
Myerscough College	14.2%	£165,800	£171,900	£178,300	14.2% plus £165,800	14.2% plus £171,900	14.2% plus £178,300
Nelson and Colne College	14.0%	£50,700	£52,500	£54,500	14% plus £50,700	14% plus £52,500	14% plus £54,500
Police & Crime Commissioner	13.9%	£3,800	£3,900	£4,100	13.9% plus £3,800	13.9% plus £3,900	13.9% plus £4,100
Preston College	13.3%	£259,900	£269,500	£279,500	13.3% plus £259,900	13.3% plus £269,500	13.3% plus £279,500
Runshaw College	15.7%	£86,000	£89,200	£92,500	15.7% plus £86,000	15.7% plus £89,200	15.7% plus £92,500
University of Central Lancashire	14.3%	£949,800	£984,900	£1,021,400	14.3% plus £949,800	14.3% plus £984,900	14.3% plus £1,021,400

Designated / Resolution body							
Blackpool Transport Services Ltd	23.1%	-23.1%	-23.1%	-23.1%	0%	0%	0%
Catterall Parish Council	25.3%	Nil	Nil	Nil	25.3%	25.3%	25.3%
Darwen Town Council	15.9%	Nil	Nil	Nil	15.9%	15.9%	15.9%
Garstang Town Council	17.5%	Nil	Nil	Nil	17.5%	17.5%	17.5%
Habergham Eaves Parish Council	15.8%	Nil	Nil	Nil	15.8%	15.8%	15.8%
Kirkland Parish Council	25.2%	-0.7%	-0.7%	-0.7%	24.5%	24.5%	24.5%
Lancs Sports Partnership Ltd	10.9%	-0.6%	-0.6%	-0.6%	10.3%	10.3%	10.3%
Marketing Lancashire Ltd	12.6%	-1.1%	-1.1%	-1.1%	11.5%	11.5%	11.5%

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Morecambe Town Council	19.2%	-1.2%	-1.2%	-1.2%	18%	18%	18%
Old Laund Booth Parish Council	15.9%	Nil	Nil	Nil	15.9%	15.9%	15.9%
Penwortham Town Council	15.8%	-3.4%	-3.4%	-3.4%	12.4%	12.4%	12.4%
Pilling Parish Council	27.6%	£100	£100	£100	27.6% plus £100	27.6% plus £100	27.6% plus £100
Preesall Town Council	23.2%	£100	£100	£100	23.2% plus £100	23.2% plus £100	23.2% plus £100
Rossendale Transport Ltd.	25.6%	Nil	Nil	Nil	25.6%	25.6%	25.6%
St Anne's on Sea Town Council	17.0%	£1,100	£1,100	£1,200	17% plus £1,100	17% plus £1,100	17% plus £1,200
The Lancashire Colleges Ltd	17.8%	-3.7%	-3.7%	-3.7%	14.1%	14.1%	14.1%
Whittle-le-woods Parish Council	17.0%	Nil	Nil	Nil	17%	17%	17%
Whitworth Town Council	12.8%	£2,200	£2,200	£2,300	12.8% plus £2,200	12.8% plus £2,200	12.8% plus £2,300
Academies / schools							
Academy at Worden	14.6%	£13,400	£13,900	£14,400	14.6% plus £13,400	14.6% plus £13,900	14.6% plus £14,400
Accrington Academy	14.3%	-2.9%	-2.9%	-2.9%	11.4%	11.4%	11.4%
Albany Science College (Academy)	16.2%	£23,800	£24,700	£25,600	16.2% plus £23,800	16.2% plus £24,700	16.2% plus £25,600
All Saints CE Primary School (Academy)	14.1%	£16,200	£16,800	£17,400	14.1% plus £16,200	14.1% plus £16,800	14.1% plus £17,400
Anchorsholme Academy	16.0%	£34,900	£36,200	£37,500	16% plus £34,900	16% plus £36,200	16% plus £37,500
ANWET - Darwen Aldridge Community Academy	14.3%	-2%	-2%	-2%	12.3%	12.3%	12.3%
ANWET - Darwen Vale Academy	15.1%	£64,600	£67,000	£69,500	15.1% plus £64,600	15.1% plus £67,000	15.1% plus £69,500
ANWET - Sudell PS Academy	19.1%	£18,300	£19,000	£19,700	19.1% plus £18,300	19.1% plus £19,000	19.1% plus £19,700

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Bacup and Rawtenstall Grammar School (Academy)	14.8%	£22,600	£23,400	£24,300	14.8% plus £22,600	14.8% plus £23,400	14.8% plus £24,300
Belthorn Primary Academy	18.6%	£7,300	£7,600	£7,900	18.6% plus £7,300	18.6% plus £7,600	18.6% plus £7,900
BFET (Marton Primary Academy)	16.3%	£22,800	£23,600	£24,500	16.3% plus £22,800	16.3% plus £23,600	16.3% plus £24,500
BFET (South Shore Academy)	14.9%	£48,200	£50,000	£51,800	14.9% plus £48,200	14.9% plus £50,000	14.9% plus £51,800
Bishop Rawstorne C of E High Academy	17.5%	£28,500	£29,600	£30,600	17.5% plus £28,500	17.5% plus £29,600	17.5% plus £30,600
Blackpool MAT (Revoe)	14.6%	£47,500	£49,300	£51,100	14.6% plus £47,500	14.6% plus £49,300	14.6% plus £51,100
Blessed Edward MAT (Christ)	16.3%	£11,900	£12,300	£12,800	16.3% plus £11,900	16.3% plus £12,300	16.3% plus £12,800
Blessed Edward MAT (St Cuthbert)	15.3%	£24,900	£25,800	£26,800	15.3% plus £24,900	15.3% plus £25,800	15.3% plus £26,800
Blessed Edward MAT (St Mary's)	15.5%	£46,500	£48,200	£50,000	15.5% plus £46,500	15.5% plus £48,200	15.5% plus £50,000
Bowland High Academy Trust	17.6%	£29,000	£30,100	£31,200	17.6% plus £29,000	17.6% plus £30,100	17.6% plus £31,200
Cidari Ed Ltd (Marsden St John)	17.0%	£9,600	£10,000	£10,400	17% plus £9,600	17% plus £10,000	17% plus £10,400
Cidari Edu Ltd (Baines Endowed)	12.7%	£39,300	£40,800	£42,300	12.7% plus £39,300	12.7% plus £40,800	12.7% plus £42,300
Cidari Education Trust	8.8%	£2,400	Nil	Nil	8.8% plus £2,400	8.8%	8.8%
Cidari Education Ltd (St Aidans)	14.0%	£17,100	£17,700	£18,400	14% plus £17,100	14% plus £17,700	14% plus £18,400
Cidari Education Ltd (St Barnabas)	16.2%	£20,100	£20,800	£21,600	16.2% plus £20,100	16.2% plus £20,800	16.2% plus £21,600
Cidari Education Ltd (St James)	13.8%	£17,300	£17,900	£18,600	13.8% plus £17,300	13.8% plus £17,900	13.8% plus £18,600
Clitheroe Royal Grammar School (Academy)	16.7%	£58,000	£60,100	£62,400	16.7% plus £58,000	16.7% plus £60,100	16.7% plus £62,400
CSCST (Burnley High Free School)	13.6%	£300	£300	£300	13.6% plus £300	13.6% plus £300	13.6% plus £300
Devonshire Academy	15.7%	£36,900	£38,300	£39,700	15.7% plus £36,900	15.7% plus £38,300	15.7% plus £39,700
Education Partnership Trust (Coal Clough)	17.6%	£20,000	£20,700	£21,500	17.6% plus £20,000	17.6% plus £20,700	17.6% plus £21,500
Education Partnership Trust (Eden School)	10.7%	£1,400	£1,500	£1,600	10.7% plus £1,400	10.7% plus £1,500	10.7% plus £1,600
Education Partnership Trust (Pleckgate HS)	15.9%	£66,200	£68,600	£71,200	15.9% plus £66,200	15.9% plus £68,600	15.9% plus £71,200

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
FACT (Unity Academy)	13.5%	£59,500	£61,700	£64,000	13.5% plus £59,500	13.5% plus £61,700	13.5% plus £64,000
FCAT (Aspire Academy)	17.1%	£48,500	£50,300	£52,200	17.1% plus £48,500	17.1% plus £50,300	17.1% plus £52,200
FCAT (Montgomery HS Academy)	14.3%	£55,000	£57,000	£59,100	14.3% plus £55,000	14.3% plus £57,000	14.3% plus £59,100
Fulwood Academy	15.2%	-3.9%	-3.9%	-3.9%	11.3%	11.3%	11.3%
Fylde Coast Academy Trust	13.4%	£1,500	£1,600	£1,600	13.4% plus £1,500	13.4% plus £1,600	13.4% plus £1,600
Garstang Community Academy	17.9%	£27,900	£28,900	£30,000	17.9% plus £27,900	17.9% plus £28,900	17.9% plus £30,000
Hambleton Primary Academy	13.6%	£6,800	£7,100	£7,300	13.6% plus £6,800	13.6% plus £7,100	13.6% plus £7,300
Hawe Side Primary School	15.6%	£17,500	£18,100	£18,800	15.6% plus £17,500	15.6% plus £18,100	15.6% plus £18,800
Hodgson Academy	17.5%	£43,400	£45,000	£46,700	17.5% plus £43,400	17.5% plus £45,000	17.5% plus £46,700
Lancashire Care Foundation	20.1%	-5%	-5%	-5%	15.1%	15.1%	15.1%
Lancaster Girls Grammar School (Academy)	15.5%	£41,900	£43,400	£45,000	15.5% plus £41,900	15.5% plus £43,400	15.5% plus £45,000
Lancaster Royal Grammar School (Academy)	17.9%	£66,500	£69,000	£71,500	17.9% plus £66,500	17.9% plus £69,000	17.9% plus £71,500
Langdale Free School	15.4%	Nil	Nil	Nil	15.4%	15.4%	15.4%
Lostock Hall Academy Trust	17.2%	£30,100	£31,200	£32,400	17.2% plus £30,100	17.2% plus £31,200	17.2% plus £32,400
Maharishi School (Free School)	18.4%	-0.1%	-0.1%	-0.1%	18.3%	18.3%	18.3%
Moorside Community PS Academy	14.8%	£10,800	£11,200	£11,600	14.8% plus £10,800	14.8% plus £11,200	14.8% plus £11,600
Norbreck Primary Academy	15.0%	£18,400	£19,100	£19,800	15% plus £18,400	15% plus £19,100	15% plus £19,800
Parbold Douglas CE Academy	16.1%	£9,700	£10,100	£10,400	16.1% plus £9,700	16.1% plus £10,100	16.1% plus £10,400
Park Academy	13.2%	£55,300	£57,300	£59,500	13.2% plus £55,300	13.2% plus £57,300	13.2% plus £59,500
Parklands High School (Academy)	14.6%	£25,900	£26,800	£27,800	14.6% plus £25,900	14.6% plus £26,800	14.6% plus £27,800
Pendle Education Trust (Colne Primet)	17.5%	£14,200	£14,700	£15,300	17.5% plus £14,200	17.5% plus £14,700	17.5% plus £15,300
Pendle Education Trust (Castercliff)	17.2%	£24,900	£25,800	£26,800	17.2% plus £24,900	17.2% plus £25,800	17.2% plus £26,800
Pendle Education Trust (Walter Street Primary School)	15.5%	£14,700	£15,200	£15,800	15.5% plus £14,700	15.5% plus £15,200	15.5% plus £15,800
Penwortham Priory Academy	15.4%	£17,100	£17,700	£18,300	15.4% plus £17,100	15.4% plus £17,700	15.4% plus £18,300
Queen Elizabeth's Grammar School	16.1%	£67,100	£69,600	£72,200	16.1% plus £67,100	16.1% plus £69,600	16.1% plus £72,200

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Ripley St Thomas C of E Academy	17.6%	£43,000	£44,600	£46,200	17.6% plus £43,000	17.6% plus £44,600	17.6% plus £46,200
Roseacre Primary Academy	15.3%	£23,100	£24,000	£24,800	15.3% plus £23,100	15.3% plus £24,000	15.3% plus £24,800
St Christopher's C of E high School (Academy)	16.1%	£88,000	£91,300	£94,600	16.1% plus £88,000	16.1% plus £91,300	16.1% plus £94,600
St Georges Academy	15.1%	£39,200	£40,700	£42,200	15.1% plus £39,200	15.1% plus £40,700	15.1% plus £42,200
St Luke and St Philip (Academy)	14.7%	£28,100	£29,100	£30,200	14.7% plus £28,100	14.7% plus £29,100	14.7% plus £30,200
St Michael's C of E High School (Academy)	16.5%	£45,600	£47,200	£49,000	16.5% plus £45,600	16.5% plus £47,200	16.5% plus £49,000
St Wilfrid's C of E Academy	13.9%	£91,900	£95,300	£98,800	13.9% plus £91,900	13.9% plus £95,300	13.9% plus £98,800
Tarleton Academy	14.9%	£29,400	£30,500	£31,600	14.9% plus £29,400	14.9% plus £30,500	14.9% plus £31,600
Tauheedul Education Trust	11.2%	-1.1%	-1.1%	-1.1%	10.1%	10.1%	10.1%
Tauheedul ET (Eden BS Preston)	10.8%	£900	Nil	Nil	10.8% plus £900	10.8%	10.8%
Tauheedul ET (Eden GS Birmingham)	10.1%	Nil	Nil	Nil	10.1%	10.1%	10.1%
Tauheedul ET (Eden GS Slough)	12.2%	£100	Nil	Nil	12.2% plus £100	12.2%	12.2%
Tauheedul ET (Olive Blackburn)	8.5%	-1%	-1%	-1%	7.5%	7.5%	7.5%
Tauheedul ET (Olive London)	8.3%	-1.1%	-1.1%	-1.1%	7.2%	7.2%	7.2%
Tauheedul ET Eden BS Bolton FS	14.2%	£100	£100	£100	14.2% plus £100	14.2% plus £100	14.2% plus £100
Tauheedul ET Eden GS Coventry	8.6%	-0.3%	-0.3%	-0.3%	8.3%	8.3%	8.3%
Tauheedul ET Eden GS Waltham	11.6%	£1,300	£1,300	£1,400	11.6% plus £1,300	11.6% plus £1,300	11.6% plus £1,400
Tauheedul ET Islam Girls HS	16.1%	£17,900	£18,600	£19,200	16.1% plus £17,900	16.1% plus £18,600	16.1% plus £19,200
Tauheedul Islam Boys High School (Free School)	10.5%	£900	£900	£1,000	10.5% plus £900	10.5% plus £900	10.5% plus £1,000
Thames Primary Academy	14.2%	£29,100	£30,200	£31,300	14.2% plus £29,100	14.2% plus £30,200	14.2% plus £31,300
The Heights Free School	14.0%	£22,600	£23,400	£24,300	14% plus £22,600	14% plus £23,400	14% plus £24,300
Tower MAT (Blackpool Gateway Academy)	12.0%	£4,400	£4,600	£4,700	12% plus £4,400	12% plus £4,600	12% plus £4,700
Waterloo Primary School (Academy)	14.2%	£30,900	£32,000	£33,200	14.2% plus £30,900	14.2% plus £32,000	14.2% plus £33,200
Wensley Fold CE Primary Academy	14.1%	£29,900	£31,000	£32,200	14.1% plus £29,900	14.1% plus £31,000	14.1% plus £32,200

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Westcliff Primary School (Academy)	15.3%	£12,600	£13,100	£13,500	15.3% plus £12,600	15.3% plus £13,100	15.3% plus £13,500
Witton Park Academy Trust	15.8%	£55,900	£58,000	£60,100	15.8% plus £55,900	15.8% plus £58,000	15.8% plus £60,100
Admitted bodies (community)							
Arnold Schools Ltd.	19.4%	£26,200	£27,100	£28,100	19.4% plus £26,200	19.4% plus £27,100	19.4% plus £28,100
Blackpool Fylde Wyre Blind Society	21.6%	-20.6%	-20.6%	-20.6%	1%	1%	1%
Blackpool Zoo	19.6%	-4.4%	-4.4%	-4.4%	15.2%	15.2%	15.2%
Blackpool, Fylde and Wyre Credit Union	21.2%	-1.6%	-1.6%	-1.6%	19.6%	19.6%	19.6%
Calico Housing Limited	13.8%	£209,200	£216,900	£224,900	13.8% plus £209,200	13.8% plus £216,900	13.8% plus £224,900
Catholic Caring Services	16.6%	£65,500	£67,900	£70,400	16.6% plus £65,500	16.6% plus £67,900	16.6% plus £70,400
Chorley Community Housing	16.4%	-3.9%	-3.9%	-3.9%	12.5%	12.5%	12.5%
Community and Business Partners CIC	14.8%	-2%	-2%	-2%	12.8%	12.8%	12.8%
Community Council of Lancashire	19.5%	£26,000	£27,500	£28,500	19.5% plus £26,000	19.5% plus £27,500	19.5% plus £28,500
Community Gateway Association	16.1%	-1.5%	-1.5%	-1.5%	14.6%	14.6%	14.6%
Contour Housing Group	22.2%	-22.2%	-22.2%	-22.2%	0%	0%	0%
Fylde Community Link	16.8%	£11,200	£11,700	£12,100	16.8% plus £11,200	16.8% plus £11,700	16.8% plus £12,100
Galloways Society for Blind	20.2%	£16,600	£17,200	£17,800	20.2% plus £16,600	20.2% plus £17,200	20.2% plus £17,800
Hyndburn Homes Ltd	18.4%	-2.8%	-2.8%	-2.8%	15.6%	15.6%	15.6%
Kirkham Grammar School (Independent)	19.9%	£29,300	£30,400	£31,500	19.9% plus £29,300	19.9% plus £30,400	19.9% plus £31,500
Lancashire County Branch Unison	18.2%	-18.2%	-18.2%	-18.2%	0%	0%	0%
Lancaster University	13.4%	£504,700	£523,400	£542,700	13.4% plus £504,700	13.4% plus £523,400	13.4% plus £542,700
Leisure in Hyndburn	13.0%	£47,800	£49,600	£51,400	13% plus £47,800	13% plus £49,600	13% plus £51,400

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Local Pensions Partnership Ltd	12.4%	Nil	Nil	Nil	12.4%	12.4%	12.4%
Lytham Schools Foundation	18.0%	-4.4%	-4.4%	-4.4%	13.6%	13.6%	13.6%
North West & North Wales Sea Fisheries Committee	16.6%	£25,500	£26,500	£27,500	16.6% plus £25,500	16.6% plus £26,500	16.6% plus £27,500
Pendle Leisure Trust	12.6%	£20,600	£21,400	£22,200	12.6% plus £20,600	12.6% plus £21,400	12.6% plus £22,200
Preston Care and Repair	13.7%	£3,600	Nil	Nil	13.7% plus £3,600	13.7%	13.7%
Progress Housing Group Ltd	17.9%	-2.3%	-2.3%	-2.3%	15.6%	15.6%	15.6%
QEGS Blackburn Ltd	16.5%	-0.3%	-0.3%	-0.3%	16.2%	16.2%	16.2%
Ribble Valley Homes Ltd	18.9%	-10.2%	-10.2%	-10.2%	8.7%	8.7%	8.7%
Rossendale Leisure Trust	13.6%	-2.1%	-2.1%	-2.1%	11.5%	11.5%	11.5%
Surestart Hyndburn	13.8%	£22,400	£23,200	£24,100	13.8% plus £22,400	13.8% plus £23,200	13.8% plus £24,100
The Ormerod Home Trust Ltd.	21.2%	£145,100	£150,400	£156,000	21.2% plus £145,100	21.2% plus £150,400	21.2% plus £156,000
Together Housing	14.7%	£87,700	£90,900	£94,300	14.7% plus £87,700	14.7% plus £90,900	14.7% plus £94,300
University of Cumbria	14.0%	£608,700	£631,200	£654,600	14% plus £608,700	14% plus £631,200	14% plus £654,600
Wyre Housing Association	19.3%	£257,600	£267,100	£277,000	19.3% plus £257,600	19.3% plus £267,100	19.3% plus £277,000
Admitted bodies (contractor)							
Alternative Futures Group Ltd	22.2%	-22.2%	-22.2%	-22.2%	0%	0%	0%
Andron (formerly Solar)	21.3%	-21.3%	-21.3%	-21.3%	0%	0%	0%
Bootstrap Enterprises Ltd	18.8%	-17.9%	-17.9%	-17.9%	0.9%	0.9%	0.9%
Bulloughs (Carr Head PS)	25.6%	£500	Nil	Nil	25.6% plus £500	25.6%	25.6%
Bulloughs (Lytham Hall)	21.0%	Nil	Nil	Nil	21%	21%	21%
Bulloughs (Our Lady)	16.8%	-7.3%	-7.3%	-7.3%	9.5%	9.5%	9.5%
Burnley Leisure	13.6%	-2%	-2%	-2%	11.6%	11.6%	11.6%
Capita (Rossendale BC Transfer)	20.7%	-20.7%	-20.7%	-20.7%	0%	0%	0%
Catering Academy Ltd	20.1%	-20.1%	-20.1%	-20.1%	0%	0%	0%
Caterlink (Mount Pleasant School)	16.8%	-1.9%	-1.9%	-1.9%	14.9%	14.9%	14.9%

Employer	Primary rate 2017/18 to 2019/20	Secondary rates 2017/18	Secondary rates 2018/19	Secondary rates 2019/20	Total Contribution rates 2017/18	Total Contribution rates 2018/19	Total Contribution rates 2019/20
CG Cleaning (Kennington Rd)	22.7%	-17.4%	Nil	Nil	5.3%	22.7%	22.7%
CG Cleaning (St Augustine)	22.1%	-3%	Nil	Nil	19.1%	22.1%	22.1%
Churchill (Holy Family)	21.4%	-16%	Nil	Nil	5.4%	21.4%	21.4%
Churchill (St Anne St Joseph)	18.5%	-2.8%	Nil	Nil	15.7%	18.5%	18.5%
Cofely FM Ltd (Blake/Cross)	26.7%	-26.7%	-26.7%	-26.7%	0%	0%	0%
Cofely FM Ltd (Lend Lease)	21.9%	-5.4%	-5.4%	-5.4%	16.5%	16.5%	16.5%
Cofely FM Ltd (Pleckgate)	18.8%	-10.8%	-10.8%	-10.8%	8%	8%	8%
Cofely FM Ltd (Witton Park)	23.2%	-3.2%	-3.2%	-3.2%	20%	20%	20%
Compass Contract Services	23.4%	-0.4%	-0.4%	-0.4%	23%	23%	23%
Compass Contract Services (UK) Ltd (Preston College)	20.9%	-0.9%	-0.9%	-0.9%	20%	20%	20%
Consultant Caterers Ltd	22.5%	-17.8%	-17.8%	-17.8%	4.7%	4.7%	4.7%
Creative Support Limited (Midway Mental health)	18.2%	-4.2%	-4.2%	-4.2%	14%	14%	14%
Creative Support Ltd	21.0%	-21%	-21%	-21%	0%	0%	0%
Elite CES Ltd (Fulwood Cadley)	19.9%	Nil	Nil	Nil	19.9%	19.9%	19.9%
Elite CES Ltd (Moor Nook PS)	23.1%	Nil	Nil	Nil	23.1%	23.1%	23.1%
Elite Cleaning and Environmental Services Ltd	16.7%	-9.8%	-9.8%	-9.8%	6.9%	6.9%	6.9%
Eric Wright Facilities Management Ltd (Highfield High School)	20.2%	-19.5%	-19.5%	-19.5%	0.7%	0.7%	0.7%
FCC Environment	20.6%	Nil	Nil	Nil	20.6%	20.6%	20.6%
Fylde YMCA	16.5%	-16.5%	-16.5%	-16.5%	0%	0%	0%
I CARE	26.1%	-26.1%	-26.1%	-26.1%	0%	0%	0%
Ind Living Fund (Blackpool BC)	19.7%	-2%	Nil	Nil	17.7%	19.7%	19.7%
Lend Lease Cons.(EMEA) ICT	18.8%	-5.3%	-5.3%	-5.3%	13.5%	13.5%	13.5%
Lend Lease Cons.(EMEA) ph3	13.9%	-3%	-3%	-3%	10.9%	10.9%	10.9%

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Lend Lease Construction (EMEA) Limited (Fulwood Academy)	16.9%	-1.9%	-1.9%	-1.9%	15%	15%	15%
Liberata (UK) Ltd (Burnley)	18.7%	-1.4%	-1.4%	-1.4%	17.3%	17.3%	17.3%
Liberata UK Ltd (Pendle)	19.2%	-6.5%	-6.5%	-6.5%	12.7%	12.7%	12.7%
Mack Trading Int. (Ltd)	21.1%	-21.1%	-21.1%	-21.1%	0%	0%	0%
May Gurney Fleet and Passenger Services Limited	21.7%	-21.7%	-21.7%	-21.7%	0%	0%	0%
Mellor's (Bishop Rawstorne)	21.2%	-6%	-6%	-6%	15.2%	15.2%	15.2%
Mellors (Brinscall St John)	18.9%	-0.1%	-0.1%	-0.1%	18.8%	18.8%	18.8%
Mellor's (Hambleton PS)	27.6%	-1.7%	-1.7%	-1.7%	25.9%	25.9%	25.9%
Mellors (Queens Drive)	20.5%	Nil	Nil	Nil	20.5%	20.5%	20.5%
Mellors (Trinity, St Michael)	24.7%	Nil	Nil	Nil	24.7%	24.7%	24.7%
Mellor's (Worden SC)	28.8%	-28.8%	-28.8%	-28.8%	0%	0%	0%
Mellor's Catering (Belthorn Academy)	21.1%	Nil	Nil	Nil	21.1%	21.1%	21.1%
NCP Services Ltd	23.6%	-23.6%	-23.6%	-23.6%	0%	0%	0%
RCCN (Basnett Nursery)	22.2%	Nil	Nil	Nil	22.2%	22.2%	22.2%
Ridge Crest Clean Nrth Sacred	28.8%	-28.8%	-28.8%	-28.8%	0%	0%	0%
Service Alliance (Barnoldswick)	21.3%	Nil	Nil	Nil	21.3%	21.3%	21.3%
Service Alliance (Whalley PS)	22.2%	Nil	Nil	Nil	22.2%	22.2%	22.2%
Service Alliance Ltd (Altham)	25.7%	-3.1%	Nil	Nil	22.6%	25.7%	25.7%
Service Alliance Ltd (RCC)	26.6%	£500	Nil	Nil	26.6% plus £500	26.6%	26.6%
South Ribble Community Leisure (Serco)	13.5%	£80,400	£83,400	£86,500	13.5% plus £80,400	13.5% plus £83,400	13.5% plus £86,500
Urbaser Ltd	23.9%	£400	£400	£400	23.9% plus £400	23.9% plus £400	23.9% plus £400
West Lancashire Community Leisure (Serco)	14.9%	-14.9%	-14.9%	-14.9%	0%	0%	0%

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Other employers confirmed post valuation							
Freckleton Parish Council	18.6%	Nil	Nil	Nil	18.6%	18.6%	18.6%
PET (West Craven)	17.2%	£18,100	£18,800	£19,500	17.2% plus £18,100	17.2% plus £18,800	17.2% plus £19,500
Andron Heyhouses	23.3%	Nil	Nil	Nil	23.3%	23.3%	23.3%
Blessed Edward Trust	10.7%	Nil	Nil	Nil	10.7%	10.7%	10.7%
Churchill Moorside	25.1%	-4.3%	-4.3%	-4.3%	20.8%	20.8%	20.8%
Clayton-le-Woods Parish Council	17.8%	-0.9%	-0.9%	-0.9%	16.9%	16.9%	16.9%
Cliviger Parish Council	15.9%	Nil	Nil	Nil	15.9%	15.9%	15.9%
Compass HHC	21.6%	Nil	Nil	Nil	21.6%	21.6%	21.6%
Education Partnership Trust	11.2%	-0.4%	-0.4%	-0.4%	10.8%	10.8%	10.8%
FCAT Mereside Primary Academy	16.3%	£27,600	£28,600	£29,700	16.3% plus £27,600	16.3% plus £28,600	16.3% plus £29,700
Mellors Lostock	21.9%	Nil	Nil	Nil	21.9%	21.9%	21.9%
PET	15.5%	£700	£700	£700	15.5% plus £700	15.5% plus £700	15.5% plus £700
Tauheedul Highfield Humanities	16.4%	£57,700	£59,800	£62,000	16.4% plus £57,700	16.4% plus £59,800	16.4% plus £62,000
Tauheedul Olive Birmingham	7.6%	Nil	Nil	Nil	7.6%	7.6%	7.6%
Tauheedul Olive Bolton	11.1%	Nil	Nil	Nil	11.1%	11.1%	11.1%
Tauheedul Olive Preston	9.7%	Nil	Nil	Nil	9.7%	9.7%	9.7%
Taylor Shaw (Parklands HS)	22.4%	-3%	-3%	-3%	19.4%	19.4%	19.4%
Tor View	12.6%	£57,300	£59,400	£61,600	12.6% plus £57,300	12.6% plus £59,400	12.6% plus £61,600
Vision Learning Trust	13.3%	-0.1%	-0.1%	-0.1%	13.2%	13.2%	13.2%
Employers grouped with Council							
Andron Fearns Sport College	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Bulloughs (St Patrick)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Churchill (Clayton Brook)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Churchill (Morecambe Bay)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Consultant Cleaners (St James)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Elite CES Ltd (St Annes)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Elite CES Ltd (Carr Hill)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
I Care (Ind)	14.8%	-2.4%	-1.4%	Nil	12.4%	13.4%	14.8%
Maxim (Acorns PS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Maxim (Newton Bluecoat)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Maxim (St Matthews CE PS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Mellors (Delph Side PS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Mellors (Holy Cross)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Mellors (Little Hoole)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Mellors (White Ash PS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Premiserv (St Peter)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
RCCN (Burscough)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
RCCN (Our Ladys Catholic HS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
RCCN (St Johns)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
RCCN (Whitefield)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (Clitheroe Pendle Primary)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (St Mary Magdalene)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (St Marys RCP)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (St Wilfred)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (Whittlefield)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%

Other interested bodies with no pensionable employees

Employer	Proportion of Pension Increases to be Recharged %
Blackpool & Fylde Society for the Deaf	100
Burnley & Pendle Development Association	100
Burton Manor Residential College	100
Ex Department of Transport	100
Ex National Health Service	100
Fylde Coast Development Association	100
Lancashire South East Probation Committee	100
Spastics Society	100

Notes:

1. Cash payments in respect of £ lump sums marked * are payable by 30 April 2017. Cash payments in respect of £ lump sums marked ** are payable by 30 April of the year in which they are due. Cash payments in respect of £ lump sums marked *** are payable by the end of the year in which they are due Where applicable these amounts have been reduced to reflect this early payment;

2. With the agreement of the Administering Authority employers may also opt to pay any other element of their employer contributions early, with either all three years being paid in April 2017 or payment being made in the April of the year in question. The cash amounts payable will be reduced in return for this early payment as follows:

   - Payments made in the April of the certified year will be reduced by 2.1% (i.e. the above amounts will be multiplied by 0.979)
   - 2018/19 payments made in April 2017 will be reduced by 6.3% (i.e. the above amounts will be multiplied by 0.937)
   - 2019/20 payments made in April 2017 will be reduced by 10.2% (i.e. the above amounts will be multiplied by 0.898)

   For these cases the employer will need to estimate in advance the pensionable pay for the entire period, and a balancing adjustment to reflect the actual pensionable pay over the period would be made at the end of the period (no later than 19th April or 22nd April as appropriate following the year-end).

3. The percentages shown are percentages of pensionable pay and apply to all members, including those who are members under the 50:50 option under the LGPS from 1 April 2014;

4. The total contributions payable by each employer each year will be subject to a minimum of zero;

5. In cases where an element of an existing Scheme Employer's deficit is transferred to a new employer on its inception, the Scheme Employer's deficit recovery contributions shown in this certificate may be reallocated between the Scheme Employer and the new employer to reflect this, on advice from the actuary.

6. There are a number of additional employers who no longer had any active members within the Fund as at the valuation date. Any final contribution requirement for these employers will be assessed by the Fund in due course on the basis of actuarial advice.

7. The Fund has implemented an internal captive insurance arrangement in order to pool the risks associated with ill health retirement costs. The captive has been designed for employers that could be materially affected by the ill health retirement of one or more of their members. The employers (both existing and new) that will be included in the captive are those with less than 150 active members (excluding major Councils). New employers entering the Fund who fall into this category will also be included. For those employers in the ill-health captive arrangement, allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

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L Glossary

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

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

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

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

Actuarial valuation
An 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.

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

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

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

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

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

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

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

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

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

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

Bid price
The price a buyer pays for a stock.

Bonds
Loans, with a fixed rate of interest, made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date.

Career average revalued earnings (CARE) scheme.
With effect from 1 April 2014, the benefits accrued by members of the LGPS will be in the form of CARE benefits. Every year a member accrues a pension benefit equivalent to 1/49th of their pensionable pay in that year. The pension accrued will increase in line with the annual change in the consumer prices index over the period to retirement.

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

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

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

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

used in RPI. The basket of goods and services on which CPI is based is expected to provide lower, less volatile, inflation increases.

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

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

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

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

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

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

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

Deficit
The extent to which the Fund's past service liabilities exceed the value of the Fund's assets.

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

Discount rate
The rate of interest used to convert a future cash amount to a present day value. It is a measure of the 'time value' of money.

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

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

ESG (environmental, social and corporate governance)
Responsible Investors understand that ESG characteristics are financially material to investment decision-making if they are likely to have an impact on a company and its performance within the period of their ownership. Long term investors such as pension funds which aim to hold assets for an extended period of time need to assess the impact of a variety of potential influences, some of which are systemic risks which are not possible to predict with certainty (such as climate change).

Investors who integrate the consideration of ESG characteristics are seeking insight into future risks and opportunities which may be financially material to the investments they are already holding or those that are under consideration.
Environmental criteria look at how a company performs as a steward of the natural environment both as a consumer of resources and a producer of goods, services and waste.
Social criteria examine how a company manages relationships with its employees, suppliers, customers and the communities where it operates.
Governance criteria examine a company's management and decision-making framework, the corporate culture this creates and the quality of corporate leadership offered.
ESG is often used as a catch-all term for the approach to assessing these various criteria as part of being an informed and responsible investor.

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

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

Future service contribution rate
The contribution rate payable by an employer, expressed as a % of pensionable pay. This rate is the rate which will be sufficient to meet the costs of new benefits being accrued by active members in the future.

Funding level
The ratio of a Pension scheme's assets to its liabilities. Used as a measure of the scheme's ability to meet its future liabilities.

Index-linked securities
Investments in stock where the interest payments and the final redemption proceeds are linked to the retail price index. Such stocks provide protection against inflation.

Infrastructure
The public facilities and services needed to support residential development, including highways, bridges, schools and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

Investment management expenses
All expenses relating to managing the Fund's investments.

Investment strategy
Investor's long-term distribution of assets among various asset classes taking into consideration, goals of the Fund, attitude to risk and timescale.

Liabilities
Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pension liabilities are the pension benefits and payments that are due to be paid when someone retires.

LPP – Local Pensions Partnership
The Local Pensions Partnership (LPP) is a collaboration between two successful LGPS funds – Lancashire County Pension Fund and London Pensions Fund Authority, with the goals of creating:

- A best-in-class, end-to-end pensions services organisation for public sector funds; LPP currently provide pensions administration services to 13 funds, including LGPS, fire and police schemes.
- An FCA-regulated structure for asset pooling.
- An organisation focused on managing assets and liabilities (risk) together in order to improve long-term fund performance, stabilise contributions and reduce deficits.
- A partnership which is open to other LGPS and public sector funds to join as owner shareholders or as investors only in LPP's pool.

Market value
The price at which an investment can be bought or sold at a given date.

Myners review
Review carried out by Paul Myners on behalf of the Chancellor of the UK government. The review published in March 2001, investigated the challenges facing institutional investment decision making.

Over the counter (OTC)
A security traded in some context other than on a formal exchange. The phrase "over the counter" can be used to refer to stocks that trade via a dealer network as opposed to on a centralised exchange. It also refers to debt securities and other financial instruments such as derivatives, which are traded through a dealer network.

Past service liability
The value, in present day terms, of the benefits accrued by members up to the valuation date. Calculated on the basis of a set of assumptions agreed between the administering authority and the actuary.

Pension boards
The role of each board is to help ensure each scheme complies with governance and administration requirements. They may have additional duties, if scheme or other regulations so specify.

Pension boards need to have an equal number of employer representatives and member representatives. They may also have other types of members, such as independent experts. All pension board members have a duty to act in accordance with scheme regulations and other governing documents.

Pooled investment vehicles

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Private equity
Shares in un-quoted companies.

Property
All buildings and land that the Fund owns, including pooled property funds.

Quantitative easing
The introduction of new money into the money supply by a central bank. The central bank increases the money supply and buys government bonds.

Related party
A person or organisation which has influence over another person or organisation.

Responsible investment
An approach to investment which recognises that the consideration of environmental, social and governance factors forms an important part of the evaluation of the future risks and opportunities facing investee companies. Responsible Investors seek to understand the influences that are likely to impact the performance of investments during their period of ownership in order to assess the balance of risks relative to returns.

Pension funds invest the retirement savings of scheme members in order to fund the benefits they are entitled to receive in the future. There is an underlying fiduciary duty to protect the financial interests of scheme beneficiaries which is exercised through the approach to investment and the evaluation of risks and opportunities as part of investment stewardship.

Scheduled bodies
Organisations which are listed in parts 1 and 2 of schedule 2 to the LGPS Regulations 2013. These bodies automatically have the right to offer LGPS membership to eligible employees.

Organisations listed in part 1 are required to enrol eligible employees into the LGPS. This list includes, but is not limited to: County and District Councils, Combined Authorities, Fire and Rescue Authorities, Police and Crime Commissioners, Chief Constables, Further and Higher Education Corporations, Sixth Form Colleges and Academies.

If an organisation is listed in part 2 it can choose to offer membership to all or some employees. This list includes, but is not limited to: Parish Councils, subsidiaries of County or District Councils, Other precepting authorities not listed in Part 1.

Service level agreement
A commitment between a service provider (for example LPP) and a client (for example, the Fund) that defines exactly which services will be provided and the level or standard expected for those services.

Stock lending
The act of loaning securities to another investor in return for a fee. When a security is loaned the ownership is also transferred to the borrower.

Transfer values
The value of a pension scheme members benefits available to buy benefits in another scheme.

Triennial actuarial valuation
Every three years the actuary formally reviews the assets and liabilities of the Lancashire LGPS scheme and produces a report on the scheme's financial position.

Venture capital
Investment in a company that is at a relatively early stage of development and is not listed on a stock exchange.

50:50 scheme
In the LGPS, active members are given an option to accrue a lower benefit in return for paying a lower level of contribution.

Appendix 1
Scheme employers with active members at 31 March 2019

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
Total active employers	**96,816**	**58,651**	**11,414**
County Council	**32,575**	**24,077**	**-**
Lancashire County Council (excluding schools)	32	14,657	-
Lancashire County Council Schools	28,426	8,195	-
Archbishop Temple	103	32	-
Ashton Community Science College	154	47	-
Baines High School	107	31	-
Balshaws Church of England High School	113	34	-
Barrowford Primary School	92	26	-
Blessed Trinity Roman Catholic College	206	62	-
Brownedge St Marys	164	49	-
Cardinal Allen	136	44	-
Carnforth High School	21	6	-
Central Lancaster High School	124	37	-
Delph Side	58	16	-
Haslingden High School	255	77	-
Heysham High	46	15	-
Hillside Specialist School	169	49	-
Hollins Technology College	182	55	-
Hutton Church of England Grammar School	116	34	-
John Cross	22	6	-
Lea Endowed Church of England Primary	36	10	-

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
Leyland St James Church of England Primary	46	13	-
Moor Park High	128	39	-
Morecambe High	293	85	-
Morecambe Road School	165	47	-
Mount Carmel	150	45	-
New Longton All Saints Church of England Primary School	38	11	-
Ormskirk School	221	65	-
Our Lady Queen of Peace	121	37	-
Peel Park	158	45	-
Rhyddings School Accrington	134	42	-
St Andrews Church of England Primary School	82	23	-
St Richards Roman Catholic Primary School	43	12	-
The Loyne Specialist School	199	58	-
Walton Le Dale	99	33	-
Westgate Primary School	136	38	-
Scheduled bodies (167)	**52,475**	**29,084**	**8,833**
Blackburn With Darwen Borough Council	7,981	3,787	-
Ashleigh Primary	39	17	-
Audley County Infant	65	28	-
Avondale County Primary	66	29	-
Blackburn Central High School	127	59	-
Blackburn the Redeemer Church of England Primary School	63	26	-
Brookhouse Primary School	27	11	-
Cedars Primary	47	20	-
Crosshill School	30	14	-

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
Hoddlesden St Paul's	-9	-4	-
Holy Trinity Church of England Primary	44	19	-
Longshaw County Infant	47	21	-
Longshaw County Junior	51	22	-
Sacred Heart Primary	22	10	-
St Albans Roman Catholic Primary	31	14	-
St Barnabas & St Pauls Church of England Primary	71	30	-
St James Church of England Primary School	44	19	-
St Michael with St John Church of England Primary School	26	12	-
St Silas Church of England Primary	37	16	-
Turncroft Nursery	19	9	-
Blackpool Borough Council excluding Schools	5	3,547	-
Blackpool Borough Council Schools	-	381	-
Burnley Borough Council	910	389	-
Chorley Borough Council	1,106	510	841
Fylde Borough Council	-	352	-
Hyndburn Borough Council	1,902	431	-
Lancaster City Council	-	980	-
Pendle Borough Council	749	326	-
Preston City Council	2,229	917	-
Ribble Valley Borough Council	768	312	180
Rossendale Borough Council	-	254	-
South Ribble Borough Council	930	410	568
West Lancashire Borough Council	2,126	760	-

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
West Lancashire Borough Council OCL	-	72	-
Wyre Borough Council	-	420	-
Blackpool Transport Services Ltd	-	32	-
Edge Hill University	3,579	1,675	809
University of Central Lancashire	5,327	2,517	985
Lancaster & Morecambe College	518	207	126
Blackpool & The Fylde College	1,644	746	200
Preston College	615	294	269
Runshaw College	808	313	89
Blackburn College	1,016	452	86
Accrington & Rossendale College	227	91	186
Burnley College	601	285	130
Nelson and Colne College	748	333	146
Myerscough College	816	343	172
Blackpool Sixth Form College	205	103	-
Cardinal Newman College	318	146	51
Blackburn St Mary's	184	75	9
QEGS Blackburn Academy	144	51	70
Lancs Fire and Rescue Service	765	338	-324
Penwortham Town Council	14	8	-
Blackpool Coastal Housing	486	268	-
Pilling Parish Council	9	2	-
Kirkland Parish Council	1	-	-
Catterall Parish Council	4	1	-
Garstang Town Council	6	2	-
Accrington Academy	121	62	-
ANWET (Darwen Aldridge Community)	264	151	-
Fulwood Academy	82	43	-
St Anne's on Sea Town Council	18	7	1

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
Lancs Sports Partners Ltd	73	47	-
Lancaster Girls Grammar School (Academy)	93	39	43
Lancaster Royal Girls School (Academy)	185	65	69
Clitheroe Royal Girls School (Academy)	114	41	60
Hodgson Academy	151	63	45
FCAT (Hambleton Primary Academy)	25	12	7
Ripley St Thomas Church of England (Academy)	231	80	45
St Michael's CE High (Academy)	96	37	47
ATCT (Bowland High Academy Trust)	103	35	30
St Wilfrid's Church of England Academy	115	49	95
Lostock Hall Academy Trust	78	27	31
St Christopher's Church of England (Academy)	179	77	91
Bishop Rawstorne High Academy	76	26	30
Belthorn Primary Academy	49	15	8
Garstang Community Academy	92	30	29
Parbold Douglas Church of England Academy	30	11	10
FCAT (Westcliff Prim Academy)	40	15	13
All Saints CE Prim Sch (Academy)	43	17	17
Tarleton Academy	96	42	31
FCAT (Montgomery Academy)	119	50	57
Morecambe Town Council	5	2	-
Parklands High School Academy	113	48	27
Penwortham Priory Academy	106	41	18
Albany Academy	110	39	25

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
Norbreck Primary Academy	82	33	19
Waterloo Primary Academy	129	54	29
Hawes Side Academy	93	34	18
The Lancashire Colleges Ltd	21	12	-
Academy at Worden	55	23	14
Wensley Fold Church of England Primary Academy	76	31	31
Star Academies	214	169	-
Bacup Rawtenstall Grammar School (Academy)	114	47	23
Roseacre Primary Academy	75	28	24
Star Academies Islam Boys Free School	27	16	1
Thames Primary Academy	96	39	30
Maharishi School (Free School)	47	15	-
Pendle Education Trust - Colne Primet	72	24	15
Pendle Education Trust - Walter Street	75	28	15
Moorside Community Academy	65	25	11
Fylde Coast Academy Trust	43	20	2
Blackpool MAT (Devonshire Academy)	98	35	38
Blackpool MAT (Park Academy)	130	58	57
Blackpool MAT (Anchorsholme Academy)	86	31	36
FCAT (Unity Academy)	155	66	62
Langdale Free School	13	5	-
Star Academies (Olive Blackburn)	26	20	-
Star Academies (Olive London)	30	23	-
Education Partnership Trust (The Heights)	63	27	23

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
Preesall Town Council	8	2	-
BFET (South Shore Academy)	112	46	50
Darwen Town Council	1	-	-
Habergham Eaves Parish Council	-	-	-
Old Laund Booth Parish Council	-	-	-
Police & Crime Commissioner	87	50	4
Blackpool MAT (Revoe)	103	41	49
Cidari Education (St Georges)	70	28	41
ATCT (Witton Park Academy Trust)	119	45	58
Cidari Education (Lukes & Philips)	37	14	29
Cidari Education Ltd (Darwen St James Church of England Primary)	38	16	18
Cidari Education Ltd (St Barnabas Church of England Primary)	27	10	21
Cidari Education Ltd (St Aidans Primary School)	28	11	18
Blessed Edward MAT (St Marys)	144	57	48
Blessed Edward MAT (St Cuthberts)	49	18	26
FCAT (Aspire Academy)	112	40	50
Blessed Edward MAT (Christ the King)	36	12	12
ANWET (Darwen Vale Academy)	103	40	67
Star Academies Eden Girls' School Waltham	27	16	1
Star Academies Eden Girls' School Coventry	38	29	-
Star Academies Eden Boys' School Bolton	62	27	-
Lancashire Chief Constable	7,356	3,314	2,000

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
BFET (Marton Primary Academy)	59	20	24
CSCST (Burnley High Free School)	34	14	-
Cliviger Parish Council	-	-	-
Star Academies Islam Girls High School	70	28	19
Cidari Education Trust	26	25	-
Cidari Education Ltd (Baines Endowed)	59	27	41
Cidari Education Ltd (Marsden St John)	35	12	10
ANWET (Sudell Primary Academy)	39	11	19
Blackpool Housing Company Ltd	94	51	-
Pendle Education Trust (Castercliff)	52	22	26
Education Partnership Trust (Coal Clough)	100	35	21
Star Academies (Eden Boys' School Preston)	17	10	-
Star Academies (Eden Girls' School Slough)	52	28	-
Star Academies (Eden Boys' School Birmingham)	31	20	-
FCAT (Blackpool Gateway Academy)	36	17	5
Eden School	14	8	2
Whittle le Woods Parish Council	2	1	-
Education Partnership Trust (Pleckgate High School)	131	49	69
Freckleton Parish Council	1	-	-
PET (West Craven)	81	27	19
Star Academies Highfield Humanities	118	44	60
Pendle Education Trust	35	17	1

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
Education Partnership Trust	30	24	-
Blessed Edward Trust	12	8	-
Star Academies Olive Bolton	10	5	-
Star Academies Olive Preston	17	10	-
Star Academies Olive Birmingham	19	16	-
Clayton-Le-Woods Parish Council	4	1	-
FCAT (Mereside)	74	27	29
Tor View Specialist Learning Community	186	84	59
FCAT (Westminster Primary Academy)	60	24	37
Mosaic Academy Trust	92	36	31
Cidari (Newchurch St Mary's Primary School)	10	4	3
Star Academies - Eden Girls Manchester	24	12	-
Star Academies - Eden Boys Manchester	14	6	-
Admitted bodies (142)	**11,766**	**5,490**	**2,581**
UCST (AKS Arnold)	29	11	27
Galloways Society for Blind	2	1	17
Lancaster University	4,160	1,914	523
Lancashire County Branch Unison	-	-	-
North Western Inshore Fisheries & Conservation Authority	99	39	26
UCST (AKS Lytham)	27	13	-
University of Cumbria	1,800	851	631
Whitworth Town Council	5	2	2
Kirkham Grammar School (Independent)	104	31	30
Caritas Care Limited	266	109	68

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
Community Council of Lancashire	24	9	28
Progress Housing Group	209	117	-
The Omerod Home Trust Ltd	-	-	195
Preston Care and Repair	4	2	-
Calico Housing Ltd	-	-	631
Pendle Leisure Trust Ltd	245	116	25
Twin Valley Homes Ltd	1,507	684	91
Leisure in Hyndburn	113	52	50
Sure Start Hyndburn	44	22	23
Blackpool Zoo (Grant Leisure)	30	15	-
Rossendale Leisure Trust	25	14	-
Marketing Lancashire Ltd	38	25	-
Liberata UK Ltd (Pendle)	141	71	-
West Lancs Community Leisure	-	44	-
South Ribble Community Leisure	112	48	83
Community Gateway Association Ltd	216	115	-
Bulloughs (Our Lady)	-	-	-
Chorley Community Housing Ltd	93	53	-
NSL Ltd.(Lancaster)	-	1	-
Capita(Rossendale BC Transfer)	-	10	-
Consultant Caterers Ltd	4	5	-
Bootstrap Enterprises Ltd	1	8	-
Alternative Futures Group Ltd	-	8	-
Creative Support Ltd	-	13	-
New Progress Housing	373	158	-
Community and Business Partn	35	22	-
I Care (Home)	-	3	-
Fylde Coast YMCA (Fylde TUPE)	-	1	-
Cofely FM Ltd (Lend Lease)	35	12	-
Creative Support Ltd (Midway)	20	9	-

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
Mellor's (Bishop Rawstorne)	6	2	-
Mellor's (Hambleton Primary S)	1	-	-
Andron (formerly Solar)	-	1	-
Cofely FM Ltd (Pleckgate)	2	2	-
Liberata UK Ltd (Burnley)	230	84	-
Essential Fleet Services Ltd	-	9	-
Elite Cleaning and Environment	1	1	-
Eric Wright FM - Site Supervisors Highfield HC	-	3	-
Cofely FM Ltd (Witton Park)	4	1	-
Mellors (Little Hoole)	2	1	-
Mellors (Holy Cross)	8	3	-
Lend Lease Con. (EMEA)(Fulwood)	2	1	-
Cofely FM Ltd (Blake/Cross)	-	1	-
Service Alliance Ltd (Altham)	1	-	-
Lancashire Care Foundation	73	30	-
Service Alliance (Ribblesdale)	2	-	-
Mellors (Brinscall)	6	2	-
Burnley Leisure	203	107	-
CG Cleaning (Kennington Road)	2	-	-
CG Cleaning (St Augustines)	-	-	-
Compass Contract Services (UK) Ltd	25	6	-
Caterlink (Mount Pleasant School)	1	1	-
Churchill (Moorside)	2	1	-
Service Alliance (St Wilfrid)	1	1	-
Blackpool, Fylde and Wyre Credit Union	10	4	-
QEGS Blackburn Ltd	5	2	-
Mellors (Queens Drive)	1	-	-

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
Service Alliance (Whalley Primary)	1	-	-
RCCN (Whitefield)	1	1	-
Bulloughs (Carr Head Primary)	1	-	-
FCC Environment	19	6	-
County Councils Network	13	17	1
Urbaser Ltd	76	19	-
Service Alliance (ClithPendle)	1	-	-
I Care	15	7	-
Ind Living Fund (Blackpool BC)	6	2	-
Elite CES (Fulwood&Cadley)	1	-	-
Elite CES Ltd(Moor Nook School)	3	1	-
Elite CES Ltd (Carr Hill)	3	1	-
Service Alliance (St Mary Mag)	2	1	-
Churchill (Morecambe Bay)	1	-	-
Consultant Cleaners (St James)	1	1	-
Compass CS (Preston)	19	5	-
Lend Lease Construction (EMEA) Ltd (Phase 3)	1	-	-
Local Pensions Partnership Investments	119	84	-
Local Pensions Partnership	379	196	-
Premiserv (St Peters)	1	-	-
5AM Contract Cleaning (Blackpool Coastal)	2	1	-
Churchill (Clayton Brook)	1	-	-
RCCN (Burscough)	1	1	-
Maxim (Acorns Primary School)	3	1	-
Elite CES (Hambleton)	3	1	-
Elite CES Ltd (St Annes)	2	1	-
Bulloughs (BFET Marton)	2	-	-
CG Cleaning (Intack)	-	-	-

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
Mellors (Delph Side)	2	1	-
Mellors (Lostock Hall Academy)	6	2	-
Maxim (Lancaster Girls Grammar)	1	-	-
Maxim (Lancaster Royal Grammar)	11	3	-
Maxim (Newton Bluecoat)	1	-	-
Maxim (St John with St Michael)	1	-	-
CG Cleaning (St Teresas)	1	-	-
Service Alliance (St Marys RC Primary)	1	-	-
Capita (Property & Infrastructure)	20	9	-
Maxim (St Georges CE Primary)	1	-	-
Compass CS Ltd (Highfield)	9	2	-
Greenwich Leisure Limited (Preston City)	131	49	-
Cockerham Parish Council	-	-	-
Nether Wyresdale Parish Council	-	-	-
Aspens Services (BEBC St Marys)	-	-	-
Clarets in the Community Ltd	3	1	-
Compass Contract Services (Hodgson Academy)	4	1	-
Mellors (Parklands High School)	9	2	-
Maxim (Mayfield Primary School)	1	-	-
United Learning (The Hyndburn Academy)	84	34	18
Simply Clean (NW) Ltd	-	-	-
Calico (Preston Harris Museum)	1	-	-
Orian (Larches House)	1	-	-
Noonan (Hyndburn CCTV)	8	3	-
Bay Learning Trust (Carnforth High School)	78	30	23

	Contributions Received		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit recovery (£'000)**
Mellors (St Michaels CE Academy Trust)	24	8	-
Star Academies (Bay Leadership Academies)	62	27	20
Compass CS (Mer/Mon/Uni)	32	8	-
RCCN (St John the Baptist)	2	1	-
Maxim (St Joseph's Primary School)	2	1	-
Pendle Education Trust (Casterton Primary Academy)	39	15	12
Mellors (Tarleton Community PS)	8	3	-
FCAT (Armfield Academy)	14	5	-
Andron (Longridge High School)	7	3	-
Maxim (Bolton le Sands Primary School)	1	-	-
Maxim (Kelbrook Primary School)	1	1	-
Endeavour LT (Burscough Priory Academy)	32	12	11
Maxim (St Augustines)	1	-	-
Laneshaw Bridge Primary School	17	6	5
Maxim (Helmshore Primary School)	1	-	-
Andron (Cidari - St Georges School)	8	2	-
Blacko Primary School	9	3	2
Colne Park High School	63	25	19
Lord Street Primary School	34	13	11
The Pennine Trust	8	3	2
Mellors (Fulwood Academy)	-	-	7
Maxim (Newchurch St Nichol)	1	-	-

Pension Fund Committee
Meeting to be held on Friday, 20 September 2019

Electoral Division affected:
None;

Lancashire County Pension Fund Q1 Budget Monitoring 2019/20
Appendix 'A' refers

Contact for further information:
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Abigail.leech@lancashire.gov.uk

Executive Summary

This report sets out the financial performance of the Fund for the 3 months to 30th June 2019 and compares the results to the approved budget for the same period.

Recommendation

The Committee is asked to review the financial performance of the Fund for the first quarter of 2019/20.

Background and Advice

A one year budget for the Fund was approved by the Pension Fund Committee on 29 March 2019.

The budget forecasts a net income for the year of £13.3m, available for investment, before accounting for changes in the market value of investments during the year. The budget incorporates a reduction in contribution income from employers as a result of the accounting treatment of amounts paid in advance.

The financial activity of the Fund for the first three months of the current financial year is broadly in line with budget. The attached report sets out a favourable budget variance of £2.8m for income which mitigates the adverse budget variance of £2.3m on expenditure.

Since the net variance for quarter one is not significant at £0.5m and given that the results of the first quarter are not necessarily indicative of the full year, the forecast for the financial year has not been amended from budget.

Individual variances against budget are explained in more detail below.

Income for 3 months ended 30 June 2019
Budget £78.9m, actual £81.7m – favourable variance of £2.8m

Contributions are effectively received a month in arrears – with contributions for April collected in early May. The financial results presented at Appendix 'A' include contributions received in respect of April and May. The budget has been phased accordingly and a favourable variance of £1.1m has been recognised for the quarter. At this stage it is not anticipated that there will be an over-recovery of contribution income for the year.

Transfers in during the first three months of the year amounted to £3.4m against a budget of £2.3m, providing an additional £1.1m favourable income variance. The flow of funds into and out of the Fund in respect of transfers is difficult to forecast with accuracy and the budget is allocated evenly across the year. The additional income in the first quarter may not be indicative of the full year.

Income from investments generated a £0.6m surplus during the first quarter of the year, against a budget of £48.3m.

Expenditure for 3 months ended 30 June 2019
Budget £97.3m, actual £99.6m – adverse variance of £2.3m

Payments to pensioners and other members of the Fund were £1.3m lower than budgeted. The value of transfers contributed £0.7m to the variance, as did the 'underspend' of £1.2m, due to phasing, on lump sum benefits. There was a £0.6m overspend against budgets for pensions payable and refunds of contributions.

Administration, oversight and governance expenses were in line with budget.

Investment management expenses were £3.8m higher than the budget for the first three months. Of this variance, £3.2m is based on estimated fees embedded in the market value of investments. This estimate is higher for the first quarter since a number of managers will charge performance fees for the previous year in the first three months after the year end. The budget is phased to reflect this but the estimates are made on best information available for the previous quarter. The information is updated during the year when new data is received from investment managers.

Property related investment management expenses were in excess of budget by £1.2m for the quarter, against a budget of £0.8m for the same period. Expenditure on property will fluctuate during the year however given the size of this variance relative to budget the Fund is investigating further to obtain a forecast for the full year.

A small favourable variance of £0.3m was achieved in the first quarter for directly invoiced manager fees. It is assumed that these costs will come through in quarter two so no full year impact has been recognised.

The remaining balance of £0.3m underspend is due to small variances in withholding tax on holdings within the global equities pool, interest paid and received and custody fees which have not yet been invoiced.

Consultations

Property and investment managers are being consulted with regard to the over spend on property expenditure against budget.

Implications:

This item has the following implications, as indicated:

Risk management

The pension fund budget is a useful tool for monitoring the financial performance and position of the Fund. Key variances identified during the year should inform future budget setting and forecasting and may provide opportunity for mitigation of potential financial risks.

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

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Lancashire County Pension Fund
Fund Account - Year ending 31 March 2020

	Actual year ended 31 March 2019 £'000	Budget year ended 31 March 2020 £'000	Budget for 3 months to 30 June 2019 £'000	Actual for 3 months to 30 June 2019 £'000	Variance for 3 months to 30 June 2019 £'000	Notes - see below	Forecast year ended 31 March 2020 £'000	Forecast full year budget variance £'000	Notes - see below
INCOME									
Contributions Receivable									
From Employers	(112,248)	(109,676)	(18,279)	(19,350)	(1,070)		(109,676)	0	
From Employees	(58,641)	(60,394)	(10,066)	(10,115)	(49)		(60,394)	0	
Total contributions receivable	**(170,890)**	**(170,070)**	**(28,345)**	**(29,464)**	**(1,119)**		**(170,070)**	**0**	
Transfers in	(11,050)	(9,184)	(2,296)	(3,368)	(1,072)		(9,184)	0	
Total Investment Income	(198,210)	(193,220)	(48,305)	(48,903)	(598)		(193,220)	0	
TOTAL INCOME	**(380,149)**	**(372,475)**	**(78,946)**	**(81,735)**	**(2,789)**		**(372,475)**	**0**	
EXPENDITURE									
Benefits Payable									
Pensions	226,522	233,918	58,480	58,998	518		233,918	0	
Lump Sum Benefits	48,783	43,767	10,942	9,766	(1,176)		43,767	0	
Total benefits payable	275,304	277,686	69,421	68,764	(657)		277,686	0	
Transfers out	15,770	13,702	3,426	2,689	(737)		13,702	0	
Refund of Contributions	611	555	139	233	94		555	0	
Contributions Equivalent Premium	(4)	(4)	(1)	(2)	(1)		(4)	0	
Fund administrative expenses									
Administrative and processing expenses:									
LPP administrative expenses	3,647	3,386	847	846	(0)		3,386	0	
Other administrative expenses				(6)	(6)	1	0	0	
Write off of bad debts	1	10	3	0	(2)		10	0	
Total administrative expenses	**3,649**	**3,396**	**849**	**841**	**(8)**		**3,396**	**0**	
Investment management expenses									
Investment management fees:									
LPP directly invoiced investment management fees	1,767	1,895	474	429	(45)	2	1,895	0	
DIRECTLY INVOICED non LPP investment management fees - direct holdings	1,433	2,291	573	226	(346)		2,291	0	
Investment management fees on pooled investments	57,604	53,226	20,806	23,990	3,183	3	53,226	0	
Transition costs	2	120	0	0	0		120	0	
Custody fees	29	64	16	0	(16)		64	0	
Commission, agents charges and withholding tax	0	2,000	500	281	(219)		2,000	0	
LCC recharge for treasury management costs	52	58	15	0	(15)	4	58		
Property expenses	4,674	3,000	750	1,987	1,237	5	3,000		
Total investment management expenses	**65,561**	**62,654**	**23,134**	**26,913**	**3,779**		**62,654**	**0**	
Oversight and Governance expenses									
Performance measurement fees (including Panel)	94	78	20	(10)	(30)	6	78	0	
IAS19 advisory fees	87	55	14	5	(8)		55	0	
Other advisory fees (including abortive fees)	179	200	50	10	(40)		200	0	
Actuarial fees	9	100	25	12	(13)		100	0	
Audit fees	45	26	7	0	(7)		26	0	
Legal & professional fees	68	120	30	105	75		120	0	
LCC recharges	446	616	154	12	(142)	4	616	0	
Bank charges	7	5	1	0	(1)		5	0	
Total oversight and governance expenses	**935**	**1,200**	**300**	**134**	**(166)**		**1,200**	**0**	
TOTAL EXPENDITURE	361,826	359,190	97,268	99,571	2,304		359,190	0	
MONEY AVAILABLE FOR INVESTMENT BEFORE REALISED AND UNREALISED PROFITS AND LOSSES ON INVESTMENTS	**(18,323)**	**(13,285)**	**18,321**	**17,836**	**(485)**		**(13,285)**	**0**	

NOTES

1 - Credit to 'other' administration expenses is the recharge of costs to new employers for set up fees.
2 - Actuals for Q1 include estimates for May and June based on April invoice. Varies dependent on market value of investments.
3 - Estimate for Q1 fees embedded in market value of investments. A number of managers charge performance fees in Q1 for the previous year.
4 - Lancashire County Council recharge for staff not yet received.
5 - Expenditure against this budget is not smooth through the year. Forecast for full year is being reviewed for Q2 reporting.
6 -Credit on performance management is due to return of funds by LPFA following incorrect recharge to Lancashire in prior year.

Pension Fund Committee
Meeting to be held on Friday, 20 September 2019

Electoral Division affected:
None;

Local Pensions Partnership 2018/19 Annual Report and Accounts
Appendix 'A' refers

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

Executive Summary

The Local Pension Partnership shareholders agreement requires the Committee to receive the Annual Report and Accounts for the Partnership.

The Annual Report and Accounts for the year ended 31 March 2019 (a copy of which is set out at Appendix 'A') were approved by the Local Pensions Partnership Board and signed on 31 July 2019 and are publically available via the Local Pensions Partnership website.

Recommendation

The Committee is asked to note the content of the 2018/19 Annual Report and Accounts for the Local Pensions Partnership as set out at Appendix 'A' to this report.

Background and Advice

The Pension Fund Committee are charged with overall governance of the Fund and overseeing the investment and administration functions operated within the Local Pensions Partnership.

The shareholders agreement with the Local Pensions Partnership and the governance policy documents for the Fund state that the Pension Fund Committee should receive the annual accounts for the Local Pensions Partnership.

The Annual Report and Accounts for the year ended 31 March 2019 are attached at Appendix 'A'.

The report includes the financial statements of the company together with a review of corporate governance arrangements, strategy and performance during the year, with some key highlights being discussed in more detail.

Some of the achievements and highlights mentioned in the report include:

- Assets under management have increased to £17.4 billion (Lancashire County Pension Fund contributes £8.4 billion to this figure) from £13.1billion at 31 March 2018.
- The number of pooled investment vehicles available to clients has increased from 6 to 7 with an 8th fund for real estate investments due to be launched later in 2019.
- The Local Pensions Partnership were finalists in a number of industry awards and GLIL Infrastructure were awarded the 2019 European Pensions award for 'Manager of the Year'.
- Pension administration services are now provided to almost 600,000 members from around 1,800 public and charity sector employers in 17 pension schemes.
- Single pension administration operating model rolled out and establishment of a dedicated contact centre in Preston for employer and member queries.
- The partnership has become an asset owner signatory to the UN Principles for Responsible Investment.

Future plans and areas for improvement identified in the report include:

- Member and employer engagement activities.
- Continue building operational resilience across the business.
- Streamlining of governance and decision making processes.
- Development of an enhanced ICT strategy.
- Launch of final investment pooling vehicle, for real estate investments.
- Implementation of updated investment portfolio management system.

Financial

Grant Thornton, as external auditors of the Local Pensions Partnership provided a 'clean' audit opinion on 31 July 2019. The accounts of the Local Pensions Partnership Group report a profit of £0.2m for the year to 31 March 2019, compared to a loss of £2.1m in the previous year.

Consultations
N/A

Implications:

This item has the following implications, as indicated:

Risk management

The shareholders agreement with the Local Pensions Partnership and the governance policy documents for the Fund state that the Pension Fund Committee should receive the annual accounts of the partnership**.**

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

Paper	Date	Contact/Tel

N/A

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

Appendix A

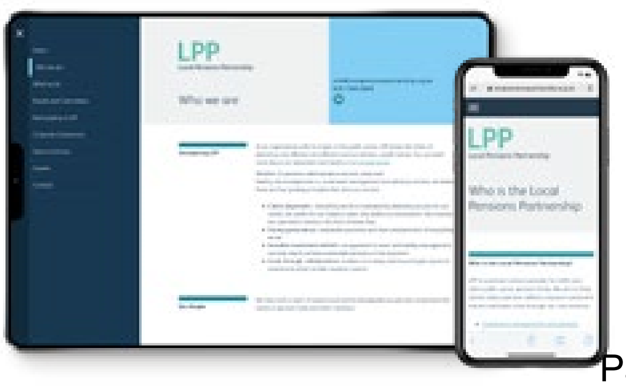
LPP
Local Pensions Partnership

Building resilience to provide secure futures

Annual Report and Accounts
2018-19

Contents

For more information visit us online at
localpensionspartnership.org.uk



At Local Pensions Partnership Ltd (LPP), our work has one overriding goal: to help our clients and shareholders to meet their pension obligations (and in turn help to provide secure futures for the families of retired public servants, police officers and firefighters).

Launched in 2016 as a collaboration between the Lancashire County Council (LCC) and London Pensions Fund Authority (LPFA), LPP has grown, adding the Royal County of Berkshire Pension Fund (Berkshire Pension Fund) as an investment and risk client in 2018.

We now manage about £17.4 billion of assets, and provide pension administration services to almost 600,000 members from around 1,800 public and charity sector employers in 17 pension schemes.

Over the past year, LPP has continued to develop and mature as a business. When we launch our first specialised Real Estate fund later in 2019, it will be the eighth distinct investment pooling vehicle we are able to offer our clients, every one with an emphasis on long-term viability and returns.

For most of our large pension fund clients, LPP provides an end-to-end pension services partnership covering investment, administration and risk management. We also offer standalone services such as pension administration.

With strong roots in both the public and private sectors, we are continuing to foster an entrepreneurial culture that aims to promote innovation, looking at best practice in pensions services management from around the globe.

LPP has a commercial "profit for clients" ethos that ensures all monies generated are used for the mutual benefit of clients and shareholders. Our philosophy means we are aligned to our clients and shareholders. This manifests itself in LPP acting akin to an asset owner rather than an asset manager.

LPP operates out of four sites in London, Lancashire, Hertfordshire and Havering. As we look to build our own long-term resilience, our emphasis is on sustainability in both the investment vehicles we select and our own operational structures.

Looking further forward, LPP's model is scalable, providing opportunity for mutual benefit for new and existing clients and shareholders. One area of specialism is private infrastructure, where our work with our partners in GLIL Infrastructure has already proved the positive impact that investment in UK infrastructure can bring.

With triennial valuations due before the end of 2019, LPP is helping our clients and their employers to understand their liabilities, and design investment and funding strategies that manage cash flow and employer contribution rates effectively.

Our business is built on five principles:

1

Leading investment management expertise - we have recruited excellent investment talent from both the private and public sectors.

2

Strong governance, compliance and stewardship - a commitment to holding ourselves and our investee companies to high standards

3

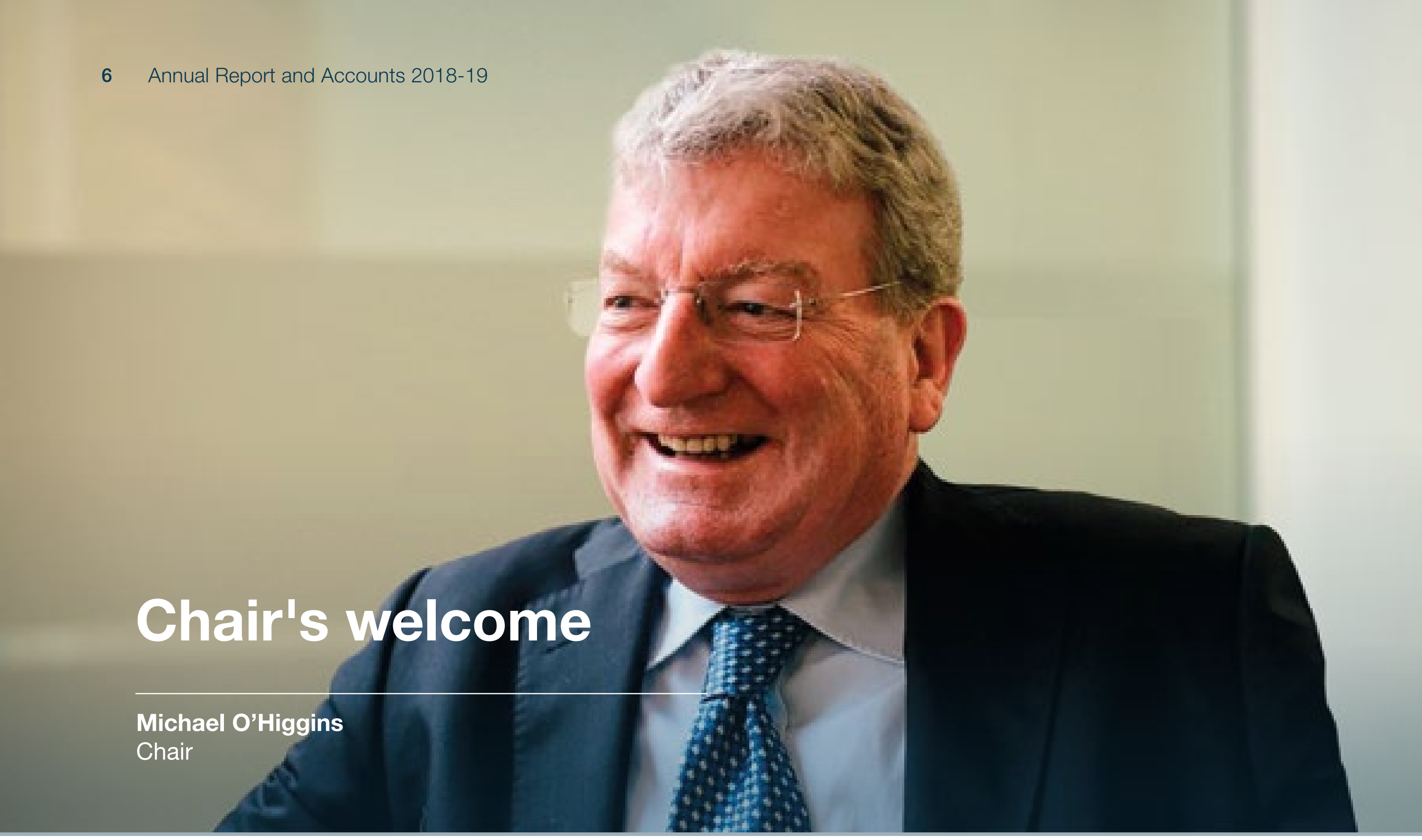
Administrative scale - allowing LPP to provide a platform for technological change and best practice

4

Consistent risk and liability risk management - providing greater certainty in retirement obligations

5

Competitive and efficient pricing - so that we seize opportunities to generate efficiencies for our clients while always acting responsibly



"The theme in this report of building resilience will continue over the medium term. We will progress our vision to be a leading pension services provider..."

When we set out on our quest three years ago, the urgency of the situation was evident to all, with the Government facing a number of challenges in relation to its pension obligations.

In the background, there was also the global challenge of lower interest rates and an uncertain market environment, along with an ageing population: by 2050, the number of people over 60 is expected to rise to 2.1 billion world-wide; by 2100, 3.2 billion[1]. This was the context in which the idea of asset pooling first came to the fore.

Our approach at LPP has been strategic, by first recognising that to develop a vigorous and efficient pooling partnership, we'd first need to put in place a robust framework. We achieved that in the early stages, with solid foundations laid down, from building our investment expertise to our strong governance structures.

Building resilience has been a strategic aim for the past year. For example, we are in the process of implementing upgraded systems in portfolio management and financial reporting. We have also strengthened our Board with the addition of three new Non-Executive Directors and a Senior Independent Director. The theme of resilience and robustness will continue into 2020 and beyond. It is vital that we have stability across all our functions in order to provide the best possible service to our clients.

1. Source: United Nations, World Population Prospects, Key findings & advance tables, 2015 revision.

While our approach has been measured, we have followed best practice from around the world, and look to be on target strategically reflecting some of the more mature international counterparts in Australia, the Netherlands and Canada.

While we have come a long way and set some good standards over the past three years, this listening and learning will continue as we develop and refine our sustainable business model.

Before I look forward to the coming 12 months and beyond, I'd like to pause and consider what we have achieved since we started operating in 2016, including alongside our partners in GLIL Infrastructure.

From the day LPP was launched, we have been managing 100% of client assets across all asset classes and have launched seven investment funds to realise the benefits of pooled investment management - Diversifying Strategies, Fixed Income, Credit, Global Infrastructure, Private Equity, Global Equity and Liquidity. A Real Estate fund will be launched by the end of the year.

Reductions in fund management fees for our clients has been achieved via:

- Allocations to internal fund management
- Consolidation of external fund managers
- Improved fee rates thanks to the scale of investments that LPP can make.

GLIL Infrastructure has received commitments of more than £1.8 billion and has invested more than £1bn in vital infrastructure projects like the Forth Ports, new trains for East Anglia and the South West, and the social infrastructure plans of Semperian, which is financing such essentials as roads, schools, hospital beds and waste disposal schemes.

These are projects whose potential importance will be clear to many. They are a good use of pension fund money, and our investment managers are confident that they will provide excellent returns.

We've been engaging fully in all the public policy debates and reviews into the changing pensions landscape. In the past year, we have provided insight on such reviews as the Ministry of Housing, Communities and Local Government's (MHCLG) consultation on Statutory Guidance on Asset Pooling in Local Government Pension Scheme. We also contributed to the Department of Works and Pensions (DWP) consultation on Fair Deal - Strengthening Pension Protection, the Financial Conduct Authority (FCA) discussion paper on Climate Change and Green Finance, and other initiatives like the Pension Dashboard and other technical advances helping simplify pensions management and provision.

Third party endorsement of our work is also good to have, and I am particularly proud that LPP was recognised in a number of prestigious industry awards.

I was, however, disappointed that our Pension Administration operating model took longer than expected to achieve stabilisation. I thank all those staff who work directly for the function and others who have helped to move to a position where LPP is on the way to delivering the service that clients, members and employers expect.

The financial year concluded with LPP delivering a core operating profit of £1.78 million which is a good indicator of our progress.

Susan Martin, LPP's inaugural Chief Executive stepped down in April. On behalf of the Board, I thank Susan for her significant contribution to the establishment and success of LPP.

Finally, the theme in this report of building resilience will continue over the medium term. We will progress our vision to be a leading pension services provider and, with shareholders support, will move through a careful transition into the next development phase towards a more mature and sophisticated model over the next five years.

Key facts

As at 31 March 2019

Group employees[1]

297

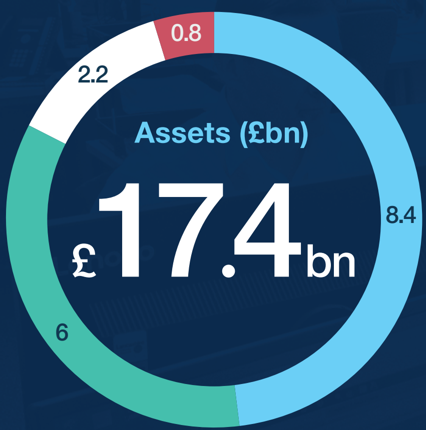
2017	245
2018	284
2019	**297**

Revenue (£m)

£33.0m

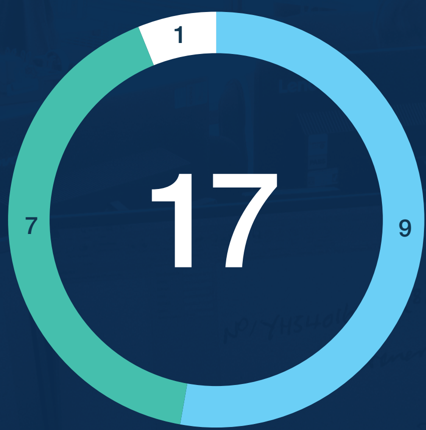
2017	23.3
2018	26.1
2019	**33.0**

Client assets under management[2]



- Lancashire County Pension Fund
- London Pensions Fund Authority
- The Royal County of Berkshire Pension Fund
- GLIL Infrastructure[2]

Pension administration clients



- LGPS
- Fire
- Police

Number of investment funds

7

2017	2
2018	6
2019	**7**

Pension members under administration

600k

2017	517+
2018	547+
2019	**600k**

1. Full Time Equivalent (FTE) employees.

2: Net asset value of GLIL's portfolio excluding committed capital.

Awards

LAPF Investment Awards 2018

WINNER - POOL OF THE YEAR

LAPF Investment Awards 2018

WINNER GLIL INFRASTRUCTURE - COLLABORATION AWARD

IPE Awards 2018

SHORTLISTED - PUBLIC PENSION FUND

European Pensions Awards 2019

WINNER GLIL INFRASTRUCTURE - MANAGER OF THE YEAR

European Pensions Awards 2019

FINALIST - FIDUCIARY MANAGEMENT

European Pensions Awards 2019

FINALIST - SPONSOR COVENANT PROVIDER OF THE YEAR

Pension and Investment Provider Awards 2019

FINALIST - COVENANT REVIEW PROVIDER OF THE YEAR

Professional Pensions UK Pensions Award 2019

FINALIST GLIL INFRASTRUCTURE - ALTERNATIVE INVESTMENT MANAGER OF THE YEAR

Customer Service Excellence

PENSION ADMINISTRATION BUSINESS

Strategic report and business review

Interim Chief Executive’s statement

Chris Rule
Interim Chief Executive

“I would like to thank our clients for their trust, confidence and patience, and colleagues for their dedication and hard work.”

Through our collective efforts, we continue to make good progress in delivering the benefits that we envisaged when we launched LPP three years ago; a different way to deliver and manage LGPS funds. I was delighted to welcome new clients to the business who believed in our ethos.

Our partnership model, whereby we provide a combination of tailored advice on strategic asset allocation and use discretion to select individual investments, continues to provide an aligned business model and highly effective outcome for our clients. Investment performance across our range of funds has been strong with most funds outperforming their respective benchmarks – this has helped our clients continue to meet their funding objectives.

We have also expanded the range of investment vehicles available to clients with the launch of the Diversifying Strategies Fund in late 2018.

In this Annual Report and Accounts, we include some investment case studies which demonstrate the positive impact asset owners can have on society, while also delivering sustainable long-term returns that are needed to pay pensions when they fall due. We fully expect this type of investment activity to continue.

I have received feedback from members and employers that our engagement activities could be further improved. We launched a new version of our member self-service in January 2019 and also implemented customer care surveys in our contact centre interactions. Whilst we have many opportunities to improve, we should also note that over 90% of those who undertook the contact centre survey rated their experience as either “excellent or very good”. Further member and employer feedback measures are planned for 2019-20, including reviewing the quality of our email processes and key retirement processes.

We continue to develop best practice across our business, including building our track record, launching investment funds and delivering quality pension administration services for members and employers. I thank our clients for their trust, confidence and patience, and colleagues for their dedication and hard work.

At the time of writing there is one final point I would highlight. There has been a recent Supreme Court judgement known as the McCloud case. This has introduced some potential additional pension liabilities for the LPP Group and impacts both LPP and LPPI.

At the moment I am highlighting that we have made allowance for the additional liabilities within these accounts but the remedies remain subject to determination and therefore the accounts reflect the position as estimated at this stage.

Chris Rule
Interim Chief Executive Officer

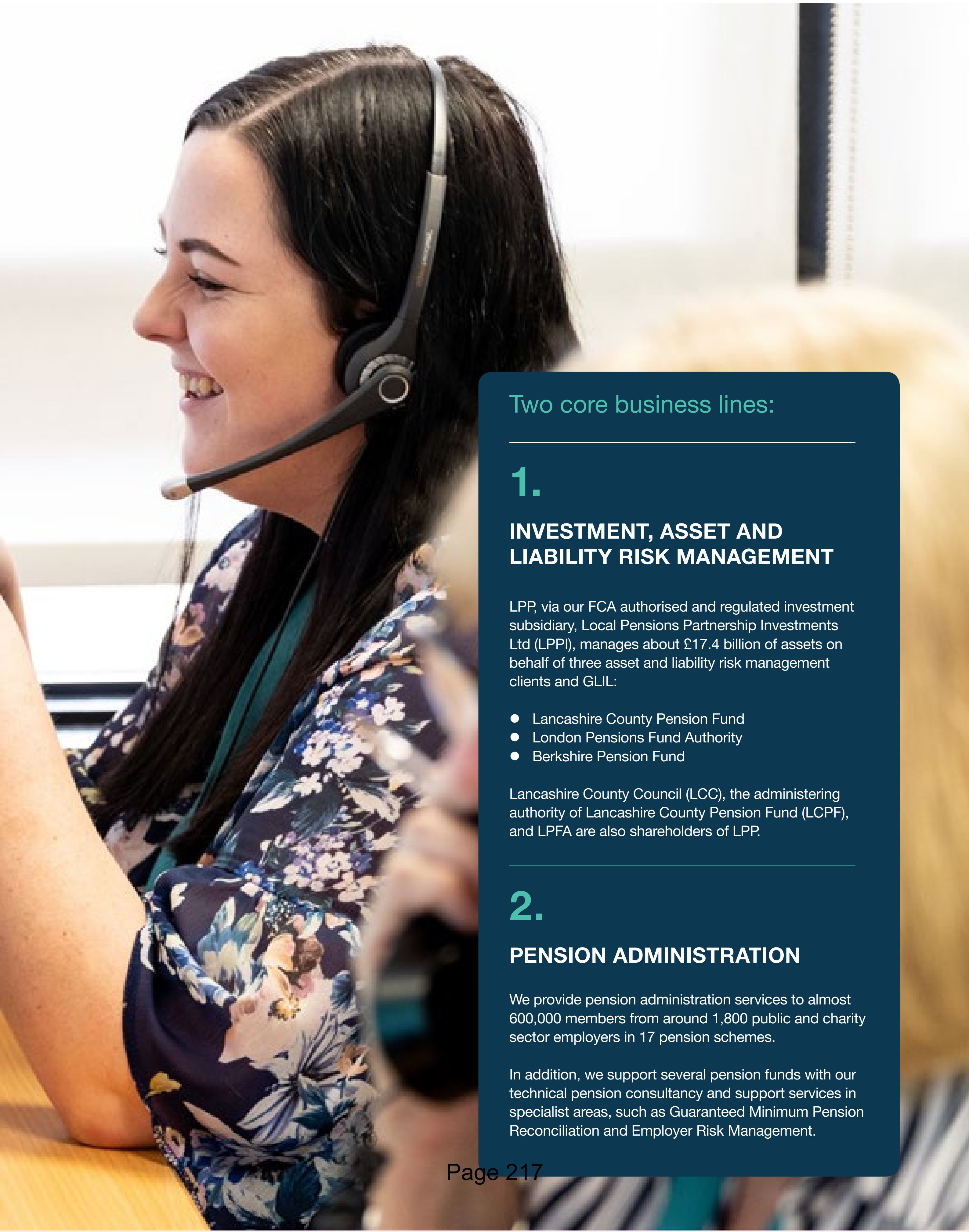
LPP business model

LPP is a pension services business, providing a range of pension fund-related services to clients. We share the associated benefits of scale and economy with them.

The aim behind the establishment of LPP was to create a new way of managing pensions within LGPS and help manage the cost of benefit provision.

LPP operates through a partnership and delegated management approach. Clients retain their strategic responsibilities, but they delegate fully the implementation of pension administration and investment management activities.

This delegation model helps LPP achieve economies of scale from which clients can benefit via lower overall investment or pension administration management fees, and improved access to a broad range of investment opportunities. LPP delivers additional benefits to clients through its focus on liability risk management and setting appropriate investment strategies to meet client fund obligations.



Two core business lines:

1.

INVESTMENT, ASSET AND LIABILITY RISK MANAGEMENT

LPP, via our FCA authorised and regulated investment subsidiary, Local Pensions Partnership Investments Ltd (LPPI), manages about £17.4 billion of assets on behalf of three asset and liability risk management clients and GLIL:

- Lancashire County Pension Fund
- London Pensions Fund Authority
- Berkshire Pension Fund

Lancashire County Council (LCC), the administering authority of Lancashire County Pension Fund (LCPF), and LPFA are also shareholders of LPP.

2.

PENSION ADMINISTRATION

We provide pension administration services to almost 600,000 members from around 1,800 public and charity sector employers in 17 pension schemes.

In addition, we support several pension funds with our technical pension consultancy and support services in specialist areas, such as Guaranteed Minimum Pension Reconciliation and Employer Risk Management.

Strategy

LPP is mid-way through a two-year strategy to continue building operational resilience across the business.

This reflects LPP's relatively swift growth rate since 2016, which has involved an increased number of clients and the creation of investment pooling vehicles.

It is important that LPP has stable and resilient foundations on which to service existing and future clients. This measured approach is supported by findings from the World Bank Group[1], which argues that taking the time to build these foundations will pay dividends as a pool develops.

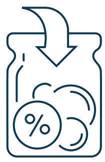
Over the year, the following strategic initiatives have been delivered

Investment pooling

Seven out of the eight planned investment pooling vehicles have been created

New clients

On-boarded Berkshire Pension Fund (Investment and Risk only). GLIL Infrastructure. Kent Fire and Rescue Authority and the London Borough of Brent (Pension administration only)



Pension Administration operating model

Rolled out a single Pension Administration operating model, including the establishment of a dedicated contact centre in Preston for member and employer enquiries

1. Source: World Bank Group, The Evolution of the Canadian Pension Model, 2017

Compliance and governance

Implemented a programme of governance enhancements, including the appointment of new Non-Executive Directors. Also, introduced governance compliance initiatives, including the implementation of the General Data Protection Regulations (GDPR)

Improved systems and processes

Improved systems and processes, including procurement of an upgraded portfolio management system

People and culture

LPP's vision, values and culture were further embedded throughout the business. This included the first employee engagement survey for LPP, which will inform the development of our culture and purpose work

Benefits of LPP's approach for clients

LPP works with clients to provide efficiencies and resilience in pension fund management.

The financial benefits resulting from this approach are shown in the statutory accounts of our clients in the form of reduced costs of running the pension funds. This is achieved by consolidating third party fund managers, increasing allocations to internal management and through broader economies of scale.

Other potential benefits to the LPP approach include:

- Portfolio diversification
- Access to new markets and managers
- Higher potential returns
- Reduced risk for the overall investment portfolio
- More predictable future cash flows
- Better alignment of the investment portfolio with the liability profile of the client, leading to greater certainty and more stable employer contributions
- Sharing best practice and exchanging ideas via collaboration with other institutional asset owners.

Future strategic direction

LPP continues to operate as a pension services business, ensuring that ongoing 'business-as-usual' resilience is implemented.

Alongside the business-as-usual activity, LPP is in the process of reviewing the marketplace and opportunities to strengthen its activities with a view to setting a new long-term strategic plan.

While LPP's existing clients come from the LGPS community, extensive client relationships and co-investment opportunities exist across the wider pension fund sector. LPP continues to leverage our heritage and expertise to help our clients and shareholders to meet their pension obligations.

As well as operational resilience, LPP will focus on:

- Maintaining Pension Administration stabilisation, customer care and further improving the member and employer experience
- Launching the final investment pooling vehicle - a Real Estate fund
- Implementing its updated portfolio management system
- Interpreting liability data to enable our clients to manage an effective triennial valuation
- Implementing the Senior Managers and Certification Regime (SMCR)
- Developing an enhanced ICT (information and communication technologies) strategy
- Building financial resilience
- Streamlining governance and decision making

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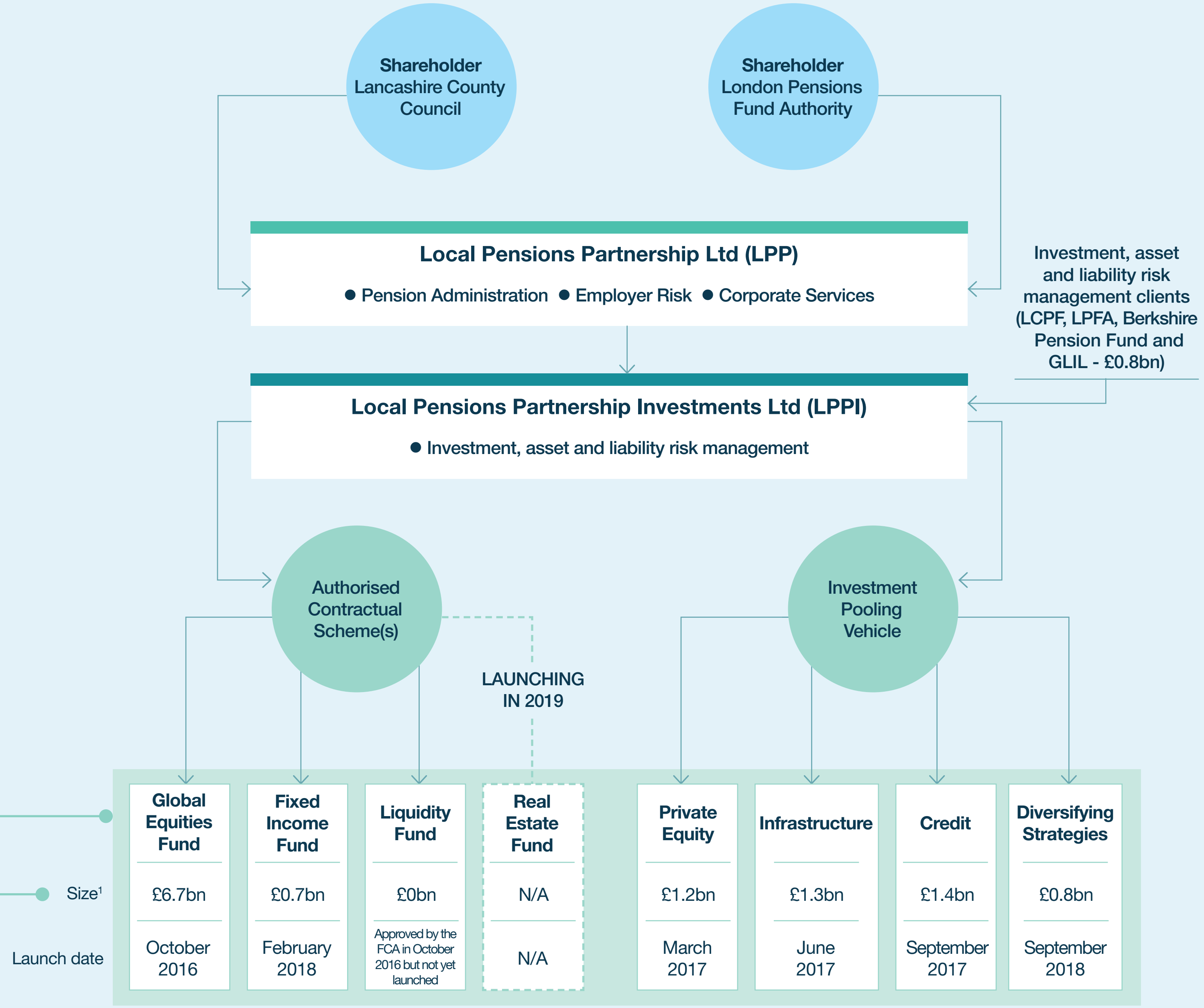
Corporate structure

LPP comprises a holding company, an investment management subsidiary, LPPI, and other indirect subsidiaries as set out in the chart below.

The Executive Committee oversees the activity of both LPP and LPPI, driving the delivery of the pension administration and investment management services.

Two years ago, operations originally carried out by Local Pensions Partnership Administration Ltd (LPPA) were transferred to LPP, and LPPA is now non-trading.



LPPI's range of investments funds

LPPI's range of investments funds provides clients with the building blocks to create a diverse portfolio capable of delivering long-term sustainable investment outcomes.

Each fund:

- pursues an investment strategy that is distinctive and complementary within clients' strategic asset allocation
- integrates our responsible investment beliefs, approach and governance in the investment decision-making process
- seeks to deliver superior investment outcomes via operational efficient and cost-effective structures.

Therefore, LPPI manages a total of £17.4bn, which comprises:

- **£12.1bn** of assets in pools
- **£4.5bn** of non-pooled assets
- **£0.8bn** GLIL portfolio (excluding committed capital)

1. All fund sizes are as at 31 March 2019

Attracting and developing talent

LPP is a partnership business, building relationships with clients and managing services for almost 600,000 members. We, therefore, place huge importance on our people, and their abilities to nurture relationships with all our stakeholders.

With our heritage and expertise as an experienced pension fund asset owner, we have a clear advantage in our aim to become a leading pension services business.

Over the past year, we have continued to build capability and resilience throughout the organisation. This has been done by attracting, developing and nurturing new and existing talent with diverse levels of thinking, experience and expertise. All of which helps us on our journey to consolidate and build a single integrated business.

By working with employees, we have developed a set of clear values that underpin our culture and enhance a collaborative approach.

These values are embedded in our people processes and procedures, encouraging further innovation. Clear ownership and accountability are all supported by strong communication and increased automation.

Our inaugural Employee Engagement Survey provided us with a powerful pulse check on areas where we are doing well, and on others where we need a more focused approach.

The 77% response rate from the Survey provided encouraging signs that our people feel their voice matters. The feedback has identified opportunities where we can do things differently. Our next steps include engaging more regularly with staff around LPP's future strategy and working to achieve greater levels of autonomy and decision making.

Our Staff Committee provides a forum for employees to meet with senior leadership to share, exchange and discuss ideas on a range of topics. We value their feedback as we believe employees who are engaged and valued can help us develop LPP as "employer of choice". Our aim is to develop LPP as a continuous learning organisation, underpinned by a high-performing culture and ethos.

A key element of this strategy is to grow and develop our current capability. We look to achieve this through the introduction of apprenticeships, internships and graduates training programmes. In addition, we will continually develop our existing employees through a range of blended learning options. These include professional qualifications, management and leadership development programmes, support with career paths, e-learning activities, mentoring and coaching opportunities.

Gender and equality reporting

We have continued to publish our gender pay statistics and equalities statement on our website. The 2018 results demonstrate that LPP has a gender pay gap of 26.95%. This is higher than the overall national pay gap published by the Office of National Statistics.

We take gender pay equality seriously and the following actions are being taken to address the gap:

- Regularly reviewing and updating our employment policy
- Ensuring bonus schemes are relevant and fit for purpose
- Promoting our flexible working policies and maternity and paternity schemes
- Encouraging parental leave where appropriate
- Reviewing recruitment processes and aligning them to succession planning and personal development
- Using a multi-channel online job boards and direct hire strategies to attract candidates
- Ensuring diversity and inclusion is a key part of our succession planning and talent review process
- Enhancing our flexible working policy, such as advertising roles as flexible, part time or job share, where appropriate.

Signatory of:

PRI Principles for Responsible Investment

A key move in the past year was LPP becoming an asset owner signatory to the UN Principles for Responsible Investment

Responsible investment and stewardship

Responsible investment and stewardship are foundation stones in LPPI's approach to investment management.

Three significant milestones help to illustrate continuing and positive progress this year:

a) in July 2018, LPP became an asset owner signatory to the UN Principles for Responsible Investment (PRI)

b) in August 2018, LPPI published an Annex on Climate Change which supplements our existing Responsible Investment (RI) Policy

c) for the first time this year, LPPI is making disclosures in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) as part of Annual Reporting

LPP became an asset owner signatory to the UN Principles for Responsible Investment (PRI) in July 2018. This is a significant step and a very practical demonstration of our commitment to the responsible investment of pension savings on behalf of clients.

PRI signatories commit to adopting six aspirational principles for responsible investment and report annually on their efforts to put the principles into practice. LPP's first detailed reporting (for the period to 31 December 2018) will be publicly available within a Transparency Report accessible from PRI's website. The Report describes our activities, and shares insights and examples which help to contextualise the investment beliefs, governance arrangements and procedures which underpin our approach.

Our responsible investment beliefs, approach and governance

Our responsible investment beliefs are a strong foundation for prudent investment management practices, and are fully explained in our Responsible Investment Policy.

1.
Long-term interests

LPPI has a fiduciary duty to act in the best long-term interests of clients and their beneficiaries. Fulfilling this duty requires a governance structure, culture and investment approach collectively focused on adding value over the long-term.

2.
Secure optimum returns

The objective of RI is to secure optimum returns in the long-term at an acceptable level of risk.

3.
Effective management of risks and opportunities

The primary focus of RI is the effective management of investment risks and opportunities in order to achieve optimum risk-adjusted returns on a sustainable basis. The attainment of broader social outcomes is secondary to funding the pension benefits payable to members.

4.
Environment, Social and Governance (ESG) factors

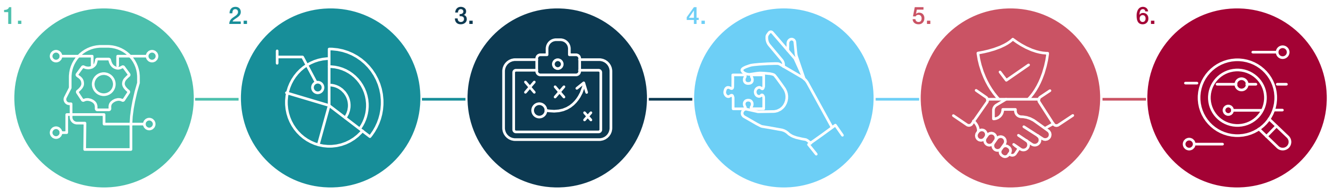
ESG factors can have a direct financial impact on the value of individual investments and an influence on long-term investment performance. The consideration of ESG factors is relevant at every stage in the investment cycle - within investment strategy, investment selection, and within the stewardship of assets in ownership.

5.
Utilise ownership powers

As providers of capital, investors have influence. Institutional investors should utilise their ownership powers to exert influence in circumstances where their intervention is warranted to protect the long-term financial interests of beneficiaries.

Six key outcomes

In translating our RI beliefs into investment practice, we have identified and are aiming to achieve six key outcomes through our continuing activities.



1. Responsive to client needs
2. Commercial and sustainable
3. Active in ownership
4. Diligent in asset selection
5. Committed to collaboration
6. Continuously reviewing and improving

RI is integral to LPP's investment management approach, delivered principally through the activities of LPPI. Oversight and governance of RI reside with the LPPI Board and are executed through the Board's oversight of the investment business. Operationally, the implementation of LPP's approach to RI is delegated to the Stewardship Committee.

Responsible investment in practice

Prudent investment management is a presiding objective which directly informs our approach to RI. The key points at which RI and ESG considerations are core inputs include the selection of investments (where we directly manage assets internally), the appointment and oversight of external managers (where we select third parties to work alongside us), and the prioritisation of engagement themes as part of the active ownership of pension fund assets.

We use a variety of approaches and routes to integrate RI and ESG in practice. This reflects that the same tools are not equally applicable to all asset classes. The vehicles through which investments are made determine the routes for having ownership influence.

Directly owned assets may afford board seats or other forms of direct representation, but those assets owned through funds (in common with other investors) require a more collaborative approach, often as a limited partner seeking influence through the general partner's relationships. Where LPPI is not directly managing assets, our key focus is on the evaluation and selection of the external managers whose approach and expertise align with our RI approach and requirements. This involves a detailed due diligence process prior to manager appointment, the specification of RI requirements within investment management agreements and the continuous monitoring and dialogue thereafter.

During the year we have given particular focus to climate change as a thematic priority. There is growing consensus around the significant financial risks climate change potentially poses for pension funds as long-term investors. The actions we have taken and the objectives we are working towards feature in a new Annex on Climate Change which supplements our RI Policy and is available from our website.

Better information is needed to enhance our understanding of the complex risks climate change poses and inform our decision-making on current and future investments. We have committed to encouraging companies to make more detailed climate-related financial disclosures in line with the recommendations of the Taskforce on Climate Related Financial Disclosure (TCFD). The TCFD disclosure framework focuses on governance, strategy and risk management around climate change and encourages greater transparency by both companies and investors (asset managers and pension funds) on their approach and actions on this crucial issue. As part of our own annual reporting, LPPI has taken first steps towards providing the voluntary disclosures aimed at asset owners through a Climate Change Disclosure: TCFD Report which is available from our website.

For more information on LPPI's responsible investment and stewardship philosophy, including client voting rights please visit our website.

Investment case studies

Below are examples of our responsible investment in practice.

Guild Investments

Guild Investments owns six wind farm sites across Portugal, a growing global source of renewable energy which reduces carbon emission intensity.

Portugal is an attractive location for wind farm installations, having a windy terrain, a stable feed-in-tariff regime and the support of local communities. This investment enables us to partner with a top tier renewable energy operator who is a market leader in renewable energy electricity, enjoying technical and local expertise support.

Guild Investments also actively contribute to protecting the endangered species the Iberian Wolf, through formation and membership of the Iberian Wolf Habitat Conservation Association. This organisation was founded in 2006 through constituent members of Guild Investments.

Cape Byron

Cape Byron Power is one of the largest renewable base load generators in Australia. It consists of two biomass power plants: Broadwater and Condong, both on the New South Wales north coast.

In aggregate, these two plants produced enough renewable energy in 2018 to power c.75,000 homes and avoided an estimated 163,000 tonnes of carbon emissions.

Forth Ports Group

Forth Ports is the third largest Ports Group in the UK, with a diverse operational and port-centric logistic business model across Tilbury in the south east of England and several Scottish ports. Its strategy is focused on the delivery of efficient and low carbon supply chain solutions. This investment was made via the GLIL Infrastructure platform.

Forth Ports are undertaking a project to transform an old power station in Tilbury to extend the port. Not only is this initiative creating jobs within the area but the promotion and protection of wildlife is paramount within the scope of the project, including the building of a 12,000 strong water vole park. Further regeneration projects are underway in Scotland.

Advent Life Sciences

Advent Life Sciences is one of the leading trans-Atlantic venture investors focused on building innovative life sciences businesses in the UK, Europe and the USA.

The team at the Advent Life Sciences has invested over £300 million into early stage drug and device company development over the last 10 years, contributing to 14 regulatory approvals, representing a success rate and longevity that exceeds that of most life science and large pharmaceutical companies. These successes contribute to society through technological breakthrough in medicines and products, research and development.

LPP challenges and risk management

Risk resilience

In line with a key business objective of increasing operational resilience, our risk management function continues to develop its resilience and maturity as a second line of defence, providing stakeholders with assurance that our business is well managed.

Key aspects of this development include the additional resource focusing on investment risk management, information security and new systems to enhance our ability to manage operational risk across the firm. Cyber and operational risks will continue to be a focus, while we develop our operational resilience with specific initiatives underway to enhance our business continuity arrangements and cyber security measures with the aim of meeting higher levels of industry standard benchmarks in both areas.

Brexit

LPP is well prepared for Brexit with a working group established to coordinate the business preparations for all possible Brexit outcomes. Operationally, we expect there to be a low impact to our business given we operate only in the UK and provide services to UK resident organisations.

We have worked closely with our key suppliers, some of whom are non-UK, to assess whether any contractual arrangements will be negatively impacted. It is possible that Brexit may cause volatility in investment asset prices and that this may impact the portfolios that LPPI manages. These portfolios are well diversified in terms of different asset classes and geographical exposures. LPPI manage with a long-term investment horizon, any short-term volatility is not expected to have a significant impact on our clients and on our business model.

Triennial valuation

LGPS is undergoing its triennial valuation exercise from 31 March 2019. LPP's Pension Administration and Employer Risk services will be supporting LGPS clients and liaising with clients' actuaries throughout this process, which is expected to complete by March 2020.

This exercise involves significant data management and extensive liaison between pension schemes, employers and fund actuaries. We have a formal project underway to ensure that our process is well managed and delivers a successful outcome for all parties.

Global economic uncertainty

Looking forward, LPPI continues to see a somewhat challenging investment environment over the medium and longer-term. While many, if not all, major asset classes have delivered extremely strong performance over the last decade, we are expecting this to moderate in the years to come.

Markets tend to move in cycles around longer-term secular trends. The performance of risk assets in the last decade was outsized relative to long-term averages, and this has been overlaid on a secular bull-market in the bond markets going back to the early 1980s. It is not unreasonable to assume that in the coming decade, both tailwinds could turn into headwinds. LPPI seeks to build portfolios that are not simply reliant on strong performance from global equities, but are diversified across asset classes and risk factors, and have resilience to a range of market environments. LPPI's investment process seeks to find investments that provide further diversification from broad public market exposures and are accretive to clients' overall risk-reward profile.

Risk management framework

As a business, LPP is exposed to a variety of risks as a result of its business activities. LPP actively monitors the potential likelihood and impact of current and future risks.

The LPP Board is ultimately responsible for the risk framework and oversight of the business's approach to managing risk. The Board is supported by the LPP Audit Committee which monitors Group wide risks. The LPPI Risk Committee oversees internal controls and risks relating to the regulatory responsibilities of LPPI.

Further details on the role and scope of work undertaken by the Audit Committee can be found on page 43. Our approach to risk management recognises that it is the responsibility of all employees to manage risks in their respective areas of business.

Executive oversight of risk is delegated to the Chief Risk Officer who is responsible for the design and implementation of the risk and control framework, and reporting of risk.

LPP's Risk Management Framework can be described as 'a process which helps us prevent an unacceptable level of uncertainty in business objectives'. The Framework sets out what the business will undertake in order to:

- Establish and operate an effective risk management and internal control environment including risk identification, assessment, reporting, monitoring and the development of actions arising
- Establish, operate and report a regular programme of analysis, reporting, stress testing, scenario development, thematic review and reverse stress testing
- Integrate risk management into the culture of the business.

Key risk categories

Financial risk and investment performance

We recognise that poor investment performance could result in a reduction in Assets under Management (AUM). Our investment management business charges fees as a percentage of AUM. A fall in these assets could result in a fall in income. We closely monitor the risk and performance of the assets we manage and maintain financial resources in an amount sufficient to meet regulatory requirements and to cover a sustained fall in income.

Concentration risk

There is a risk of investment and pension administration client concentration as a significant portion of income is derived from our two largest clients. The two clients are LPP's joint equal shareholders and founding partners. Given this aligned construct, management is content with the relatively high level of client concentration.

Operational and conduct risk

Operational risks may arise as a result of failures in internal controls or operational processes. Such failures may lead to financial and reputational losses which can have a permanent and negative impact on clients' trust and confidence in LPP. LPP has implemented a three-year internal audit plan to review its business operation. The results of the reviews are reported to the LPP Audit Committee. Conduct and regulatory risks include:

- Compliance with legislative change including GDPR, MiFID II and SMCR
- Risks of client detriment arising from inappropriate conduct, conflicts management, practice, behaviour or failing to meet client requirements
- Risks of money laundering, bribery, market abuse or negligence
- Risk of fines, penalties or other sanctions from failure to identify or meet regulatory requirements
- Risk that new regulations or changes to existing interpretations have a material effect on the Group's operations, risk profile or cost base.

Corporate governance

Corporate governance statement

"On behalf of the Board, I am pleased to introduce our third corporate governance report since the incorporation of the business."

The Board is responsible to its shareholders for the overall direction, supervision and management of LPP and its subsidiaries (the Group) to ensure its success. It determines the Group's strategic direction and objectives, its viability and governance structure. It operates in accordance with its Articles of Association, Terms of Reference and powers reserved for the Board as laid down by the shareholders agreement along with its obligations under the Companies Act, FCA regulations and other public law obligations.

As a Board, we are committed to the highest standard of corporate governance. The past year saw the implementation of the recommendations made by the governance reviews carried out on the Group corporate and governance structure. The actions flowing from these reviews strengthened governance practices within the Group. I am pleased to announce the appointment of Sarah Laessig and Jill Mackenzie as Non-Executive Directors. Jill has also been appointed as the Chairman of the Remuneration and Nomination Committee, and Sarah has been appointed as a member of the Audit Committee. In addition, Martin Tully has been appointed as Non-Executive Director to our subsidiary the LPPI Board. Sir Peter Rogers has been appointed to the role of Senior Independent Director. Their appointments add to the wealth of skills and experience and increased independence of our Board, and their biographies can be found on page 34.

All new Non-Executive Directors carried out a thorough induction programme which is reviewed regularly to ensure that it is current and aligned with the business's strategy and vision. In addition, a training schedule is organised to ensure these skills and knowledge are kept current.

The day-to-day management of the Group and the implementation of the strategic plan are delegated to the Chief Executive, along with the Executive Directors, whom are all members of the Executive Committee. The Executive Committee plays a key role in overseeing the operational performance and delivering our strategy. It meets monthly and receives updates from all areas of the business. Investment decisions are made by Executives authorised by the Financial Conduct Authority (FCA). Further details of the work the Board and its Committees can be found on page 38.

This coming year, work has continued to meet the objectives agreed within the strategic plan. In addition, the Board felt that a period of resilience was required across the business. This was agreed with the shareholders for 2019-20.

The Board recognises the importance of engaging with shareholders and its wider stakeholders. Shareholder meetings take place quarterly, in addition to a general meeting which takes place on an annual basis. During the year, a representative from each shareholder has been invited to attend as observers at our Board meetings. In addition, LPPI runs an Investor Forum twice a year, providing an update on its pooling progress and to discuss any investment strategies with shareholders and clients.

The Board and I will continue to focus on the effective oversight of the Group during 2019-20 with a view to building resilience and meeting our strategic objectives as agreed with our shareholders.

Michael O'Higgins

Michael O'Higgins
Chair

31 July 2019

Board of Directors

The current LPP Board comprises an independent Chair, three Executive Directors, five independent Non-Executive Directors and two shareholder Non-Executive Directors. Each of LPP's shareholders appoints a shareholder Non-Executive Director to the Board.

LPP Directors are subject to annual re-appointment at the Annual General Meeting (AGM). During the year, Jill Mackenzie and Sarah Laessig were appointed as Non-Executive Directors and will seek re-appointment, along with all statutory Directors, by the shareholders at the AGM in August 2019.

In November 2018, Allister Jeffrey resigned as Executive Director. In April 2019, Susan Martin resigned as Executive Director.

Chris Rule and Adrian Taylor were appointed as Executive Directors on 10 June 2019.

All Non-Executive Directors are appointed on a three to four-year initial term and undertake a formal induction programme on appointment. This programme is kept under review to ensure that it reflects current regulations and is aligned with the business's strategic objectives.

Jill Mackenzie was unavailable when the photograph of the Board was taken.

1.
Sir Peter Rogers
Senior Independent Director

Member of Board since 2 November 2015

2.
Michael O'Higgins
Chair of LPP Board

Member of Board since 19 October 2015

3.
Chris Rule
Executive Director, Interim Chief Executive, Chief Investment Officer and Managing Director (Investments)

Member of Board since 10 June 2019

4.
Tom Richardson
Executive Director - Chief Risk Officer

Member of Board since 11 July 2016

5.
Adrian Taylor
Executive Director, Chief Financial Officer

Member of Board since 10 June 2019

6.
Sally Bridgeland
Non-Executive Director

Member of Board since 1 July 2016

7.
Dermot 'Skip' McMullan
Shareholder Non-Executive Director (LPFA)

Member of Board since 9 October 2015

8.
Sarah Laessig
Non-Executive Director

Member of Board since 1 September 2018

9.
Alan Schofield
Shareholder Non-Executive Director (LCC)

Member of Board since 25 May 2017

10.
Robert Vandersluis
Non-Executive Director

Member of Board since 2 November 2015

11.
Jill Mackenzie (inset)
Non-Executive Director

Member of Board since 1 September 2018

Meet your Board of Directors

Michael O'Higgins

Chair of LPP Board

B B R

Term of office

19 October 2015 to 31 December 2022

Career and experience

Michael is also Chairman of Calculus VCT, the Channel Islands Competition and Regulatory Authorities, and is a Non-Executive Director of the pensions company Hedgehog.

Michael was Chairman of The Pensions Regulator from 2011 to 2014, Chairman of the Audit Commission from 2006 until 2012 and Chairman of the NHS Confederation from 2012 until 2015. He was Non-Executive Director of HM Treasury and Chair of the Treasury Group Audit Committee from 2008 to 2014 and a Non-Executive Director of Network Rail 2012 to 2018. Michael was also the Chair of the youth homelessness charity, Centrepoint from 2004 to 2011.

Previously, Michael was a Managing Partner with PA Consulting, leading its Government and IT Consulting Groups, latterly as a Director on its International Board. Prior to that he was a partner at PricewaterhouseCoopers, worked at the Organisation for Economic Co-Operation and Development in Paris and held academic posts at the University of Bath, the London School of Economics, Harvard University and the Australian National University.

Committee and subsidiary membership

Member of the LPP and LPPI Remuneration and Nomination Committee. Non-Executive Director on LPPI Board.

Sally Bridgeland

Non-Executive Director

B B

Term of office

1 July 2016 to 31 July 2021

Career and experience

Sally is an actuary with pensions and investment experience both as an adviser and a trustee. She combines consultancy for Avida International with a number of complementary Non-Executive and advisory roles.

Sally is a Non-Executive Director at insurer Royal London and at Impax Asset Management plc. She is a trustee at the Lloyds Bank pension schemes and the Nuclear Liabilities Fund.

An Honorary Group Captain with 601 (County of London) Squadron of the Royal Auxiliary Air Force, Sally is also a trustee of the RAF Central Fund. Sally was the first lady Master of the Worshipful Company of Actuaries in 2016-17 and currently serves on the Royal Society's Advisory Committee on Mathematics Education (ACME).

In her Executive career, Sally served as the Chief Executive Officer of BP Pension Trustees Limited having previously spent twenty years with Aon Hewitt (originally Bacon & Woodrow) as a pensions consultant and in investment research and innovation.

In Professional Pensions' inaugural Women in Pensions awards, Sally was named a Role Model of the Year 2018.

Committee and subsidiary membership

Chair of LPPI Board.

Key to Board and Committee memberships

- B LPP Board
- A LPP Audit Committee
- R LPP and LPPI Remuneration and Nomination Committee
- B LPPI Board
- Rc LPPI Risk Committee

Sarah Laessig
Non-Executive Director

B A

Term of office
1 September 2018 to 31 August 2021

Career and experience
Sarah holds a number of board positions across the public and private sectors, which reflect her experience and interest in financial services and technology, data and digital, government, higher education and international development. She is a Commissioner on the Civil Service Commission and the Commonwealth Scholarship Commission. She is a Non-Executive Director of a Hong Kong based financial technology firm, Valoot Technologies Ltd, and sits on the Board of Advisors of a US based technology company, data.world. Sarah previously enjoyed an Executive banking career at Citigroup.

Sarah was recently recognised as one of the 100 Women to Watch in The Female FTSE Board Report 2018, an annual benchmarking report and supplement published by Cranfield University.

Committee and subsidiary membership
Member of LPP Audit Committee.

Jill Mackenzie
Non-Executive Director

B R

Term of office
1 September 2018 to 31 August 2021

Career and experience
Jill embarked on her portfolio career in 2013 and holds a number of Non-Executive, trustee and chair positions mostly in the pensions arena. She chairs the Judicial Pension Board having been appointed by the Lord Chancellor in 2014. She is the Chair of Trustees of the Legal Services Commission Pension Scheme, Chair of the National Assembly for Wales Assembly Members Pension Scheme, and a board and trustee member at NEST Corporation where she is also Senior Independent Director.

Jill has enjoyed a successful career spanning 25 years focusing on leading organisations in their HR, shared services and organisational transformation activities. She has held senior leadership roles with a range of customer facing private sector organisations including Lloyds Bank, and until 2013 as an Executive Director at Virgin Media where she led internal service delivery.

Committee and subsidiary membership
Chair of LPP and LPPI Remuneration and Nomination Committee.

Dermot 'Skip' McMullan
Shareholder Non-Executive Director (LPFA)

B R

Term of office
9 October 2015 to 31 March 2021

Career and experience
Skip was a Managing Director at Bank of America in a career spanning 28 years prior to becoming an Independent Chair of Trustees. During his career at Bank of America, he was involved with a number of major industries in the UK and globally, including construction, mining, real estate, shipping, and the oil and gas industries. Most recently he was responsible for all the relationships that the Bank had in Europe with other financial and non-financial institutions.

His earlier career included the creation of the first PFI company, structuring the financial package and concession for the Dartford Bridge, followed by the larger concession for the Second Severn Bridge and the smaller concession for the Skye Bridge. The latter also involved the buyout of the concession by the Scottish Executive.

Currently, he chairs the trustee boards of the Bank of America UK Pension Plan and the SSVC Pension Plan. He is a Director of the Bank of America Merrill Lynch UK Pension Plan and joined the LPFA board in April 2013. He became Deputy Chair of the LPFA board in 2017. He is also a Trustee of a number of charities.

Committee and subsidiary membership
Member of LPP and LPPI Remuneration and Nomination Committee.

Meet your Board of Directors
continued

Tom Richardson
Executive Director, Chief Risk Officer

B B Rc

Term of office
Appointed on 11 July 2016

Career and experience
Tom joined LPP in July 2016 from the Maple Financial Group, where he spent almost 20 years building his skills in different parts of the business. From 2008, he was the Chief Risk Officer (Market Risk), Global, a role that saw him drive the management and communication of Maple's business line policies within an economic capital framework totalling £400 million.

Tom's areas of responsibility included the measurement and reporting of financial risk where he led the design and implementation of risk methodologies, policies and procedures to meet both internal and regulatory objectives, including Value at Risk, Credit Capital at Risk, scenario analysis and stress testing.

At LPP, Tom us also responsible for ICT, facilities and operational and employer risk.

Tom graduated from Loughborough University with a BSc in Economics and Politics. He also holds a Certificate in Securities from the Chartered Institute for Securities & Investment.

Committee and subsidiary membership
Executive Director on LPPI Board, Member of LPPI Risk Committee.

Sir Peter Rogers
Senior Independent Director

B A

Term of office
2 November 2015 to 31 August 2022

Career and experience
Sir Peter has more than 19 years' knowledge and experience of working within the public sector. Sir Peter is currently the Chairman of New West End Company and was previously an advisor to Boris Johnson, Mayor of London, on regeneration, growth and enterprise at the Greater London Authority.

He is a former Chief Executive Officer of Westminster City Council, a former Non-Executive Director to Liberata and also former Chief Executive Officer of the London Development Agency. Prior to that, Sir Peter worked in the private sector as a Senior Executive in one of the leading national transport operators.

Committee and subsidiary membership
Chair of LPP Audit Committee.

Chris Rule
Executive Director, Interim Chief Executive, Chief Investment Officer and Managing Director (Investments)

B B

Term of office
Appointed on 10 June 2019

Career and experience
Chris is Interim Chief Executive, Chief Investment Officer (CIO) and Managing Director of LPP's Investment business. Chris has been with LPP since its inception and is an architect of investment structures and governance.

Prior to joining LPP in 2016, Chris was CIO at London Pensions Fund Authority, one of LPP's founding clients. Working collaboratively with Northern Pool, Chris founded and manages GLIL Infrastructure, an Alternative Investment Fund focused on investing in UK infrastructure assets.

Chris has 20 years of investment experience. He has held several senior positions including Head of Alternatives at SEB Investment Management, as well as founding and co-managing the multi-strategy team whilst a Principal at Old Mutual Asset Managers. Earlier in his career, Chris was trained as a risk manager at GNI Fund Management, before taking on investment management responsibility for hedge fund portfolios. Chris graduated from Manchester University and is a Chartered Alternative Investment Analyst.

Committee and subsidiary membership
Executive Director on LPP and LPPI Board, Chair of the LPPI Investment Committee and Chair of Stewardship Committee.

Alan Schofield
Shareholder Non - Executive Director (LCC)

B R

Term of office

25 May 2017 to 24 May 2021

Career and experience

Councillor Schofield was elected to LCC in May 2013 and re-elected in 2017. Prior to becoming a County Councillor, Alan held senior financial management posts in the Water Services industry at several locations, before moving to a local government career in 1992. He served in a metropolitan borough in Greater Manchester and then progressed upward at three local authorities in Cumbria and Lancashire, retiring in 2011. Alan is a life member of the Chartered Institute of Public Finance and Accountancy (CIPFA).

At Lancashire, he is a member of the Pension Fund Committee (now Deputy Chair); and participated from the outset in the high level working party deliberating on, and overseeing, the preparations and approval stages toward achieving the April 2016 establishment of LPP. Also at LCC, Alan chairs the Audit, Risk and Governance Committee. Outside the county council, Alan is a Trustee Director of a Citizens Advice Bureau and a Parish Councillor.

Committee and subsidiary membership

Member of LPP and LPPI Remuneration and Nomination Committee.

Adrian Taylor
Executive Director,
Chief Financial Officer

B

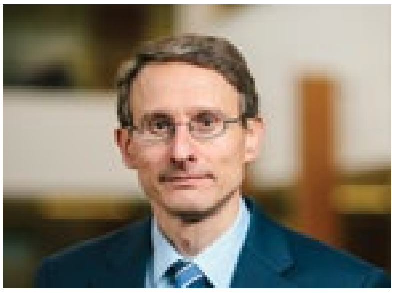
Term of office

10 June 2019

Career and experience

Adrian joined LPP in November 2018. With over 30 years of financial services experience, mainly in the asset and wealth management sectors, Adrian has a large firm background from Barclays Capital, JP Morgan Asset Management and Fidelity. Adrian's recent roles include Finance Director UK at Edmond de Rothschild, Partner and Finance Director at Killik & Co, and CFO at Sarasin & Partners.

Adrian qualified as a chartered accountant while at KPMG and is a fellow of the ICAEW. He graduated from Exeter University with a BA (comb hons) degree in Economics and Statistics.



Robert Vandersluis
Non-Executive Director

B B Rc

Term of office

2 November 2015 to 31 December 2021

Career and experience

Robert is the Director of Global Pension Investments at GlaxoSmithKline (GSK), where he manages £18 billion of investments and a substantial derivative portfolio. At GSK, Robert sits on a number of pension boards, and he provides strategic advice to GSK's pension fund trustees in Europe, the United States and Japan. Robert established GSK's London-based pension investment department, where he developed and implemented GSK's interest rate and inflation hedging strategies.

Robert's previous roles include senior treasury and corporate finance positions at Affinity Sutton Group and FCE Bank plc. He also served on the board of the Pensions Trust, where he was Deputy Chair of the Investment Committee.

Robert studied economics and public policy at the London School of Economics, the University of Michigan, Cambridge University, and Harvard University's Kennedy School of Government.

Committee and subsidiary membership

Non-Executive Director on LPPI Board, Chair of LPPI Risk Committee.

How the Board operates

The Board met five times during the year. Each meeting discussed a range of topics in accordance with the strategic priorities and the annual Forward Agenda as agreed by the Board. During the year the structure of the agenda was reviewed to ensure that appropriate time was given to strategic and risk matters.

The Board also held two strategic awaydays during the year. The table below sets out the Board attendance at the meetings.

Activity during the year

The Board has been heavily focusing on building resilience across the business.

Activity during the year includes:

- Developing the Group strategic plan
- Driving the financial performance and resilience of the Group
- Managing key risks facing the Group

Its strategic priorities are:

- Developing our people
- Pension Administration
- Asset and liability risk management services
- Investment management and advisory services
- Technology and innovation
- Governance and compliance.

Managed growth has still featured during the year with the successful expansion of GLIL Infrastructure and the on-boarding of Berkshire Pension Fund and the London Borough of Brent.

Board evaluation

Work continues to implement and embed the recommendations made from the Board Effectiveness Review which was carried out by an external provider last year. For 2019-20, the Board has agreed to focus on reviewing the effectiveness of its Committees.

Conflicts of interest and independence

The Board may seek independent professional advice from an external provider for which LPP must pay. During the year no such advice was sought.

The process by which Directors' conflicts might be authorised is set out in detail in LPP's Articles of Association. LPP and LPPI also have Board-approved conflicts of interest policies in place, ensuring a proper process for the identification, consideration of authorisation and appropriate recording of any conflicts of interest. These policies are reviewed on an annual basis and any amendments approved by the respective Board. In addition, Directors declare any conflicts at the start of each Board or Committee meeting, and these are recorded formally in the minutes of the meeting and the interests register.

At all times during the year, the independent Directors met the criteria for independence. LPP has arranged for appropriate insurance cover in respect of legislation against Directors of LPP and its subsidiaries

Outlook for the next year

The Board will continue to work with shareholders in order to deliver LPP's strategy and build resilience in all areas of the business for the next year.

Director	Appointment	Resignation	No. of meetings	Meetings attended
Michael O'Higgins	19 October 2015	N/A	5	5
Sally Bridgeland	1 July 2016	N/A	5	4
Allister Jeffrey	6 December 2017	29 November 2018	3	3
Sarah Laessig	1 September 2018	N/A	3	3
Jill Mackenzie	1 September 2018	N/A	3	3
Susan Martin	11 November 2015	26 April 2019	5	4
Dermot 'Skip' McMullan	19 October 2015	N/A	5	5
Tom Richardson	11 July 2016	N/A	5	4
Sir Peter Rogers	2 November 2015	N/A	5	4
Alan Schofield	25 May 2017	N/A	5	5
Robert Vandersluis	2 November 2015	N/A	5	5

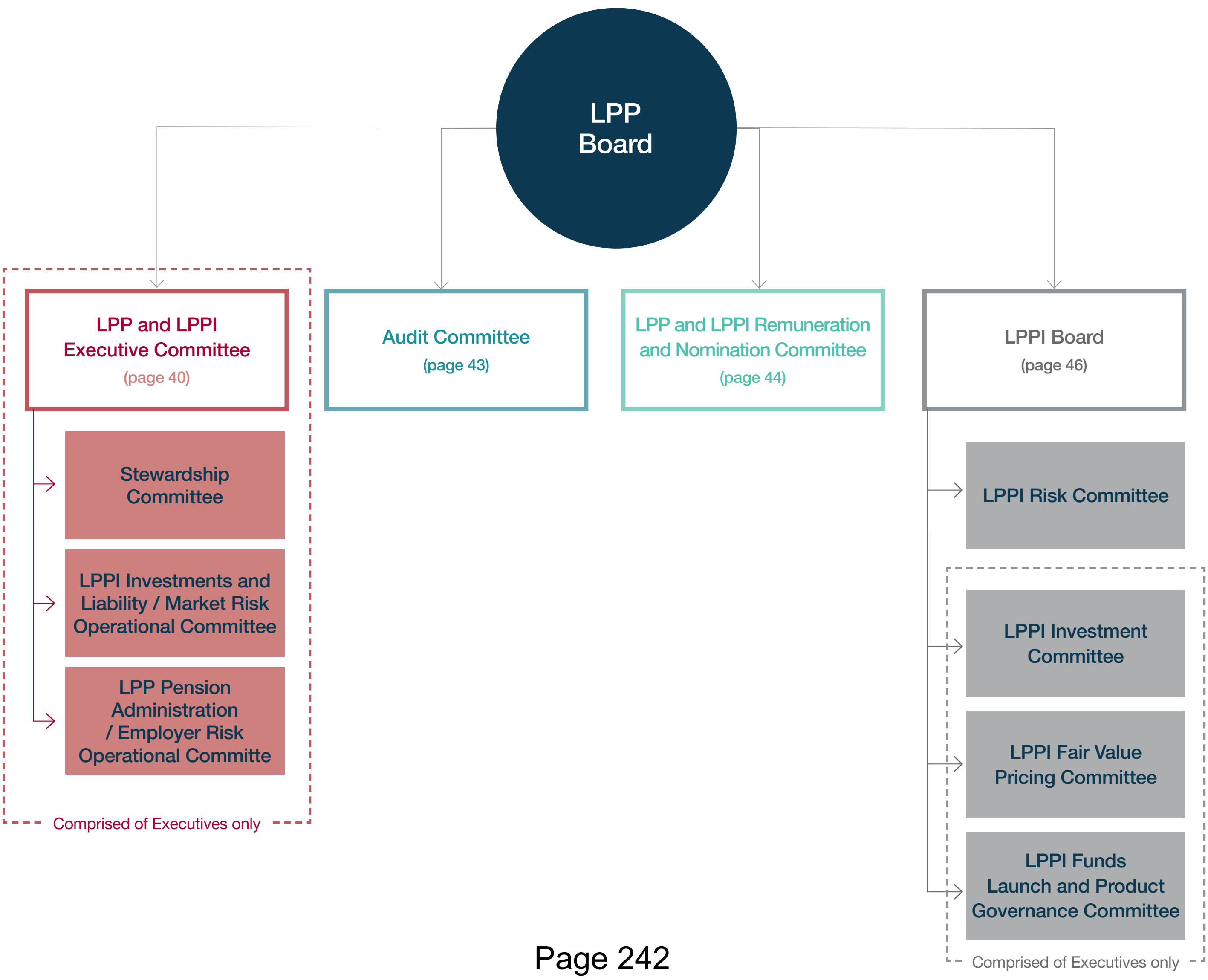
Board and committee structure

The LPP Group comprises a holding company, an investment management subsidiary LPPI and other indirect subsidiaries. Local Pensions Partnership Administration Ltd remains a subsidiary, however it is non-trading.

The LPP Board has established an appropriate corporate structure to meet the needs of the Group. This is set out below. The LPP Audit Committee and the LPP and LPPI Remuneration and Nomination Committee are Non-Executive in nature. The LPPI Risk Committee is made up of a mix of Executive and Non-Executive members.

Other committees within the structure comprise of Executives and senior managers. Terms of Reference (ToR) for the boards and committees within the structure are reviewed as and when necessary and at least on an annual basis. Operational committees were established in 2018-2019 to allow the Executive Committee to focus on strategic matters.

BOARD AND COMMITTEE STRUCTURE



LPP and LPPI Executive Committee

Composition

The Executive Committee comprise the Chief Executive, Chief Financial Officer, Chief Investment Officer & Managing Director (Investments), Chief Risk Officer, Director of Pension Administration, Director of Human Resources, and Director of Strategic Programmes & Group Company Secretary.

At the end of the financial year, Susan Martin resigned as Chief Executive. Chris Rule has been appointed as Interim Chief Executive. During the year, Martin Pattinson resigned as Director of Client Relations, Business Development and Communications, Allister Jeffrey resigned as Chief Financial Officer and Adrian Taylor was appointed as Interim Chief Financial Officer, and his appointment was made substantive in March 2019. We welcomed Jo Darbyshire, Director of Pension Administration on 1 April 2019.

LPP AND LPPI EXECUTIVE COMMITTEE STRUCTURE

Chris Rule
Interim Chief Executive

Jo Darbyshire
Director of Pension Administration

Tom Richardson
Chief Risk Officer

Chris Rule
Chief Investment Officer and Managing Director (Investments)

Jacqui Self
Director of Human Resources

Greg Smith
Director of Strategic Programmes & Group Company Secretary

Adrian Taylor
Chief Financial Officer

Meet our Executive Committee members

As well as sitting on the LPP Board, Chris Rule, Tom Richardson and Adrian Taylor are also members of the Executive Committee, and their biographies can be found on pages 36-37. Other members of the Executive Committee are:

Jo Darbyshire
Director of Pension Administration

Career and experience
Jo Darbyshire joined LPP in April 2019 where she is responsible for leading the business to continue to drive a programme of building a strong and sector-leading pension administration offering which focuses and delivers on increased operational efficiency for clients, tailored and effective member communications, robust risk and data management.

Jo brings a wealth of experience in the life and pensions sector. She held several senior roles at the Co-operative Group including Head of Co-operative Life Planning and Head of Commercial and Strategy. Jo currently holds a Non-Executive Trustee and Director position at the Leasehold Knowledge Partnership.

Jacqui Self
Director of Human Resources

Career and experience
Before joining LPP, Jacqui spent four years as LPFA's Head of HR. Her experience covers the breadth of HR activities including recruitment, learning and development, reward, organisational design and engagement.

As a graduate member of the Institute of Personnel and Development and a Chartered Fellow of the CIPD, her HR career spans over 30 years with a brief spell in manufacturing and IT before specialising in financial services and particularly wealth management. She has managed a range of HR change programmes, including mergers and acquisitions, outsourcing, insourcing, investment start-up organisations and Transfer of Undertakings (Protection of Employment) Regulations 2016 (TUPE) activities.

Greg Smith
Director of Strategic Programmes & Group Company Secretary

Career and experience
Greg joined LPP from LPFA where, since 2004, he held a number of Corporate Development roles including Head of Communications before becoming Head of Governance and Strategy in 2014. Since 2009 Greg was also LPFA's Board Secretary, a role which saw him recognised as Company Secretary of the Year 2015, at the ICSA Awards. In his time at LPFA Greg led on a number of strategic change programmes including the £10bn partnership with Lancashire County Council.

Greg holds a degree in law from the University of Reading, as well as being an Associate of the Institute of Chartered Secretaries and Administrators (ICSA).

LPP and LPPI Executive Committee
continued

Role and responsibilities

The Executive Committee is responsible for the strategic management of the LPP Group, with authority and responsibility for implementing the strategic plan as delegated to it by both LPP and LPPI Boards, and the Group's shareholders. Decisions are made on LPP and LPPI matters. LPPI matters are approved by FCA approved persons.

The Executive Committee's key responsibilities include:

- Developing and implementing the strategic plan and the annual budget for submission to the Board
- Monitoring of the operating and financial performance of the Group
- Assessing and managing risks to the business
- Prioritising and allocating resources within the business
- Maintaining oversight of the Operational Committees which consider the more business as usual activities along with operational plans, policies and procedures.

The Chief Executive reports formally to the LPP Board, and the Chief Investment Officer & Managing Director (Investments) reports formally to the LPPI Board.

Outlook for the next year

Across the business, the Executive Committee will look at ways to maintain service levels for clients whilst seeking ways to improve those services. Within the Pension Administration business, work will continue to improve customer satisfaction, communication strategy, IT and process innovation. Within the Investment business, the priorities are to complete the final elements of the asset pooling programme, to continue building on the successful investment track record, and to implement the target operating model for the investment operation function. Across the business, lessons learned from the employee survey that was carried out during the year will be acted upon, including improving decision-making processes. In addition, one of the major projects that the Executive Committee will be focusing on will be the SMCR implementation which will impact the Group.

Sub-committees and Groups of the LPP and LPPI Executive Committee

In order to focus more on strategic matters, the Executive Committee has delegated operational strategy to two operational committees which meet monthly: the LPPI Investments & Liability/Market Risk Operational Committee, which is chaired by the Chief Investment Officer & Managing Director (Investments), and the LPP Pension Administration/Employer Risk Operational Committee, which is chaired by the Director of Pension Administration. These committees manage, oversee and monitor the investment and liability/market risk, and the pension administration/employer risk business respectively.

The Stewardship Committee also reports directly to the Executive Committee. Its role is to develop and co-ordinate LPP's approach to stewardship, responsible investment, ESG and collaborative engagement across the Group's portfolio of both internally and externally managed investment funds. (see page 23 for more information.)

Audit Committee report

Composition

The Audit Committee is chaired by Sir Peter Rogers and comprises two other members: one independent Non-Executive Director Sarah Laessig, and an independent member Malcolm Cooper. During the year, Bharat Shah stepped down on 31 July 2018, and Malcolm was appointed.

The Chief Executive, Chief Financial Officer and Chief Risk Officer are invited to attend every meeting. In addition, internal and external audit representatives are invited to attend and present their reports.

Role and Responsibilities

The Committee plays a key role in ensuring that there is appropriate challenge to the Group's risk management and internal control framework. It receives regular governance compliance, risk, and internal and external audit reports to assist them in this duty. The Committee provides assurance to the LPP Board on the robustness of these systems via a report following every Committee meeting. In addition, the Committee continues to work closely with the LPPI Risk Committee.

The Committee focuses on Group-wide risk management whereas the LPPI Risk Committee specifically considers risks that are pertinent to LPP's investment subsidiary and the associated investment funds. An external evaluation of both committees is being considered and is anticipated to take place later this year.

Activity during the year

During the year, the Committee monitored and reviewed the effectiveness of the Group's internal audit function, agreed and approved the annual internal audit work plan. The Committee also met the internal auditor without the presence of management.

Significant time was spent on the external audit process which involved the agreement and monitoring of the workplan for LPP and its subsidiaries for the preparation of the Group's Annual Report and Accounts, LPPI Annual Report and Accounts, and the LPPI Asset Pooling Authorised Contractual Scheme yearly and half-yearly accounts. The Committee is responsible for recommending the appointment of the external auditor to the LPP Board, managing the relationship, approving the terms of engagement, monitoring performance and assessing qualifications, expertise and resources.

During the year, a tender was carried out for the appointment of the external auditor to the Group. Following its completion, Grant Thornton was re-appointed for a period of three years which was subsequently approved by the shareholders.

Outlook for the next year

The Committee will continue to closely monitor the Group-wide risks, internal controls, compliance arrangements, the provision of internal audit and external audit services, and perform its duties in relation to financial reporting obligations and governance arrangements.

Director	Number of meetings	Meetings attended
Sir Peter Rogers (Chair)	3	3
Sarah Laessig	2	2
Malcolm Cooper	2	2
Bharat Shah	1	1

Regular attendees:
Tom Richardson, Chief Risk Officer | **Greg Smith**, Director of Strategic Programmes & Group Company Secretary | **Adrian Taylor**, Chief Financial Officer

LPP and LPPI Remuneration and Nomination Committee report

Composition

The Committee comprises two Non-Executive Directors: Michael O'Higgins and Jill Mackenzie, and two shareholder Non-Executive Directors: Dermot 'Skip' McMullan and Alan Schofield. At the end of 2018, Skip retired as Chair and Jill took his place following her appointment to the Board on 1 September 2018. The Chief Executive, Director of Human Resources and Director of Strategic Programmes & Group Company Secretary are invited to attend each meeting.

Role and responsibilities

The function of the Committee is to ensure that formal, transparent and rigorous remuneration policy and procedures are in place for the Executive Committee, Non-Executive Director and Senior Independent Director appointments, in addition to overseeing any major changes in employee benefit structures throughout the Group. It also oversees the Board performance evaluation process, recommends Directors for re-election as appropriate, and reviews the Non-Executive and Executive Committee succession planning. The Committee meets at least twice a year and at other times as necessary for the business.

Activity during the year

During the year, the Committee oversaw the search and appointment for the two new Non-Executive Directors for LPP and the additional Non-Executive Director for LPPI. It recommended the appointment of the Senior Independent Director for the Group. The Committee continued to work on the future reward strategy for the Group, including considering a range of flexible benefits. It also implemented the senior management group annual variable pay award, in addition to exploring the improvement of the employee benefits provided to the staff and the outcomes of the staff engagement survey.

Outlook for the next year

Moving forward, the Committee will consider its terms of reference to determine whether there are additional elements of HR strategy and cultural themes which would benefit from the support and oversight of the Committee.

Director	Number of meetings	Meetings attended
Dermot 'Skip' McMullan (Chair until end of 2018)	4	4
Jill Mackenzie (Chair from beginning of 2019)	3	3
Michael O'Higgins	4	4
Alan Schofield	4	4

Regular attendees:
Chris Rule, Interim Chief Executive | **Jacqui Self**, Director of Human Resources | **Greg Smith**, Director of Strategic Programmes & Group Company Secretary

Directors' emoluments

As part of the desire for transparency, the table below summarises the remuneration paid to Group Statutory Directors for the year to 31 March 2019, for those in post as at the date of signing of this report.

Paid by LPP (unless stated)	Basic salary (£)	Bonuses (£)	Pensions (£)	Total (£)
Sally Bridgeland	36,577	-	-	**36,577**
Sarah Laessig	17,500	-	-	**17,500**
Jill Mackenzie	19,494	-	-	**19,494**
Dermot 'Skip' McMullan	33,750	–	–	**33,750**
Michael O'Higgins	70,000	–	–	**70,000**
Tom Richardson	186,300	29,808	25,933	**242,041**
Sir Peter Rogers	37,237	–	–	**37,237**
Chris Rule[1]	254,610	127,305	45,830	**427,745**
Alan Schofield	30,000		–	**30,000**
Jacqui Self	127,297	15,736	17,536	**160,569**
Greg Smith	150,000	22,500	20,700	**193,200**
Martin Tully[1]	21,500	-	-	**21,500**
Robert Vandersluis	35,000	–	–	**35,000**

1. Paid by LPPI

LPPI Board

Composition

The LPPI Board is chaired by Sally Bridgeland. Other Non-Executive Directors include Michael O'Higgins, Martin Tully and Robert Vandersluis. Martin Tully was appointed on 1 September 2018. Executive Directors of the Board for 2018-19 were Susan Martin, Chris Rule and Tom Richardson. The Deputy Chief Investment Officer, Chief Financial Officer and Director of Strategic Programmes & Group Company Secretary are invited to attend every meeting. In April 2019, Susan Martin stepped down as Group Chief Executive and an Executive Director.

Role and responsibilities

The Board meets five times a year and is responsible for overseeing the investment management business. This includes organising and directing the affairs of LPPI for the benefit of its shareholders in accordance with its Articles, applicable regulatory requirements and the Group's Shareholder Agreement.

Other responsibilities also include setting the overall direction and culture of LPPI, and overseeing LPPI's performance against the its business plan.

Furthermore, the Board sets the risk framework for LPPI and ensures a strong framework of policies and procedures are in place. The Board and its terms of reference are reviewed on an annual basis.

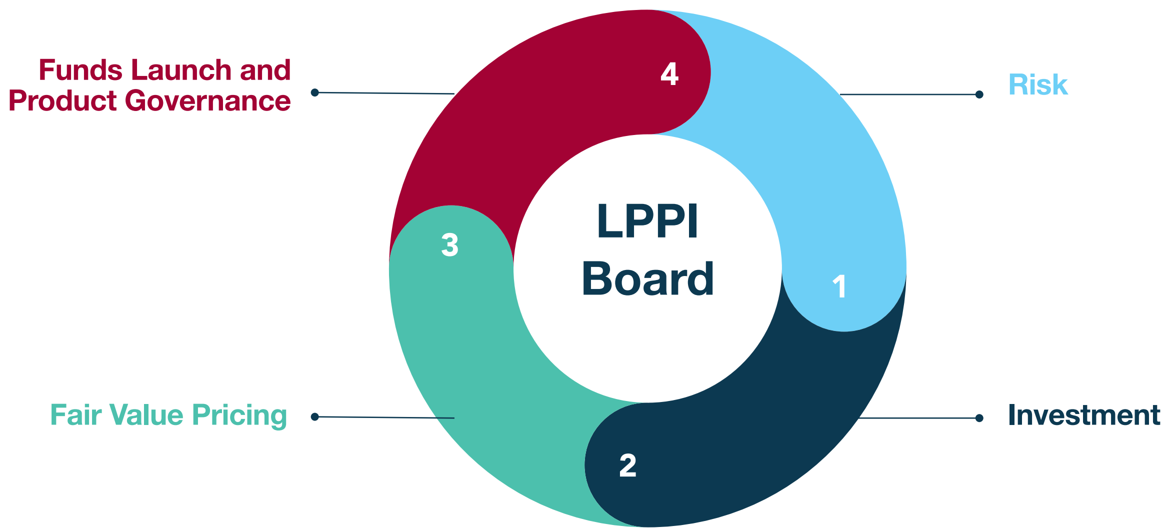
Activity during the year

During 2018-19, the Board considered formalised investment beliefs, approved the preferred supplier of the portfolio management systems, and approved the launch of the Diversifying Strategies Fund.

Outlook for the next year

The Board will be focusing on overseeing the SMCR preparation and implementation which comes into force on 9 December 2019, and the implementation of an investment operations system.

THE BOARD DELEGATES VARIOUS POWERS TO ITS COMMITTEES AS FOLLOWS:



1. LPPI Risk Committee

The Committee meets on a quarterly basis and comprises two Non-Executive Directors: Robert Vandersluis (Chair) and Martin Tully, and one Executive Director Tom Richardson (Chief Risk Officer). During the year, Sir Peter Rogers resigned as a member to ensure that the membership better reflect the division of responsibilities between LPPI Risk Committee and the LPP Audit Committee. The Chief Executive, Chief Financial Officer, Deputy Chief Risk Officer, Head of Compliance and Director of Strategic Programmes & Group Company Secretary are also invited to attend. All Directors appointed at the time of the meetings attended all meetings.

The Risk Committee is responsible for monitoring the implementation of the Risk Management Framework, ensuring that effective procedures are in place to manage LPPI's operational and investment fund risks, including but not exclusively those arising from the requirements of Alternative Investment Fund Manager Directive and EU regulations.

Following each quarterly meeting, the Risk Committee reports its activities to the LPPI Board. In addition, it reports on any Group-wide risks to the LPP Audit Committee and the LPP Board as appropriate.

During the year, the LPPI Risk Committee:

- Implemented a new framework for providing risk advice to clients
- Oversaw the implementation and the on-going monitoring of Berkshire Pension Fund and GLIL Infrastructure
- Reviewed and supported the implementation of an investment operations system
- Confirmed that sufficient resources were in place to meet LPPI's regulatory requirements.

2. LPPI Investment Committee

The Committee comprises five permanent members and other members. The permanent members are: Chief Investment Officer & Managing Director (Investments) (Chair), Deputy Chief Investment Officer, Head of Private Markets, Head of Public Markets and Chief Risk Officer. The Head of Compliance and Director of Strategic Programmes & Group Company Secretary are invited to all meetings as are those presenting reports to the Committee. Additional members include CF30s, who are invited to attend the fortnightly meetings to present their proposals and all quarterly meetings.

To carry out its duties as delegated by the LPPI Board, the Committee sits on a fortnightly and quarterly basis. Investment proposals are considered at the fortnightly meeting and monitored on an ongoing basis. The investment performance of the funds against agreed targets is monitored by the Committee on a quarterly basis.

The Committee reports on its activities to the LPPI Board on a quarterly basis.

During the year, the Committee:

- Approved a wide range of investment opportunities for the pooled funds
- Approved the transfer of existing assets into LPPI's pooling vehicles
- Managed the legal process, due diligence and operational readiness in the run up to new fund launches
- Developed the LPPI investment beliefs.

3. LPPI Fair Value Pricing Committee

The Committee is chaired by the Head of Investment Operations and other members who are Head of Financial Control, Market Risk Specialist, in-house Actuary and Deputy Chief Risk Officer. In addition, the Head of Compliance is invited to attend along with observers from the Investment team and depositary.

The Committee meets at least quarterly to discharge its duties as delegated by LPPI Board.

The Committee's core objectives are set out below. These formed the basis for Committee activities during the year which are:

- Monitor LPPI's Compliance with the Valuation Policy
- Approve the valuation of pooled assets
- Regulate and monitor the use of independent external valuers and valuation models together with any internal valuation models in use.

4. LPPI Funds Launch and Product Governance Committee

The Committee comprises three members: Chief Investment Officer & Managing Director (Investments) (Chair), Deputy Chief Investment Officer and Chief Risk Officer. Its main duty is to approve the launch or winding-up of a fund, asset pool or collective investment vehicle as directed by the LPPI Board, and to review existing products in accordance with product governance requirements.

The Committee reports on an ad-hoc basis around fund launches and at least on an annual basis to the LPPI Board.

During the year, the Committee approved the launch of the Diversifying Strategies Fund, and a number of fund transitions of the assets of Berkshire Pension Fund into LPPI's investment pooling vehicles.

Directors' report

The Directors' have pleasure in presenting their Annual Report and Accounts for the year ended 31 March 2019.

Directors

The Directors in the office during the period and at the date of signing this report were as follows:

Sally Bridgeland

Allister Jeffrey
(resigned 29 November 2018)

Sarah Laessig
(appointed 1 September 2018)

Jill Mackenzie
(appointed 1 September 2018)

Susan Martin
(resigned 26 April 2019)

Dermot 'Skip' McMullan

Michael O'Higgins

Tom Richardson

Sir Peter Rogers

Chris Rule
(appointed 10 June 2019)

Alan Schofield

Adrian Taylor
(appointed 10 June 2019)

Robert Vandersluis

Statement of Directors' responsibilities

The Directors are responsible for preparing the strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with United Kingdom applicable law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit and loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgments and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the Group keeps adequate accounting records that are sufficient to show and explain the Group's transactions; disclose with reasonable accuracy at any time the financial position of the Group; enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The Group's result for the year ended 31 March 2019 is a profit after tax of £204,000 (2018 – profit of £2,110,000). LPP itself made a loss after tax of £270,000 (2018 – loss of £3,795,000)

No dividends were paid during the year (2018 – nil) and no recommendation is made to pay a final dividend.

Capital

LPP has an issued share capital of 2 ordinary shares of £1.

The shareholders are: Lancashire County Council and London Pensions Fund Authority, each hold 1 fully paid ordinary share of £1 in value.

Going concern

After making enquiries in relation to the Group's forecasts and projects, the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements.

Expected future developments

Expected future developments are set out in the strategic report.

Political or charitable donations

No political or charitable donations were made during the year (2018 - nil).

Research and developments

No research and development expenditure were made during the year (2018 - nil).

Financial instrument risk

The Group does not use hedging or financial risk management instruments and all cash is held within bank accounts with highly rated financial institutions.

Employee representation

Organisational wide changes are communicated to employees and major strategic projects are discussed with employees through a Staff Committee. The Committee meets with the Group CEO and other Executive Directors on a monthly basis. During the year, the Committee completed a staff engagement survey.

Disabled employees

LPP is committed to ensuring equality of opportunity and access in both our employment and service arrangements. We aim to promote diversity within our workforce and ensure that our services meet the different needs of our staff, and clients at all times. LPP has published an Equality Policy on its website. 8% of LPP's employees have reported some form of disability.

As a Group, we aim to ensure fairness and equality towards all applicants through objective based recruitment practices and family friendly policies to support staff during changing circumstances. This includes flexible working arrangements to support participation in religious and/or cultural events, to care for dependents or where reasonable adjustments are required to roles/working patterns to support declared disabilities.

Training methods and environments are tailored to support staff with declared disabilities including delivering the training with the support of sign language.

Post balance sheet events

None.

Disclosure of information to auditors

Each of the persons who is a Director at the date of the approval of this report confirms that:

1.
So far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware, and

2.
The Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Following the finalisation of a tender exercise for an external auditor provider, Grant Thornton UK LPP have been re-appointed as external auditor for the LPP Group by the shareholders on 10 October 2018 for a period of three years.

Approved by the Board of Directors and signed on behalf of the Board:

Chris Rule
Interim Chief Executive Officer

31 July 2019

Independent auditor's report to the members of Local Pensions Partnership Limited

Opinion

We have audited the financial statements of Local Pensions Partnership Ltd (the 'parent company') and its subsidiaries (together 'the Group') for the year ended 31 March 2019, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and the parent company statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2019 and of the Group's profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us
- the parent company financial statements are not in agreement with the accounting records and returns
- certain disclosures of Directors' remuneration specified by law are not made
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors for the financial statements

As explained more fully in the statement of Directors' responsibilities set out on page 48, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: ***www.frc.org.uk/auditorsresponsibilities.*** This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Flatley
Senior Statutory Auditor
for and on behalf of
Grant Thornton UK LLP

Statutory Auditor,
Chartered Accountants
London, United Kingdom

1 August 2019

Financial statements

Consolidated income statement

for the year ended 31 March 2019

	Notes	**2019 £'000**	2018 £'000
Turnover	5	**33,006**	26,140
Administrative expenses		**(32,072)**	(27,906)
Operating profit/(loss)	6	**934**	(1,766)
Interest receivable		**33**	16
Interest payable	9	**(745)**	(742)
Profit/(loss) before taxation		**222**	(2,492)
Tax for the year	10	**(18)**	382
Profit/(loss) for the financial year		**204**	(2,110)

Consolidated statement of comprehensive income

for the year ended 31 March 2019

	Notes	**2019 £'000**	2018 £'000
Profit/(loss) for the financial year		**204**	(2,110)
Other comprehensive income			
Remeasurement of Defined benefit obligations	17	**(404)**	5,062
Tax on components of other comprehensive income		**69**	(861)
Total comprehensive income for the year		**(131)**	2,091

Consolidated statement of financial position

for the year ended 31 March 2019

	Notes	**2019 £'000**	2018 £'000
Fixed assets			
Intangible assets	11	**385**	865
Tangible assets	12	**868**	765
		1,253	1,630
Current assets			
Debtors	14	**12,996**	10,557
Cash at bank and in hand		**17,893**	18,064
		30,889	28,621
Creditors: amounts falling due within one year	15	**(4,925)**	(6,655)
Net current assets		**25,964**	21,966
Total assets less current liabilities		**27,217**	23,596
Creditors: amounts falling due after one year	16	**(17,500)**	(17,500)
Post employment benefits	17	**(16,994)**	(13,242)
Net liabilities		**(7,277)**	(7,146)
Capital and Reserves			
Called up share capital	18	-	-
Retirement benefit obligations reserve		**(3,866)**	(3,866)
Profit and loss account		**(3,411)**	(3,280)
Total equity		**(7,277)**	(7,146)

Approved by the Board of Directors and signed on behalf of the Board on 31 July 2019 by:

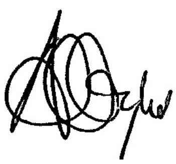
Adrian Taylor
Chief Financial Officer

Company statement of financial position

for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Intangible fixed assets	11	385	392
Tangible fixed assets	12	868	765
Investments	13	10,000	10,000
		11,253	11,157
Current assets			
Debtors	14	7,948	10,615
Cash at bank and in hand		5,752	1,013
		13,700	11,628
Creditors: amounts falling due within one year	15	(3,180)	(3,622)
Net current assets		10,520	8,006
Total assets less current liabilities		21,773	19,163
Creditors: amounts falling due after one year	16	(17,500)	(17,500)
Post employment benefits	17	(14,579)	(11,498)
Net liabilities		(10,306)	(9,835)
Capital and Reserves			
Called up share capital	18	-	-
Retirement benefit obligations reserve		(3,605)	(3,605)
Profit and loss account		(6,701)	(6,230)
Total Shareholders' Funds		(10,306)	(9,835)

Approved by the Board of Directors and signed on behalf of the Board on 31 July 2019 by:



Adrian Taylor
Chief Financial Officer

Consolidated statement of changes in equity

for the year ended 31 March 2019

	Share capital £'000	Share premium £'000	Retirement benefit obligations reserve £'000	Profit and loss account £'000	Total £'000
At 1 April 2017	-	-	(8,057)	(1,180)	(9,237)
Reclassification (see note 17)	-	-	4,191	(4,191)	-
	-	-	(3,866)	(5,371)	(9,237)
Profit for the financial year	-	-	-	2,091	2,091
At 31 March 2018	-	-	(3,866)	(3,280)	(7,146)
At 1 April 2018	**-**	**-**	**(3,866)**	**(3,280)**	**(7,146)**
Profit for the financial year	**-**	**-**	**-**	**(131)**	**(131)**
At 31 March 2019	**-**	**-**	**(3,866)**	**(3,411)**	**(7,227)**

Consolidated statement of cash flows

for the year ended 31 March 2019

	Notes	**2019 £'000**	2018 £'000
Operating activities			
Profit/(loss) for the financial year		**204**	(2,110)
Adjustments for:			
Tax on profit/(loss) on ordinary activities		**18**	(382)
Transfer of tangible fixed assets		**473**	-
Depreciation		**288**	115
Amortisation of intangible assests		**99**	58
Pension movements in the year		**2,964**	2,404
Decrease in debtors		**(2,009)**	(978)
Increase/(decrease) in creditors		**(1,541)**	3,691
		496	2798
Corporation tax paid		**(207)**	(627)
Cash generated from operating activities		**289**	2,171
Investing activities			
Payments to acquire intangible fixed assets		**(92)**	(868)
Payments to acquire tangible fixed assets		**(368)**	(800)
Cash used in investing activities		**(460)**	(1,668)
Net cash used			
Cash used in operating activities		**289**	2,171
Cash used in investing activities		**(460)**	(1,668)
		(171)	503
Cash and cash equivalents at 1 April		**18,064**	17,561
Cash and cash equivalents at 31 March		**17,893**	18,064
Cash and cash equivalents at the end of the year		**17,893**	18,064

Notes to the financial statements

for the year ended 31 March 2019

1. Company information

Local Pensions Partnership Ltd ('LPP') is a private company limited by shares and incorporated in England and Wales. Its registered office is 169 Union St, London, SE1 0LL.

The company's principal activities and nature of operations is included in the Strategic report on pages 12-18.

2. Basis of preparation

LPP and its subsidiaries (together 'The Group') financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The Group financial statements have been prepared on the historical cost basis.

The Group financial statements are presented in Sterling (£). The Group financial statements consolidate the financial statements of LPP and all its subsidiary undertakings drawn up to 31 March each year. LPP has taken advantage of Section 408 of the Companies Act 2006 and has not included its own income statements in their financial statements.

The financial statements of LPP have also adopted the following disclosure exemptions, which the shareholders have been informed about:

- the requirement to present a statement of cash flows and related notes (s7 FRS 102)
- financial instrument disclosures (s11 & s12 FRS 102), including:
  - categories of financial instruments;
  - items of income, expenses, gains or losses relating to financial instruments; and
  - exposure to and management of financial risks.
- the exemption has been claimed not to disclose related party transactions (s33 FRS 102).

There are no other FRS 102 interpretations that are not yet effective that would be expected to have a material impact on the Group or the Company.

Going concern

After reviewing the company's forecasts and projections, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

3. Significant judgements and estimates

In the process of applying the company's accounting policies, which are described in note 4, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

As described below, many of these areas of judgement also involve a high level of estimation uncertainty.

Deferred taxation

The financial statements include judgments and estimates that been made regarding deferred taxation, as described in note 4.7.

Pensions liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries are engaged to provide the Group with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

4. Summary of significant accounting policies

4.1 Investment in subsidiaries

The company has claimed an exemption, not to produce consolidated financial statements, under Section 9 of FRS 102 and therefore do not include the results of any subsidiary entity but merely the company's investment in the subsidiary.

4.2 Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible fixed assets are amortised over the following useful economic lives:

- Software costs, over the life of the licence

4.3 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Notes to the financial statements cont.

for the year ended 31 March 2019

4.4 Cash at bank and in hand

Cash at bank and in hand also includes deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

4.5 Creditors

Short-term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

4.6 Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

4.7 Taxation

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax (expense) income is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax (expense) income.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.8 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the rendering of investment management services.

4.9 Employee and pension costs

Participation by company employees in two administered defined benefit scheme funds began on 8 April 2016. Contributions from the employer are payable to the schemes and are charged to the profit and loss account in the period to which they relate.

5. Analysis of turnover

	2019 £'000	2018 £'000
Pension administration fees	**11,072**	9,866
Investment management fees	**19,873**	14,065
Risk management services	**1,384**	1,532
Corporate services	**677**	677
	33,006	26,140

6. Operating profit

	2019 £'000	2018 £'000
This is stated after charging:		
Depreciation of tangible fixed assets	**288**	115
Internal Auditor's remuneration	**312**	124
Operating lease rentals - land and buildings	**1,403**	1,373
Auditor's remuneration for audit services	**77**	90
Auditor's remuneration for other services	**7**	8

7. Directors' emoluments

	2019 £'000	2018 £'000
Emoluments	**1,655**	1,818
Social security costs	**210**	229
Other pension costs	**158**	174
	2,023	2,221

The amounts set out above include remuneration in respect of the highest paid Director which are as follows:

	2019 £'000	2018 £'000
Emoluments	**382**	369
Social security costs	**52**	50
Other pension costs	**46**	44
	480	463

Notes to the financial statements cont.

for the year ended 31 March 2019

8. Staff costs

	2019 £'000	2018 £'000
Wages and salaries	**13,368**	12,114
Social security costs	**1,490**	1,259
Other pension costs	**4,807**	4,582
	19,665	17,955

The companies in the Group are members of four defined benefit pension schemes for the benefit of the employees and Directors. The scheme is administered in house. Employer contributions recognised as an expense during the year amount to **£4,807,000** (2018 - £4,582,000). Included in these contributions is the IAS19 accrued pension cost of **£3,348,000** (2018 - £3,265,000), as disclosed in note 17.

The average monthly number of employees for the Group, during the year to 31 March 2019 was **281** (2018 - 255) of which **11** (2018 - 8) were Directors and **270** (2018 - 247) were staff.

At 31 March 2019, the Group headcount was **297** (2018 - 284).

9. Interest payable

	Year to 31 Mar 2019 £'000	Year to 31 Mar 2018 £'000
Loan interest	**745**	742

10. Taxation

	2019 £'000	2018 £'000
Analysis of charge in period		
Current tax:		
UK corporation tax on profits of the period	**737**	189
Adjustments in respect of previous periods	**(153)**	16
	584	205
Deferred tax:		
Origination and reversal of timing differences	**(566)**	(587)
Tax on profit/(loss) on ordinary activities	**18**	(382)

Factors affecting tax charge for period - The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

Profit/(loss) on ordinary activities before tax	**222**	(2,492)
Profit on ordinary activities multiplied by standard rate of corporation tax in the United Kingdom of 19% (PY: 19%)	**42**	(473)
Expenses not deductible for tax purposes	**62**	75
Effect of tax rate change	**67**	-
Prior year tax adjustment	**(153)**	16
Tax charge for the year	**18**	(382)

Deferred taxation

Deferred tax credit to income statement for the year	**(566)**	(587)
Deferred tax charge/(credit) in OCI for the year	**(69)**	861
	(635)	274

Notes to the financial statements cont.

for the year ended 31 March 2019

11. Intangible fixed assets

	Company software £'000	Group software £'000
Cost		
At 1 April 2018	454	927
Additions	92	92
Write off to profit and loss	-	(473)
At 31 March 2019	**546**	**546**
Amortisation		
At 1 April 2018	62	62
Charge for the year	99	99
At 31 March 2019	**161**	**161**
Net book value		
At 31 March 2018	392	865
At 31 March 2019	**385**	**385**

12. Tangible fixed assets

Company & Group

	Leasehold improvements £'000	IT equipment £'000	Fixtures,fittings, & office equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation					
At 1 April 2018	191	590	106	-	887
Additions	5	333	30	23	391
At 31 March 2019	196	923	136	23	1,278
Depreciation					
At 1 April 2018	32	82	8	-	122
Charge for the year	38	227	23	-	288
At 31 March 2019	70	309	31	-	410
Net book value					
At 31 March 2018	159	508	98	-	765
At 31 March 2019	**126**	**614**	**105**	**23**	**868**

13. Investments

The Company

	Investment in subsidiaries £'000
Cost	
At 31 March 2018 & 2019	**10,000**

Subsidiaries – direct	Type of shares held	Proportion held	Country of incorporation	Nature of business
Local Pensions Partnership Administration Ltd	Ordinary	100%	UK	Non-trading
Local Pensions Partnership Investments Ltd	Ordinary	100%	UK	Investment

Subsidiaries – indirect	Type of shares held	Proportion held	Country of incorporation	Nature of business
LPPI Scotland (No.1) Ltd	Ordinary	100%	UK	Investment
LPPI Scotland (No.2) Ltd	Ordinary	100%	UK	Investment
Daventry GP Limited	Ordinary	100%	UK	General partner
LPPI PE GP (No 1) LLP	LLP units	100%	UK	General partner
LPPI PE GP (No 2) LLP	LLP units	100%	UK	General partner
LPPI PE GP (No 3) LLP	LLP units	100%	UK	General partner
LPPI Infrastructure GP LLP	LLP units	100%	UK	General partner
LPPI Credit GP Limited	Ordinary	100%	UK	General partner
LPPI Diversifying Strategies GP Ltd	Ordinary	100%	UK	General partner

Notes to the financial statements cont.

for the year ended 31 March 2019

14. Debtors

	The Company		The Group	
	31 Mar 2019 £'000	31 Mar 2018 £'000	**31 Mar 2019 £'000**	31 Mar 2018 £'000
Trade debtors	**3,159**	4,893	**8,836**	7,682
Amounts owed by group undertakings	**1,260**	2,870	**-**	-
Corporation tax	**262**	329	**430**	-
Prepayments and accrued income	**793**	570	**835**	615
Deferred taxation	**2,474**	1,953	**2,895**	2,260
	7,948	10,615	**12,996**	10,557

15. Creditors: amounts falling due within one year

	The Company		The Group	
	31 Mar 2019 £'000	31 Mar 2018 £'000	**31 Mar 2019 £'000**	31 Mar 2018 £'000
Trade creditors	**502**	1,057	**764**	1,216
Corporation tax	**-**	-	**-**	189
Other taxes and social security costs	**1,063**	832	**1,212**	949
Other creditors	**148**	133	**195**	172
Accruals and deferred income	**1,467**	1,600	**2,754**	4,129
	3,180	3,622	**4,925**	6,655

16. Creditors: amounts falling due after one year

	The Company		The Group	
	31 Mar 2019 £'000	31 Mar 2018 £'000	**31 Mar 2019 £'000**	31 Mar 2018 £'000
Amounts owed to group undertakings	**17,500**	17,500	**17,500**	17,500

17. Pension schemes

Defined benefit schemes

On 8 April 2016 current employees of the London Pensions Fund Authority (LPFA) and Lancashire County Council (LCC) who were members of the Lancashire County Pension Fund (LCPF), were TUPE transferred to the Local Pensions Partnership Ltd (LPP) and Local Pensions Partnership Investments Ltd (LPPI). A subsequent transfer of employees into LPP from LPFA took place during the period.

The transferring employees are all members of the Local Government Pension Scheme (LGPS). LPP and LPPI were allocated notional shares of the LPFA and LCPF Fund assets equal to 100% of the value of the transferring pension liabilities. The liabilities were calculated on the ongoing basis appropriate for funding, either the LPFA or LCPF 2016 Triennial valuation assumptions depending on the Fund from which employees' liabilities were transferred. As such LPP and LPPI 's pension liabilities were 100% funded on the relevant ongoing basis at the dates of transfer.

Notwithstanding differences between the LPFA and LCPF ongoing 2016 Triennial valuation basis, when the pension liabilities are valued for the purposes of IAS19 disclosures, the discount rate is prescribed by the IAS19 standards to be set with reference to corporate bond yields. The assessment of pension liabilities on this accounting basis at the date of transfer results in pension liabilities greater than those assessed on the LPFA and LCPF ongoing valuation basis. Therefore at the date of transfer LPP and LPPI's pension liabilities on the IAS19 accounting basis were not fully funded.

The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. The benefits under the scheme are based on the length of membership and the average salary. Each member contributes a proportion of their salary, within a 5.5% to 12.5% range depending on their rate of pay. LPP and LPPI, as the employing bodies, also contributes in to the scheme on the employee's behalf at 12.0% of the employee's salary.

LGPS is accounted for as a defined benefits scheme. The liabilities of the LGPS attributable to the Group are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

In accounting for the defined benefit schemes, the Group has applied the following principles:

- No pension assets are invested in the Group's own financial instruments or property

The schemes in the UK typically expose the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk, as follows:

- **Investment risk** - the present value of the defined benefit schemes' liability is calculated using a discount rate determined by reference to high quality corporate bond yields. If the return on plan assets is below this rate, a deficit will be created;
- **Interest risk** - a decrease in the bond interest rate will increase the scheme liability but this will be partially offset by an increase in the return of the plan's debt investments;
- **Longevity risk** - the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability; and
- **Salary risk** - the present value of the defined benefit scheme liability is calculated by reference to the future salaries of plan participants, as such, an increase in the salary of the plan participants will increase the plan's liability.

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

During the year, management undertook a detailed assessment of the classification of components of its defined benefit obligations in its first year of operations and noted that some of the components of the actuarial reports were misinterpreted at the time of disclosures in the financial statements. This misclassification has been corrected by reclassifying a component of such actuarial assumptions which had been classified through the retired benefit obligation reserve instead of the profit and loss account, net of deferred tax.

In summary, the four defined benefit pension schemes can be summarised as follows:

Post employment benefits summary	Year to 31 March 2019		
	LPP £'000	LPPI £'000	Total £'000
Net assets	**24,472**	**3,843**	**28,315**
Net liabilities	**(39,051)**	**(6,258)**	**(45,309)**
	(14,579)	**(2,415)**	**(16,994)**

	Year to 31 March 2018		
	LPP £'000	LPPI £'000	Total £'000
Net assets	20,257	2,846	23,103
Net liabilities	(31,755)	(4,590)	(36,345)
	(11,498)	(1,744)	(13,242)
Net movement on pension deficit	3,081	671	3,752
Consolidated statement of comprehensive income	(242)	(162)	(404)
IAS19 pension costs accrued for the period	2,839	509	3,348

London Pensions Fund Authority

The actuaries for LPFA are Barnett Waddingham.

LPP pension information

The normal contributions expected to be paid during the financial year ending 31 March 2020 are **£862,000** (2019: £743,000) for LPP.

A summary of the defined benefit pension schemes on the Group balance sheet is as follows:

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'000
Retirement benefit assets	**13,866**	11,002
Retirement benefit obligations	**(23,712)**	(18,912)
Net retirement benefit deficit	**(9,846)**	(7,910)

17. Pension schemes (cont.)

Scheme assets – Changes in the fair value of scheme assets are as follows:

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'000
Fair value of plan assets at beginning of year	**11,002**	9,521
Interest income on scheme assets – employer	**309**	280
Return on scheme assets less interest income	**777**	276
Administrative expenses and taxes	**(14)**	(12)
Employer contributions	**855**	614
Contributions by employees	**498**	429
Benefits paid	**439**	(106)
Fair value of plan assets at end of year	**13,866**	11,002

Analysis of assets – The major categories of scheme assets are as follows:

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'000
Equity instruments	**7,544**	6,727
Target return portfolio	**3,698**	2,466
Infrastructure	**835**	481
Property	**1,304**	792
Cash and other	**485**	536
	13,866	11,002

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group. Virtually all equity and debt instruments have quoted prices in an active market.

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

Scheme liabilities – Changes in the fair value of scheme liabilities are as follows:

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'000
Benefit obligation at beginning of year	18,912	18,671
Current service cost – employer	2,170	2,269
Effect of changes in financial assumptions	1,205	(2,123)
Effect of demographic assumptions	(398)	(1,042)
Interest cost – employer	504	527
Past service costs	382	287
Benefits paid	439	(106)
Contributions by scheme participants	498	429
Benefit obligation at end of year	23,712	18,912

Amounts recognised in the income statement

	LPP Year to 31 Mar 2019 £'000	LPP Year to 31 Mar 2018 £'000
Amounts recognised in operating profit		
Current service cost	2,170	2,556
Post service cost	382	-
Administrative expenses and taxes	14	12
Recognised in arriving at operating profit	2,566	2,568
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities – employer	195	247
Recognised in interest receivable and similar income	195	247
Total recognised in the profit and loss account	2,761	2,815

17. Pension schemes (cont.)

Amounts recognised in the statement of comprehensive income

	LPP Year to 31 Mar 2019 £'000	LPP Year to 31 Mar 2018 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	**777**	276
Effect of changes in financial assumptions	**(1,205)**	2,123
Effect of changes in demographic assumptions	**398**	1,042
	(30)	3,441
Actuarial (losses)/gains on reimbursable rights		
Change in franchise adjustment	**-**	-
Total pension cost recognised in the statement of comprehensive income	**(30)**	3,441

Principal actuarial assumptions - The principal actuarial assumptions at the balance sheet date are as follows:

	LPP 31 Mar 2019 %	LPP 31 Mar 2018 %
Discount rate	**2.5**	2.6
Future salary increases	**3.7**	3.6
Future pension increases (CPI)	**2.2**	2.1
Future pension increases (RPI)	**3.2**	3.1
Inflation assumption (CPI)	**2.2**	2.1
Inflation assumption (RPI)	**3.2**	3.1

Post retirement mortality assumptions

	LPP 31 Mar 2019 'years'	LPP 31 Mar 2018 'years'
Current UK pensioners at retirement age – male	**20.6**	21.1
Current UK pensioners at retirement age – female	**23.4**	23.9
Future UK pensioners at retirement age – male	**22.1**	22.6
Future UK pensioners at retirement age – female	**25.0**	25.4

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2019 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula.

Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2019 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Assumption	Change in assumption %	Result of change of +0.1% in present value of scheme liabilities £'000	Result of change of (0.1%) in present value of scheme liabilities £'000
		Year to 31 March 2019	
LPP			
Discount rate: 2.5%	**0.1**	**23,317**	**23,409**
Inflation: 2.2% CPI	**0.1**	**24,416**	**22,307**
Rate of salary increase: 3.7%	**0.1**	**24,339**	**22,369**
		Year to 31 March 2018	
LPP			
Discount rate: 2.6%	0.1	18,402	19,437
Inflation: 2.1% CPI	0.1	19,341	18,495
Rate of salary increase: 3.6%	0.1	19,009	18,816

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 20.6 - 25.0 years, post retirement age, the change in present value of scheme liabilities would be an increase of 0.3%.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

17. Pension schemes (cont.)

LPPI pension information

The normal contributions expected to be paid during the financial year ending 31 March 2020 for LPPI are **£236,000** (2019: £187,000).

A summary of the defined benefit pension schemes on the Group balance sheet is as follows:

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'000
Retirement benefit assets	**1,366**	833
Retirement benefit obligations	**(2,221)**	(1,364)
Net retirement benefit deficit	**(855)**	(531)

Scheme assets – Changes in the fair value of scheme assets are as follows:

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'000
Fair value of plan assets at beginning of year	**833**	403
Interest income on scheme assets – employer	**27**	17
Return on scheme assets less interest income	**68**	16
Administrative expenses and taxes	**(1)**	(1)
Employer contributions	**272**	210
Contributions by employees	**167**	130
Benefits paid	**-**	58
Fair value of plan assets at end of year	**1,366**	833

Analysis of assets – The major categories of scheme assets are as follows:

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'000
Equity instruments	**744**	509
Target return portfolio	**364**	187
Infrastructure	**82**	36
Property	**128**	60
Cash and other	**48**	41
	1,366	833

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group. Virtually all equity and debt instruments have quoted prices in an active market.

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

Scheme liabilities – Changes in the present value of scheme liabilities are as follows:

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'000
Benefit obligation at beginning of year	**1,364**	974
Current service cost – employer	**480**	497
Effect of changes in financial assumptions	**175**	(223)
Effect of changes in demographic assumptions	**(36)**	(102)
Interest cost – employer	**38**	30
Benefits paid /(received)	**-**	58
Contributions by scheme participants	**167**	130
Post service cost	**33**	-
Benefit obligation at end of year	**2,221**	1,364

Amounts recognised in the income statement

	LPPI Year to 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'000
Amounts recognised in operating profit		
Current service cost	**480**	497
Post service cost	**33**	-
Administrative expenses and taxes	**1**	1
Recognised in arriving at operating profit	**514**	498
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities – employer	**11**	13
Recognised in interest receivable and similar income	**11**	13
Total recognised in the profit and loss account	**525**	511

17. Pension schemes (cont.)

Amounts recognised in the statement of comprehensive income

	LPPI Year to Mar 2019 £'000	LPPI Year to 31 Mar 2018 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	**68**	16
Effect of changes in financial assumptions	**(175)**	223
Effect of changes in demographic assumptions	**36**	102
	(71)	341
Actuarial (losses)/gains on reimbursable rights		
Change in franchise adjustment	**-**	-
Total pension cost recognised in the statement of comprehensive income	**(71)**	341

Principal actuarial assumptions - The principal actuarial assumptions at the balance sheet date are as follows:

	LPPI 31 Mar 2019 %	LPPI 31 Mar 2018 %
Discount rate	**2.5**	2.6
Future salary increases	**3.7**	2.7
Future pension increases (CPI)	**2.2**	2.1
Future pension increases (RPI)	**3.2**	3.1
Inflation assumption (CPI)	**2.2**	2.1
Inflation assumption (RPI)	**3.2**	3.6

Post retirement mortality assumptions

	LPPI 31 Mar 2019 %	LPPI 31 Mar 2018 %
Current UK pensioners at retirement age – male	**20.6**	21.1
Current UK pensioners at retirement age – female	**23.4**	23.9
Future UK pensioners at retirement age – male	**22.1**	22.6
Future UK pensioners at retirement age – female	**25.0**	25.4

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2019 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula.

Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2019 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Assumption	Change in assumption %	Result of change of +0.1% in present value of scheme liabilities £'000	Result of change of (0.1%) in present value of scheme liabilities £'000
	Year to 31 March 2019		
LPPI			
Discount rate: 2.5%	**0.1**	**2,161**	**2,277**
Inflation: 2.2% CPI	**0.1**	**2,270**	**2,177**
Rate of salary increase: 3.7%	**0.1**	**2,250**	**2,163**
	Year to 31 March 2018		
LPPI			
Discount rate: 2.6%	0.1	1,318	1,411
Inflation: 2.1% CPI	0.1	1,412	1,318
Rate of salary increase: 3.6%	0.1	1,364	1,364

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 20.6 - 25.0 years, post retirement age, the change in present value of scheme liabilities would be an increase of 0.3%.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

17. Pension schemes (cont.)

Lancashire County Pension Fund

The actuaries for LCPF are Mercer.

LPP pension information

The normal contributions expected to be paid during the financial year ending 31 March 2020 are **£364,000** (2019: £306,000) for LPP.

A summary of the defined benefit pension schemes on the Group balance sheet is as follows:

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'000
Retirement benefit assets	**10,606**	9,255
Retirement benefit obligations	**(15,339)**	(12,843)
Net retirement benefit deficit	**(4,733)**	(3,588)

Scheme assets – Changes in the fair value of scheme assets are as follows:

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'000
Fair value of plan assets at beginning of year	**9,255**	8,487
Interest income on scheme assets – employer	**254**	227
Return on scheme assets less interest income	**842**	86
Administrative expenses and taxes	**(15)**	(12)
Employer contributions	**409**	306
Contributions by employees	**190**	165
Benefits paid	**(329)**	(4)
Fair value of plan assets at end of year	**10,606**	9,255

Analysis of assets – The major categories of scheme assets are as follows:

	LPP Year to 31 Mar 2019 £'000	LPP Year to 31 Mar 2018 £'000
Equity instruments	**9,069**	8,024
Bonds	**498**	398
Property	**986**	870
Cash and other	**53**	(37)
	10,606	9,255

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group. Virtually all equity and debt instruments have quoted prices in an active market.

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

Scheme liabilities – Changes in the present value of scheme liabilities are as follows:

	LPP 31 Mar 2019 £'000	LPP 31 Mar 2018 £'000
Benefit obligation at beginning of year	**12,843**	12,547
Current service cost – employer	**813**	747
Effect of changes in financial assumptions	**1,054**	(941)
Interest cost – employer	**344**	329
Benefits paid	**(329)**	(4)
Contributions by scheme participants	**190**	165
Curtailments	**63**	-
Past service cost	**361**	-
Benefit obligation at end of year	**15,339**	12,843

Amounts recognised in the income statement

	LPP Year to 31 Mar 2019 £'000	LPP Year to 31 Mar 2018 £'000
Amounts recognised in operating profit		
Current service cost	**813**	747
Post service cost	**361**	-
Curtailment	**63**	-
Administrative expenses and taxes	**15**	12
Recognised in arriving at operating profit	**1,252**	759
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities – employer	**90**	102
Recognised in interest receivable and similar income	**90**	102
Total recognised in the profit and loss account	**1,342**	861

17. Pension schemes (cont.)

Amounts recognised in the statement of comprehensive income

	LPP Year to 31 Mar 2019 £'000	LPP Year to 31 Mar 2018 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	**(842)**	(86)
Changes in financial assumptions	**1,054**	(941)
	212	(1,027)
Actuarial (losses)/gains on reimbursable rights		
Change in franchise adjustments	**-**	-
Total pension cost recognised in the statement of comprehensive income	**212**	(1,027)

Principal actuarial assumptions - The principal actuarial assumptions at the balance sheet date are as follows:

	LPP 31 Mar 2019 %	LPP 31 Mar 2018 %
Discount rate	**2.5**	2.7
Future salary increases	**3.7**	3.6
Future pension increases (CPI)	**2.3**	2.2
Future pension increases (RPI)	**3.3**	3.2
Inflation assumption (CPI)	**2.2**	2.1
Inflation assumption (RPI)	**3.2**	3.1

Post retirement mortality assumptions

	LPP 31 Mar 2019 'years'	LPP 31 Mar 2018 'years'
Current UK pensioners at retirement age – male	**21.9**	22.0
Current UK pensioners at retirement age – female	**24.2**	24.4
Future UK pensioners at retirement age – male	**23.3**	23.5
Future UK pensioners at retirement age – female	**26.1**	26.3

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2019 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula.

Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2019 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation

Assumption	Change in assumption %	Result of change of +0.1% in present value of scheme liabilities £'000	Result of change of (0.1%) in present value of scheme liabilities £'000
		Year to 31 March 2019	
Discount rate: 2.7%	**0.1**	**14,935**	**14,973**
Inflation: 2.1% CPI	**0.1**	**15,754**	**14,446**
Rate of salary increase: 3.6%	**0.1**	**15,477**	**14,306**
		Year to 31 March 2018	
Discount rate: 2.7%	0.1	12,505	13,181
Inflation: 2.2% CPI	0.1	13,190	12,496
Rate of salary increase: 3.6%	0.1	12,966	12,720

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 21.9 - 26.1 the change in present value of scheme liabilities would be an increase of 0.2%.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

17. Pension schemes (cont.)

Lancashire County Pension Fund

LPPI pension information

The normal contributions expected to be paid during the financial year ending 31 March 2020 are for LPPI **£129,000** (2019: £127,000).

A summary of the defined benefit pension schemes on the Group balance sheet is as follows:

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'000
Retirement benefit assets	**2,477**	2,013
Retirement benefit obligations	**(4,037)**	(3,226)
Net retirement benefit deficit	**(1,560)**	(1,213)

Scheme assets – Changes in the fair value of scheme assets are as follows:

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'000
Fair value of plan assets at beginning of year	**2,013**	1,724
Interest income on scheme assets – employer	**57**	48
Return on scheme assets less interest income	**191**	17
Administrative expenses and taxes	**(5)**	(5)
Employer contributions	**129**	127
Contributions by employees	**92**	102
Fair value of plan assets at end of year	**2,477**	2,013

Analysis of assets – The major categories of scheme assets are as follows:

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'000
Equity instruments	**2,118**	1,746
Bonds	**117**	86
Property	**230**	189
Cash and other	**12**	(8)
	2,477	2,013

The pension scheme has not invested in any of the Group's own financial instruments or in properties or other assets used by the Group. Virtually all equity and debt instruments have quoted prices in an active market.

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

Scheme liabilities – Changes in the fair value of scheme liabilities are as follows:

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'000
Benefit obligation at beginning of year	**3,226**	2,982
Current service cost – employer	**279**	299
Effect of changes in financial assumptions	**282**	(236)
Interest cost – employer	**88**	79
Contributions by scheme participants	**92**	102
Post service cost	**70**	-
Benefit obligation at end of year	**4,037**	3,226

Amounts recognised in the income statement

	LPPI 31 Mar 2019 £'000	LPPI 31 Mar 2018 £'000
Amounts recognised in operating profit		
Current service cost	**279**	299
Post service cost	**70**	-
Administrative expenses and taxes	**5**	5
Recognised in arriving at operating profit	**354**	304
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities – employer	**88**	79
Interest cost on scheme assets – employer	**(57)**	(48)
Recognised in interest receivable and similar income	**31**	31
Total recognised in the profit and loss account	**385**	335

17. Pension schemes (cont.)

Amounts recognised in the statement of comprehensive income

	LPPI Year to 31 Mar 2019 £'000	LPPI Year to 31 Mar 2018 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	**191**	17
Changes in financial assumptions	**(282)**	236
	(91)	253
Total pension cost recognised in the statement of comprehensive income	**(91)**	253

Principal actuarial assumptions - The principal actuarial assumptions at the balance sheet date are as follows:

	LPPI Year to 31 Mar 2019 %	LPPI Year to 31 Mar 2018 %
Discount rate	**2.5**	2.7
Future salary increases	**3.7**	3.6
Future pension increases (CPI)	**2.3**	2.2
Future pension increases (RPI)	**3.3**	3.2
Inflation assumption (CPI)	**2.2**	2.1
Inflation assumption (RPI)	**3.2**	3.1

Post retirement mortality assumptions

	LPPI 31 Mar 2019 %	LPPI 31 Mar 2018 %
Current UK pensioners at retirement age – male	**21.9**	22.0
Current UK pensioners at retirement age – female	**24.2**	24.4
Future UK pensioners at retirement age – male	**23.3**	23.5
Future UK pensioners at retirement age – female	**26.1**	26.3

Notes to the financial statements cont.

for the year ended 31 March 2019

17. Pension schemes (cont.)

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2019 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula.

Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2019 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Assumption	Change in assumption %	Result of change of +0.1% in present value of scheme liabilities £'000	Result of change of (0.1%) in present value of scheme liabilities £'000
		Year to 31 March 2019	
Discount rate: 2.7%	**0.1**	**3,932**	**4,134**
Inflation: 2.1% CPI	**0.1**	**3,944**	**3,944**
Rate of salary increase: 3.6%	**0.1**	**3,844**	**3,884**
		Year to 31 March 2018	
Discount rate: 2.7%	0.1	3,140	3,312
Inflation: 2.2% CPI	0.1	3,313	3,139
Rate of salary increase: 3.6%	0.1	3,253	3,199

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 21.9 - 26.3 the change in present value of scheme liabilities would be an increase of 0.2%.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

18. Share capital

	Nominal value	2018 and 2019 - Number	2019 - £'000	2018 - £'000
Allotted, called up and fully paid:				
Ordinary shares	£1 each	**2**	-	-

The shares issued have full rights in the Company with respect to voting, dividends and distributions.

19. Contingent liabilities and capital commitments

The Group and the Company have no contingent liabilities at the year end.

The Group and the Company have no capital commitments at the year end.

20. Related party transactions

The Key Management Personnel emoluments paid by the Group total **£2,823,588** (2018 - £1,615,373) for the year.

The Directors of LPP had no transactions with the company or its subsidiaries during the period other than service contracts and Directors' liability insurance. A summary of Directors' remuneration is disclosed in the notes to the accounts and also in detail as part of the Directors' report.

The Company is exempt under the terms of FRS 102 from disclosing related party transactions with entities that are 100% owned by LPP.

21. Controlling party

The Company is a joint venture and its ultimate parents and controlling parties are London Pensions Fund Authority and Lancashire County Council.

Offices and contact information

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Sarah Laessig
Jill Mackenzie
Dermot 'Skip' McMullan
Michael O'Higgins
Tom Richardson
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Agenda Item 8

Pension Fund Committee
Meeting to be held on Friday, 20 September 2019

Electoral Division affected:
(All Divisions);

Responsible Investment Report
(Appendix 'A' refers)

Contact for further information: Mukhtar Master, Governance & Risk Officer,
Lancashire County Pension Fund (01772) 5 32018
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Executive Summary

Responsible Investment encompasses a range of stewardship activities associated with Lancashire County Pension Fund (the Fund) fulfilling its duty to act in the best long-term interests of fund beneficiaries.

The report at Appendix A provides the Pension Fund Committee with an update from LPP Investments Ltd on responsible investment matters during the second quarter of 2019

Recommendation

The Committee is asked to note the report.

Background and Advice

The report at Appendix 'A' has been prepared by the Head of Responsible Investment at LPP Investments Ltd and provides information on how the Fund is being supported to fulfil its commitment to long term responsible asset ownership in line with the approach set out within its Investment Strategy Statement and the Responsible Investment Policy approved by the Committee at its meeting in March 2018.

For the purposes of reporting on voting, engagement and litigation monitoring activities, the information provided relates to the second quarter of 2019 and focusses on the period from 1st April to 30th June 2019.

This report also pulls together wider reporting from Appendix 'A' and elsewhere, for the purpose of bringing current and emerging issues to the Committee's attention.

Points to note:

- Further to the Local Pensions Partnership (the Partnership) submission of its first set of reporting to the Principles of Responsible Investment, the annual report is now in the public domain and can be found here:

    https://www.unpri.org/signatory-directory/local-pensions-partnership/3478.article

- The Partnership have also undertaken their first disclosure against the Taskforce Climate-Related Financial Disclosure (TCFD) framework. This disclosure can be found here:

    https://www.localpensionspartnership.org.uk/Admin/Public/DWSDownload.aspx?File=%2fFiles%2fFiles%2fReport+TCFD+Recommendations+v4.pdf

- The Pensions and Lifetime Savings Association have produced new guidance called 'ESG and Stewardship: A Practical Guide to Trustee Duties.' The guidance recognises the legal and regulatory duties of trustees environmental, social and governance (ESG) factors and stewardship approaches in investment decision-making. This guidance can be found here:

    https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2019/ESG-and-Stewardship-A-practical-guide-to-trustee-duties-2019-v2.pdf

- The Local Authority Pension Fund Forum's (LAPFF) Executive Committee agreed in January 2019 that a survey would be conducted of funds to understand how they are addressing climate risk. The LAPFF Business Meeting in July 2019 agreed that the survey of the funds would be carried out in September 2019.

- At its meeting in June the committee asked whether or not if it was possible to calculate how much companies spend on lobbying government to inhibit climate change. With regards to this query, LLP Investment Ltd have reported that:

    'The Global Equities Fund holds stock in over 500 companies across multiple jurisdictions (with varying requirements to disclose lobbying activity). Most companies who report their lobbying activities do not detail costs by specific topic/theme which is the basis needed to support a calculation of climate related actions.'

The Pension Fund Committee at its meeting in June also requested an update on the establishment of a joint Working Group on Responsible Investment with the London Pension Fund Authority (LPFA). The Managing Director of the LPFA has confirmed that they are not currently in a position to progress any joint working whilst they work on updating their own RI policy. The Head of Fund will continue work with the Managing Director to ensure the joint working group is established at a mutually convenient time.

Consultations

Frances Deakin the Head of Responsible Investment at the Local Pensions Partnership was consulted regarding this report.

Implications:

This item has the following implications, as indicated:

Risk management

It is an important component of good governance that the Fund is an engaged and responsible investor committed to actions which are in the best long term interests of fund members and beneficiaries.

The Lancashire County Pension Fund is required to be a signatory to the UK Stewardship Code and to uphold the principles espoused by the code.

The monitoring of investee companies and the promotion of good corporate governance practices can help to reduce the risk of unexpected losses arising as a result of poor over-sight and lack of independence.

Responsible investment practices underpin the fulfilment of the Funds fiduciary responsibilities to Fund beneficiaries and are implemented in practice through the advisory and investment management services provided by Local Pensions Partnership Investments.

Quarterly Reports provide information to the Pension Fund Committee on the stewardship of the Fund's assets by Local Pensions Partnership Investments.
and enable the Committee to monitor the activities undertaken.

Involvement in a non-US type of “class action” may result in the recovery of losses incurred by the Fund but, should the claim be lost, the Fund may incur related costs which may not be known with certainty at the time of filing.

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

Paper	Date	Contact/Tel
N/A		

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

Appendix A

LOCAL PENSIONS PARTNERSHIP INVESTMENTS LIMITED

Local Pensions Partnership

Lancashire County Pension Fund

Pension Fund Committee
Responsible Investment Report

20 September 2019

Title of Paper	Quarterly Report on Responsible Investment (2019 Q2)
Lead Officer:	Frances Deakin Head of Responsible Investment Local Pensions Partnership Investments Ltd frances.deakin@localpensionspartnership.org.uk

1. Executive Summary

This report provides members of the Pension Fund Committee of Lancashire County Pension Fund (LCPF) with a quarterly update on Responsible Investment (RI) matters.

2. Introduction

The Fund's approach to RI is articulated within an Investment Strategy Statement (ISS) which confirms that the objective of RI is to decrease investor risk, improve risk-adjusted returns and assist the Fund's adherence to the UK Stewardship Code. LCPF's ISS is supplemented by a Responsible Investment Policy which explains that the Fund's preferred approach to RI encompasses four main areas of activity:

- Voting Globally
- Engagement through Partnerships
- Shareholder Litigation
- Active Investing

Responsibility for the practical implementation of the Fund's approach to RI is devolved to Local Pensions Partnership Investments Ltd (LPPI) as LCPF's provider of investment management services. The report which follows provides the Committee with an update on RI activity during the period 1 April to 30 June 2019 plus insights on current and emerging issues.

3. Voting Globally

Through its investment in the LPPI Global Equities Fund (GEF) LCPF owns units in a pooled fund which invests in listed companies globally. Investors in the GEF delegate the control and exercise of shareholder voting to LPPI. This reflects that clients owning units in the GEF are beneficial owners in common but do not directly own shares in underlying companies.

LPPI exercises shareholder voting rights for the GEF centrally rather than delegating voting to individual asset managers and takes account of voting recommendations from an external provider of proxy voting and governance research (ISS) in accordance a Sustainability Voting Policy designed to ensure the consideration of ESG factors within analysis. LPPI reviews voting recommendations and takes the final decision on all voting.

In the second quarter of 2019 (the height of voting season) shareholder voting headlines for the GEF were as follows:

LPPI Global Equities Fund (GEF)

Total company meetings taking place	356
Total resolutions (management and shareholder proposals)	4,819
Total company proposals in the period	4,641
Total shareholder proposals in the period	178

Company Proposals

Voting Supported Management	4,161	90%
Voting Opposed Management	480	10%

Shareholder Proposals

Shareholder proposals supported by LPPI	130	73%
Votes against shareholder proposals	48	27%

The following table summarises resolutions by type and indicates where opposition voting was concentrated in Q2.

	Proposals			
	For	Against	Withhold	Total
Antitakeover Related	20	1		21
Capitalization	257	85	6	348
Directors Related	2,661	196	60	2,917
Miscellaneous	1			1
Non-Salary Comp.	365	57	12	434
Preferred/Bondholder	2	4	3	9
Reorg. and Mergers	53	4		57
Routine/Business	802	32	20	854
SH-Compensation	12	10		22
SH-Corp Governance	5	4		9
SH-Dirs' Related	41	11	1	53
SH-Gen Econ Issues		1		1
SH-Health/Environ.	10	1	4	15
SH-/Human Rights	6	1		7
SH -Social Proposal	7	4		11
SH-Routine/Business	21	2		23
SH-Other/misc.	28	9		37
Total	4,291	422	106	4,819

LPPI voted against or withheld support for management proposals in 480 instances (across 144 company meetings).

This included opposing 196 management proposals connected with the election / re-election of directors or with the appointment of statutory auditors.

Opposition voting commonly reflected concerns with the composition and independence of company boards as a whole, and with the independence of individual Board members as well as with over boarding (multiple other directorships) and an appropriate degree of detachment in the case statutory auditors.

Director Related

At Anheuser-Busch InBev (Belgium: Brewer) LPPI voted against the election/re-election of six out of seven directors due to their lack of independence, the Board currently contains only 20% independent directors. (Results: all 6 directors received support of +84%).

At China Everbright (Hong Kong: Investment Holding Co) and at Gaming and Leisure Properties Inc (US: Real Estate Trust) LPPI voted against the re-election of the incumbent Nominating Committee Chairs for a lack of gender diversity. Neither company Board currently has any female director representation. (Result:12.5% opposition and 23% opposition respectively). In the case of G&LP this level of opposition was notable given other nominees received 99% support.

At NTT DoCoMo (Japan: Wireless Telecommunication Services) LPPI voted against the appointment of four statutory auditor nominees on the basis that they held positions or had connections which represented an affiliation with the company and were insufficiently independent to be considered outsiders. The role of the statutory auditor in Japan is distinct from the more familiar roles of external auditor or internal auditor. It is more akin to an audit & supervisory board membership and provides oversight. (Results: nominees received support of between 78% and 92%).

Non-Salary Compensation

Management proposals on compensation arrangements prompted 57 opposition votes. These were in reaction to examples of poor practices or weak corporate governance including inadequate information being released to shareholders and an incomplete disclosure of performance conditions, but also featured instances which provoked concern at the quantum of total rewards achievable.

At Metropole Television S (France: Broadcasting) LPPI voted against the compensation of four management board members. The company's current practices only allow shareholders to vote on a non-significant part of the management board members' remuneration, and the level of disclosure on performance conditions within the Long-Term Incentive Plan is below market standards. (Results: 10.7% against).

At Intel Corporation (USA: Semiconductors) LPPI voted against management on an Advisory Vote to Ratify Named Executive Officers' Compensation. This was on the basis of the magnitude of overall pay and compensation achievable under arrangements agreed for the new CEO appointed at the start of 2019. Were all performance criteria met in full, the new CEO's compensation would significantly exceed the quantum of reward at comparable organisations and move considerably beyond the position of the prior CEO. (Result: 39.5% against).

At Yandex NV (Netherlands: Interactive Median & Services) LPPI opposed a proposal to amend the Equity Incentive Plan (agreed in 2016) on the basis that the plan would fall short on a number of best practice conditions. These include the vesting period (the time to be waited until shares are unconditionally owned by the recipient) being of insufficient length and non-executive directors being entitled to participate in the scheme. (Result: 27.2% against).

LPPI supported 130 shareholder proposals across 86 company meetings in Q2.
Familiar themes from prior proxy seasons continued to arise in 2019 with resolutions calling for:

- improved shareholder rights (one share one vote, reduced thresholds for calling meetings and submitting shareholder resolutions, proxy access /the right to nominate candidates);
- greater transparency (reporting on political lobbying, pay differentials, human rights within supply chains, climate change management and reporting on emissions reduction);
- corporate governance best practice (Separation of Chair and CEO roles, independent chairman, performance-linked remuneration, nomination practices to address board diversity and sustainability).

There were resolutions on gender pay gap reporting at 8 company meetings, including repeat proposals at both Facebook and Alphabet (Google) following a failure to receive adequate support in 2018 (a position ultimately repeated in 2019). At Facebook support was 9% down from 10% in 2018 and at Alphabet support was 11% down from 16% in 2018.

At Waste Connections Inc (Canada: Env & Facilities Services) LPPI supported a shareholder proposal seeking a formal written diversity policy and a report on plans to increase the representation of women on the board and among executive officers. Currently, Waste Connections has six directors, including one woman. Its eleven-member executive team includes one woman. The proposal received 64.5% support and passed.

At the Travelers Companies, Inc. (US: Property & Casualty Insurance) LPPI supported a shareholder proposal seeking a diversity report that would include the company's diversity policies, programs, and the gender and racial composition of the company's workforce. The intent was to have a reasonable basis for enabling shareholders to evaluate progress over time in advancing women and minorities to management or executive levels, something which is not currently supported by existing disclosure. The resolution received 50.3% support and passed.

The Alphabet AGM (USA: Interactive Media & Services) received 13 shareholder proposals on a range of themes, including issues of corporate governance, disclosure, shareholder representation and workforce protection. During 2018 unsatisfactory employment practices caused employees to raise concerns very publicly, specifically around sexual harassment. In response (and in with the context of negative media coverage) the company issued a conciliatory commitment to do better in future and a remediation plan which has seen a range of measures including a revamp of the company's Policy on harassment , discrimination, retaliation, standards of conduct and workplace concerns. http://services.google.com/fh/files/blogs/policy_workplace_concerns.pdf

None of the shareholder proposals at Alphabet received majority support. Those receiving greatest support (+30%) related to shareholder representation and remuneration (governance issues) rather than broader social, ethical, environmental or employee-related concerns.

At Coca-Cola (US: Beverages) LPP supported a shareholder proposal calling for a report on the "Health Impacts and Risks of Sugar in the Company's Products" which received less than 5% support and at PepsiCo LPPI supported a proposal calling for a report on pesticide management which received 10% support.

Full details of the positions LPPI took on proposals voted at the Exxon Mobil AGM are reported elsewhere within the report, featured as part of an update on collaborative engagement connected with the investor initiative Climate Action 100+.

Members can view details of shareholder voting for all meetings via the LPP website where quarterly reports for the GEF are made publicly available.
https://www.localpensionspartnership.org.uk/what-we-do/investment-management

4. Engagement through Partnerships

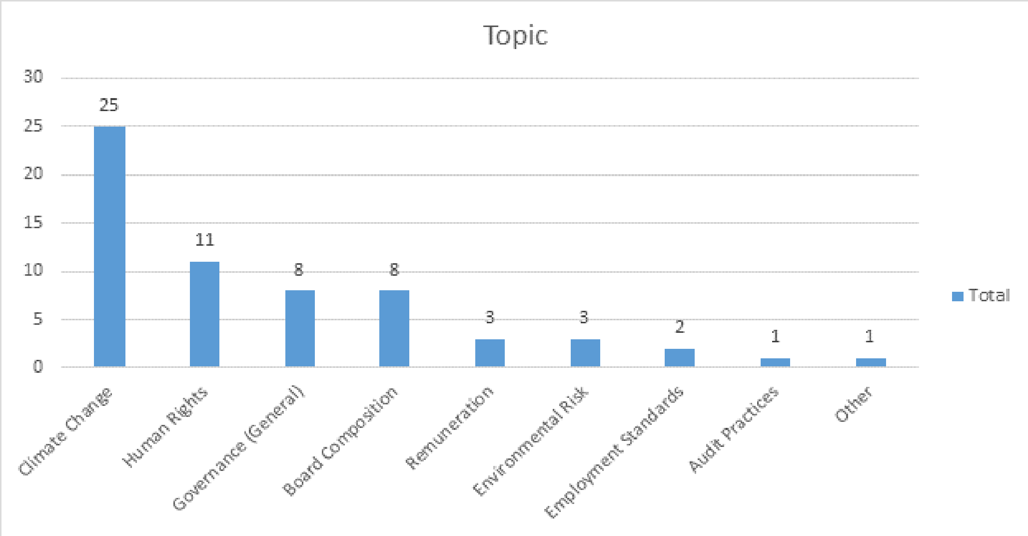
LPPI regularly participates in collaborations which aim to make progress on commonly held issues by co-ordinating the efforts of multiple investors. Key partners include the Local Authority Pension Fund Forum (LAPFF) the Pensions and Lifetime Savings Association (PLSA) the Principles of Responsible Investment (PRI) the Institutional Investor Group on Climate Change (IIGCC) the LGPS Cross Pool RI Group, and the UK Pension Scheme RI Roundtable.

LAPFF

LAPFF has long been LCPF's preferred engagement partner. The Fund is a long-standing member of the Forum and the Head of Fund and Chair of the Pension Fund Committee both currently sit on the LAPFF Executive.

On a quarterly basis LAPFF provide a summary of the engagement activities undertaken on behalf of member funds which is available from the LAPFF website. http://www.lapfforum.org/publications/qrtly-engagement-reports/

Quantified across thematic topics, engagement by LAPFF in 2019 Q2 was as follows:

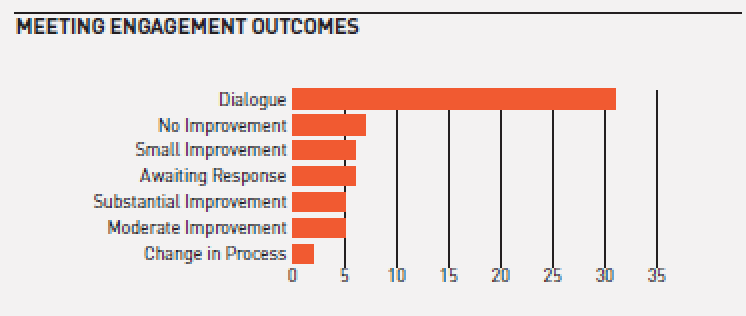


Of 62 companies engaged with by LAPFF in Q2, 12 companies (highlighted below in blue) are held within the LPPI Global Equities Fund in which LCPF owns units.

ANGLO AMERICAN PLC
GENERAL MOTORS COMPANY
FORD MOTOR COMPANY
GENERAL MOTORS COMPANY
CHIPOTLE MEXICAN GRILL INC
DOMINION ENERGY INC
DAEJAN HOLDINGS PLC
AMAZON.COM INC.
AVEVA GROUP PLC
FDM GROUP (HOLDINGS) PLC
PLAYTECH PLC
THE SAGE GROUP PLC
MICRO FOCUS INTERNATIONAL PLC
BHP GROUP PLC (GBR)
THE BOEING COMPANY
GENERAL DYNAMICS CORPORATION
RAYTHEON COMPANY
TEXTRON INC.
THALES
AIRBUS SE
GENERAL ELECTRIC COMPANY
TESCO PLC
CATERPILLAR INC.
ARCELORMITTAL SA
TESLA VISION CORP
GLENCORE PLC
BAE SYSTEMS PLC
IMPERIAL BRANDS PLC
ALPHABET INC
BP PLC
EXXON MOBIL CORPORATION

CHEVRON CORPORATION
FACEBOOK INC.
SSE PLC
GENERAL MOTORS COMPANY
CENTRICA PLC
AMAZON.COM INC.
ARCELORMITTAL SA
ARCELORMITTAL SA
TWITTER INC
NEXTERA ENERGY INC
XCEL ENERGY INC.
SIME DARBY PLANTATION
PERSIMMON PLC
ANADARKO PETROLEUM CORPORATION
ANADARKO PETROLEUM CORPORATION
MOTOROLA SOLUTIONS INC.
FORD MOTOR COMPANY
RIO TINTO GROUP (AUS)
ROYAL DUTCH SHELL PLC
FORD MOTOR COMPANY
WEC ENERGY GROUP
SOUTHERN COMPANY
ENTERGY CORPORATION
RIO TINTO GROUP (AUS)
HSBC HOLDINGS PLC
RIO TINTO GROUP (GBP)
NRG ENERGY INC
DAEJAN HOLDINGS PLC
ROYAL DUTCH SHELL PLC
JD WETHERSPOON PLC
TESLA INC

An overview of activity undertaken and outcomes to date (by company) is provided below.



Company/Index	Activity	Topic	Outcome
AMAZON.COM INC. (2)	Alert Issued	Audit Practices	No Improvement
ANADARKO PETROLEUM CORPORATION (2)	Alert Issued/ Sent Letter	Climate Change	No Improvement
ANGLO AMERICAN PLC	Meeting	Governance (General)	Change in Process
ARCELORMITTAL SA (3)	Meeting/AGM	Climate Change	Substantial Improvement
AVEVA GROUP PLC	Sent Letter	Board Composition	Awaiting Response
BHP GROUP PLC (GBR)	Meeting	Human Rights	Small Improvement
BP PLC	Alert Issued	Climate Change	Substantial Improvement
CENTRICA PLC	Meeting	Climate Change	Small Improvement
CHEVRON CORPORATION	Alert Issued	Governance (General)	No Improvement
CHIPOTLE MEXICAN GRILL INC	Meeting	Climate Change	Moderate Improvement
DAEJAN HOLDINGS PLC (2)	Meeting	Board Composition	No Improvement
DOMINION ENERGY INC	Meeting	Climate Change	Change in Process
ENTERGY CORPORATION	Received Letter	Climate Change	Moderate Improvement
EXXON MOBIL CORPORATION	Alert Issued	Climate Change	No Improvement
FDM GROUP (HOLDINGS) PLC	Sent Letter	Board Composition	Awaiting Response
GENERAL MOTORS COMPANY (3)	Received Letter/ Alert Issued	Climate Change	Small Improvement
HSBC HOLDINGS PLC	AGM	Climate Change	No Improvement
IMPERIAL BRANDS PLC	Meeting	Governance (General)	Moderate Improvement
JD WETHERSPOON PLC	Meeting	Board Composition	No Improvement
MICRO FOCUS INTERNATIONAL PLC	Sent Letter	Board Composition	Awaiting Response
NEXTERA ENERGY INC	Received Letter	Climate Change	Small Improvement
NRG ENERGY INC	Received Letter	Climate Change	Moderate Improvement
PERSIMMON PLC	AGM	Board Composition	No Improvement
PLAYTECH PLC	Sent Letter	Board Composition	Awaiting Response
RIO TINTO GROUP (AUS) (3)	Meeting/Alert Issued	Climate Change/Human Rights	Small Improvement
ROYAL DUTCH SHELL PLC (2)	Meeting	Remuneration	Small Improvement
SIME DARBY PLANTATION	Meeting	Environmental Risk	Small Improvement
SOUTHERN COMPANY	Sent Letter	Climate Change	Substantial Improvement
TESCO PLC	Sent Letter	Climate Change	Awaiting Response
THE SAGE GROUP PLC	Sent Letter	Board Composition	Awaiting Response
WEC ENERGY GROUP	Received Letter	Climate Change	Moderate Improvement
XCEL ENERGY INC.	Received Letter	Climate Change	Substantial Improvement

The predominant theme in Q2 was climate change which reflected a range of activities, most notably attendance at the AGM of steel company Arcelormittal (in Luxembourg) to urge the company to continue positive progress in planning for reduced emissions intensity and encourage the CEO to participate in the Energy Transition Commission which is focussed on accelerating the change towards low-carbon energy systems that enable robust economic development and limit the rise in global temperature to well below 2 degrees Celsius.

As part of ongoing engagement efforts, LPPI seeks appropriate opportunities to collaborate and regularly communicates with other parties including policy makers, advisory bodies, regulators, service providers and external asset managers as well as investee companies. The following matters are examples of collaborative engagement from Q2.

Climate Action 100+ - Further Update on Exxon Mobil

At its last meeting the Committee was appraised of next steps following Exxon Mobil's conduct in relation to a shareholder proposal calling for short, medium, and long-term targets for emissions reductions in line with the Paris Agreement. LPP was one of 30+ investors who co-ordinated to co-file the proposal which was resisted by the company and ultimately did not appear on the ballot. This triggered an open exchange with CA100+ members around the authenticity of the company's commitment to engaging with shareholders on climate change concerns.

The Exxon AGM held on 29 May 2019 was attended by a CA100+ representative who introduced and recommended shareholders give support to items 4 and 6. This was a clear and very public call for Exxon to emulate other oil and gas majors in committing to intensive, meaningful and independent director-led engagement with CA100+ on climate change without further delay.
The full results of shareholder voting at the AGM are set out below:

Item		Proposal	LPP	AGM Result % Against	AGM Result % For	AGM Result Outcome
1.1	M	Elect Director Susan K. Avery	Against	1.94		Accepted
1.2	M	Elect Director Angela F. Braly	Against	3.96		Accepted
1.3	M	Elect Director Ursula M. Burns	Against	27.38		Accepted
1.4	M	Elect Director Kenneth C. Frazier	Against	4.22		Accepted
1.5	M	Elect Director Steven A. Kandarian	Against	2.03		Accepted
1.6	M	Elect Director Douglas R. Oberhelman	Against	1.68		Accepted
1.7	M	Elect Director Samuel J. Palmisano	Against	3.84		Accepted
1.8	M	Elect Director Steven S Reinemund	Against	13.56		Accepted
1.9	M	Elect Director William C. Weldon	Against	1.82		Accepted
1.1	M	Elect Director Darren W. Woods	Against	6.49		Accepted
2	M	Ratify PricewaterhouseCoopers LLP as Auditor	Against	3.16		Accepted
3	M	Advisory Vote to Ratify Named Executive Officers' Compensation	Against	8.36		Accepted
4	SH	Require Independent Board Chairman	For		40.74	Rejected
5	SH	Amend Bylaws - Call Special Meetings	For		42.39	Rejected
6	SH	Disclose a Board Diversity and Qualifications Matrix	For		29.82	Rejected
7	SH	Establish Environmental/Social Issue Board Committee	For		7.38	Rejected
8	SH	Report on Risks of Petrochemical Operations in Flood Prone Areas	For		24.99	Rejected
9	SH	Report on Political Contributions	For		26.1	Rejected
10	SH	Report on Lobbying Payments and Policy	For		37.33	Rejected

Elevated levels of dissent were seen, principally in relation to shareholder proposals, but the majority required to gain acceptance ultimately was not achieved. The separation of the role of Chair and Chief Executive received 40% support compared to 38% for the same proposal in 2018. In introducing this item to the AGM, the CA100+ spokesperson pointed to plain good governance and reiterated that "good governance supports good climate strategy and shareholder engagement".

A proposal to require Exxon to provide information on public health risks through operations facing extreme weather events due to climate change-induced storms, flooding, and sea level rise gained 25% support. A call for the company to disclose information on each director's gender and race/ethnicity, as well as their skills, experience and attributes most relevant to the company's business, long-term strategy and risks received 30% support.

LPPI has continued to review and consider the position of Exxon Mobil within the GEF as part of ongoing monitoring. Exxon's current ranking against the Transition Pathway Initiative (TPI) management quality measure is TPI 2 (building capacity). LPPI's 2019 target for extractive companies is TPI 3 (operational integration) and where this is not achieved evidence of meaningful planning for the global transition to low carbon is required.

Exxon meet all requirements for TPI 3 other than forward targets for emissions reduction. The company have emphasised other measures which contribute to global climate change goals including

- announcing methane gas reduction targets and targets for a reduction in flaring
- joining the Oil & Gas Climate Initiative in late 2018 (alongside higher rated TPI Peers: BP, Shell and Total)
- a commitment to spending $5bn annually on environmental projects.

However, Exxon's resistance to setting and publishing emissions reduction targets and delay/relative reluctance to support authentic engagement with CA100+ have also informed LPPI's detailed discussions with the delegate manager holding Exxon stock. Consideration has been given to the long-term alignment of the company's business strategy and its stance on climate change with LPP's policy aims and the intent of the Paris Agreement. Within this context it was concluded that the GEF's holding in Exxon Mobil should be liquidated and all shares in Exxon were duly sold by the end of June 2019.

Investor Statement to G20 Summit

Ahead of the G20 Summit in Osaka (Japan) in June 2019, LPP joined 477 investors managing over US $34 trillion to sign a statement urging world governments to:

- Achieve the Paris Agreement's goals
- Accelerate private sector investment into the low carbon transition
- Commit to improve climate-related financial reporting.

The statement is an example of collaborative policy advocacy through which institutional investors are directly urging governments to institute the conditions in which investors will have confidence to shift portfolios towards the low carbon solutions fundamental to achieving the Paris Agreement targets. The full text of the investor statement is available via the following link.
https://theinvestoragenda.org/wp-content/uploads/2019/07/190704-GISGCC-correction-3.pdf

The investor statement was initially launched in June 2018 ahead of the G7 Summit and grew in scope and support ahead of the Global Climate Action Summit in September 2018 and COP24 in Katowice in December 2018.

PLSA

In the period since the Committee last met, the PLSA has published new best practice guidance for Pension Fund Trustees on ESG and Stewardship.
https://www.plsa.co.uk/Portals/0/Documents/Policy-Documents/2019/ESG-and-Stewardship-A-practical-guide-to-trustee-duties-2019-v2.pdf

The Guidance offers comprehensive advice in advance of significant new requirements (from 1st October 2019) for Defined Benefit and Defined Contribution schemes to provide detailed disclosure on their policy for taking account of "financially material" considerations, including ESG factors, such as climate change. Multiple parties contributed to the development of the new guidance including the PLSA's Stewardship Advisory Group (where LPP is represented). Ensuring user friendly and practical guidance is within the reach of trustees to help bust myths and support pension funds to comply with requirements is critical to both the take up and evolution of RI.

LGPS Funds are not presently subject to the new statutory requirements to provide detailed ESG disclosure – these relate to pension funds which publish a Statement of Investment Principles (SIP) - but the extension of equivalent requirements to the LGPS (via Investment Strategy Statements) should be considered highly likely and anticipated within short span.

5. Shareholder Litigation

LPPI employs Institutional Protection Services (IPS) as an external provider of litigation monitoring services to ensure shareholder litigation cases affecting securities owned by the GEF are known about, claims are filed in a timely way and progress is monitored and followed up with Claims Administrators. In addition, IPS monitor cases relating to shares held by LCPF in the period before the Fund pooled its listed equity investments from November 2016. Litigation can arise quite some time after shares have been sold and monitoring new cases and referring back to historic records to establish rights of ownership is an ongoing task.

IPS provide LPPI with monitoring information on a quarterly basis detailing the number of cases investigated. The monitoring report for Q1 2019 confirms that 4 new potential cases have been identified where the Fund may have an entitlement to join a class action and eligibility is being assessed, there are a further 2 cases where eligibility has been confirmed and a claim will be filed and 7 which have been discounted following further analysis. In Q1 the Fund received a disbursement of monies relating to one filed claim that has reached settlement.

6. Active Investing

The LCPF Responsible Investment Policy describes active investing as the search for sustainable investments which meet LCPF's requirements for strong returns combined with best practice in ESG and corporate governance. The Fund has not set allocations for investments within specific sectors or identified impact themes but in general favours investments with positive social outcomes and has expressed an interest in understanding where current investments are delivering social benefits in addition to generating investment returns. Examples of socially positive investments are available from across the asset classes the fund invests in.

Within the RI section of its Annual Report for 2018/19 LPP has included information (pages 26-27) on four projects which are contributing wider social benefits in addition to investment returns - Guild Investments, Cape Byron, Forth Ports Group and Advent Life Sciences. The full Annual Report is available from the LPP website at the following link and provides wider context on LPP's approach to RI.
https://www.localpensionspartnership.org.uk/Files/Files/LPP%20Annual%20Report%202019%20Final%20(DIGITAL).pdf

Positive media coverage related to sustainability has been received in relation to an existing investment by GLIL in which the fund is a participating investor. Iona Capital (infrastructure manager) has contracted to purchase waste products from food manufacture which will be used by the Leeming bioenergy plant to generate sufficient energy (via anaerobic digestion) to power 800 homes per year (around 10,000 MWh of thermal power). The recent deal between Iona Capital and the Wensleydale Creamery has the additional benefit of diverting food waste away from being allowed to rot in landfill where it produces carbon-rich methane. Once the cheese by-product supplied by Wensleydale is converted into sustainable gas, what's left at the end of the process will be fed onto neighbouring farmland to improve local topsoil quality.

Mike Dunn, co-founder of Iona Capital - "This shows the real impact of the circular economy and the part intelligent investment can play in reducing our carbon emissions."

Iona Capital's full press release on the arrangement is available from the following link.
https://www.ionacapital.co.uk/single-post/2019/07/15/Iona-Capital-partnership-with-The-Wensleydale-Creamery-to-produce-energy-from-cheese

The story was picked up by multiple publications including BBC local news, The Guardian and BusinessGreen.

Other Insights

New Resources

LPPI has recruited a new RI Analyst to its Investment Team. Paul Britton (based in the London office) joined in June 2019 to replace Clarisse Simonek who remains with LPP having transitioned into a deputy portfolio manager role in the Investment Strategy Team. Paul works directly with the Head of RI and will focus primarily on public market asset classes, including having day to day responsibility for the oversight of shareholder voting.

PRI Transparency Report Released

As reported to the Committee at its last meeting, in March 2019 LPP submitted a first set of detailed annual reporting to the Principles of Responsible Investment (PRI) having become a PRI signatory in July 2019. The PRI has now published 2019 Transparency Reports for all signatories via its website. LPP's first detailed report against the PRI disclosure framework is available from the following link: https://www.unpri.org/signatory-directory/local-pensions-partnership/3478.article

Separately, each PRI signatory receives a confidential Assessment Report from the PRI which includes module scores which benchmark them against comparable signatories (peers) and offer a basis for tracking progress, identifying improvements over time and focussing development effort. LPP received an A rating (highest band) for 4 out of 5 modules scored and a C for the fifth module. This is a very positive baseline from which to progress and evolve RI reporting going forward.

Through PRI reporting, LPP is releasing significantly more information into the public domain than on our approach (policy and governance) and activities (practical implementation) as a responsible asset owner on behalf of client pension funds. Whilst two other LGPS pools became PRI signatories in 2018 (Brunel and LGPS Central) LPP was the only LGPS pool to submit a report to the PRI by the 2019 deadline.

Additional Reporting – Taskforce on Climate Related Financial Disclosure

As part of the annual reporting process for 2018/19, LPP has fulfilled a commitment (within its RI Policy – Annex on Climate Change) to begin reporting in line with the final recommendations of the TCFD which encourage asset owners and asset managers to voluntarily disclose information on how their governance and operational arrangements integrate the identification and management of climate change.

LPP has taken first steps to begin disclosing in line with the TCFD recommendations via a report which accompanies the Annual Report and is available from the LPP website at the following link. https://www.localpensionspartnership.org.uk/Admin/Public/DWSDownload.aspx?File=%2fFiles%2fFiles%2fReport+TCFD+Recommendations+v4.pdf

LPP will produce updated TCFD reporting each year and is committed to extending future disclosure in step with the further development of investment practices on climate change and improvements in the quality and breadth of information available to give insights on investee companies.

Pension Fund Committee
Meeting to be held on Friday, 20 September 2019

Electoral Division affected: None;

Feedback from members of the Committee on pension related training.

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

Executive Summary

An update on pension related training activity involving members of the Committee since the last meeting.

Recommendation

The Committee is asked to note the report and any feedback from individual members given at the meeting in relation to specific training they may have received.

Background and Advice

The Training Policy of the Lancashire County Pension Fund sets of the approach to supporting the learning and development needs of individuals with responsibility for the strategic direction, governance and oversight of the Fund through their membership of the Pension Fund Committee or the Lancashire Local Pension Board.

There has been one pension related training event since the last meeting - a Workshop on risk appetite and risk framework held on the 11th September 2019 at County Hall, Preston. Details of attendance by Committee members will be reported at the meeting and attendees given an opportunity to feedback on their experience.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Lancashire County Council

Risk management

Without the required knowledge and skills, those charged with governance and decision making may be ill-equipped to make informed decisions regarding the direction and operation of the Pension Fund.

The Training Policy seeks to apply best practice and to ensure compliance with guidance from CIPFA and the Pensions Regulator. Failing to implement an adequate Training Policy and framework and to regularly review the effectiveness of training arrangements would place the County Council (as Administering Authority) at risk of non-compliance with the Pensions Regulator's Code of Practice No. 14 (Governance and administration of public service pension schemes) and the legislative requirements that this code interprets.

Financial

Decisions made by the Pension Fund Committee have direct financial implications for the Fund. The Fund's Training Policy forms part of its governance and risk management arrangements which seek to ensure that the members of the Pension Fund Committee and Pension Board are well-informed, confident, and knowledgeable participants who work effectively and consistently in the best interests of the Fund and its stakeholders.

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 Sheet for the Pension Workshop	11th September 2019	M Neville 01772 533431

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

Pension Fund Committee
Meeting to be held on Friday, 20 September 2019

Electoral Division affected: (All Divisions);

Internal audit assurance over the Local Pensions Partnership
Appendix 'A' refers

Contact for further information:
Ruth Lowry, head of internal audit, (01772) 534898
ruth.lowry@lancashire.gov.uk

Executive Summary

At its meeting on 21 June 2019 the committee resolved that the Head of Internal Audit would review the findings of all seven of the internal audits of the Local Pensions Partnership for 2018/19 and present a further report to the committee in September 2019 to give the Council assurance on the administration and investment operations of the Partnership.

This report presents those findings and provides the opportunity for representatives of the partnership's senior management team to present more information about their responses to this work.

Recommendation

The committee should consider the assurance available from the partnership's own internal auditor and the response of its senior managers to the issues raised by the audit work completed during 2018/19.

Background and Advice

Local Pensions Partnership Ltd (LPP) provides the Lancashire County Pension Fund's administration and investment functions. It was formed in 2016 through a collaboration between Lancashire County Council and the London Pensions Fund Authority. It now manages £16 billion of pension assets and provides pensions administration services to more than 580,000 members across the local government, police and firefighters pension schemes.

The company has engaged Deloitte LPP to provide its internal audit service and Deloitte has now completed the second year of its work.

Lancashire County Council

Consultations

The county council's director of finance, and LPP's chief risk officer have been consulted on this report. Tom Richardon, chief risk officer, will be present at the committee meeting should any members want to discuss the findings of the audit work reported.

Implications:

This item has the following implications, as indicated:

Risk management

The county council's Audit, Risk and Governance Committee's role includes providing independent oversight of the adequacy of the council's governance, risk management and control framework. This includes matters relating to the governance, risk management and control framework of the Lancashire Pension Fund for which the council is the scheme manager. The council has delegated this function to the Pension Fund Committee, and the committee will therefore be interested in understanding the risks that Deloitte has concluded are not sufficiently mitigated.

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

Paper	Date	Contact/Tel
-	-	-

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

Outcomes of internal audit work for Local Pensions Partnership Ltd during 2018/19

1 Background

1.1 At its meeting on 21 June 2019 the Pension Fund Committee received a report from the county council's internal audit service setting out the assurance available to it for 2018/19, including that from Local Pensions Partnership Ltd's (LPP) own internal auditor, Deloitte.

1.2 All seven of Deloitte's audits for 2018/19 have now been reported to LPP's Audit Committee and the outcomes can therefore be shared with the Pension Fund Committee.

2 The audits and the assurance provided by Deloitte

2.1 Deloitte disclaims any liability to the council for any reliance it may place on this work but has agreed that its conclusions may be reported to the Audit, Risk and Governance Committee.

2.2 These are as follows:

Control area	Assurance
Benefits administration: calculation and payment of transfer values, retirement benefit and lump sums	Ineffective
Investments: governance, horizon scanning, and design and implementation of the compliance monitoring programme for Local Pensions Partnership Investments Ltd (LPPI)	Ineffective
Investments: Markets in Financial Instruments Directive (MIFID II) compliance	Effective
Third party oversight of service providers to LPPI	Effective with scope for improvement
General Data Protection Regulation readiness	Effective with scope for improvement
Cyber security: assessment against National Cyber Security Centre’s ‘10 Steps to Cyber Security’	Ineffective
Core financial controls: management information and reporting (within LPP)	Ineffective

2.3 The council's internal audit service understands that these assessments were not unexpected by LPP's senior management team, as it has worked through a period of significant adjustment to its business that is continuing into 2019/20. Some of the issues raised by these audits had already been recognised and work has begun to address them within LPP and LPPI.

2.4 It is also understood that action has been taken to address many of the matters arising from earlier audits, and any future internal audit work plans will therefore firstly seek assurance that the 'ineffective' functions will be re-tested to ensure the risks have been mitigated.

Response from LPP's management

2.5 LPP’s senior management team recognised that improvements to the management of internal audit activity required improvement and consequently moved responsibility for its management to the Chief Risk Officer with support from the newly recruited Deputy Chief Risk Officer. LPP and LPPI’s Boards have required greater internal accountability for the progress of internal audit findings and the LPP Executive team is setting appropriate priorities and dedicating required resource in order to close audit findings

3 Assurance over the council's oversight of the Pension Fund

3.1 It should be noted that, as has already been reported, substantial assurance has been given by the council's own internal audit service that the council's oversight of the Pension Fund and of LPP is adequate and effective.

(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

Appendix B

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Appendix A

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