Appendix A

Lancashire County Pension Fund

Contents

A Management Structure

Scheme management and advisers

Administering authority

Lancashire County Council

Lancashire County Council Pension Fund Committee

Until 24 May 2017	Appointed 25 May 2017
M Barron	J Burrows
L Beavers	S Clarke
D Borrow	G Dowding
G Dowding	C Edwards
K Ellard (Chair)	K Ellard
G Gooch	J Fillis
J Oakes	T Martin
M Otter	J Mein
M Parkinson(Deputy chair)	E Pope (Chair)
C Pritchard	A Riggott
A Schofield	A Schofield (Deputy chair)
K Sedgewick	A Snowden
D Westley	
D Whipp	

Co-opted Pension Fund Committee representatives

P Crewe – Trade union	P Crewe – Trade union
J Tattersall – Trade union	J Tattersall – Trade union
P Rankin – District Leaders Group	D Borrow – District Leaders Group
E Pope – District Leaders Group	I Moran – District Leaders Group
M Smith – Blackpool Council	M Smith – Blackpool Council
R Whittle – Blackburn with Darwen Council	R Whittle – Blackburn with Darwen Council
A Milloy – FE/HE institutions	J Eastham – FE/HE institutions

Head of Fund

A Leech

Director of Financial Resources

N Kissock

Actuary

Mercers

Custodian

Northern Trust

External auditor

Grant Thornton

Tax advisers

KPMG

Independent investment advisers

A Devitt

E Lambert

Independent property valuer

Cushman & Wakefield
(until 13 November 2016)

GVA Grimley
(from 14 November 2016)

Bankers

NatWest

Svenska Handelsbanken

AVC providers

Prudential

Equitable Life

Property solicitors

Pinsent Masons

DWF

Lancashire Local Pension Board

W Bourne (Chair)

S Browne

C Gibson

K Haigh

J Hall

B Harvey

Y Moult

S Thompson

CC Wakeford

Legal advisers (non-property)

In-house

MacFarlanes

Eversheds

Clifford Chance

Allen and Overy

Taylor Wessing

Addleshaw Goddard

Performance measurement

Northern Trust

Corporate governance advisers

Institutional Shareholder Services (ISS)

Pension and Investment Research Consultants (PIRC)

Investment Managers

Arclight Capital Partners	HSBC Global Asset Management	Muzinich & Co
Bluebay Asset Management	I Squared Capital	Neuberger Berman
Capital Dynamics	Icon Investments	Permira Credit Solutions
Christofferson, Robb & Company	Investec Asset Management	Pictet Asset Management
EQT	Kames Capital	Pimco Bravo
Guild Investments Ltd	King Street Capital Management	Prima Capital Advisors
Gatefold Hayes LP	Knight Frank Investors	Standard Life Capital
GLIL Infrastructure	Kreos Capital	Stonepeak Infrastructure
Global Infrastructure Partners	Local Pensions Partnership	THL Credit
Hayfin Capital Management	Madrileña Red de Gas	Venn Partners
Heylo Housing Trust	M&G Investments	Westmill Solar Cooperative
Highbridge Capital Management	Monarch Alternative Capital	White Oak Global Advisors

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

Welcome to the 2016/17 Annual report of the Lancashire County Pension Fund which has had a very successful year during a time of constant change.

Some of the highlights of the year include:

- Delivering a 20.19% return on assets which outperformed the Lancashire Benchmark of 17.5% and resulted in the value of the fund, at 31 March 2017, increasing to £7.1bn.

- Maintaining the funds position as one of the leading LGPS funds in the country, funded to a level of 90%, thereby allowing some stability over employer contribution rates and giving increased assurance to all members.

- Going live in April 2016 with the partnership with the London Pension Fund authority with the Local Pensions Partnership (LPP) successfully transitioning the Fund's global equity portfolio into a single pooled vehicle – LPP I Global Equities ACS.

Funding

The 2016 valuation process concluded in March 2016. Investment returns exceeded the actuaries' assumptions by 15% which went towards reduced the deficit in the fund and increasing the funding level to 90%. The actuarial assumptions for assessing the funding position of the fund and individual employers are set out in the Funding Strategy Statement which is included as Appendix 6.

Investment

In the year to 31 March 2017, The Fund delivered 20.19% return on assets, maintaining Lancashire's investment performance alongside the best of the Local Authority Pension Scheme members. The value of the Fund's assets at 31 March 2017 was £7,168.4m, up from £6,036.2m at 31 March 2016.

During the year, LCPF appointed Local Pensions Partnership Investments Limited (LPP I) to manage all of its assets. LPP I is an FCA regulated investment company wholly owned by Local Pensions Partnership Limited, which is a 50:50 joint venture between Lancashire County Council and London Pensions Fund Authority (LPFA).

LPFA has also appointed LPP I to manage all of its own assets, creating a larger pool (£12.5 billion as at 31 March 2017) which will be jointly invested. As well as combining the assets of both parties to create a larger investment pool, the investment teams of LCPF and LPFA have been combined, leading to access to more resources. The intention is to be able to make better quality investment decisions, leading to more robust investment performance; and to reduce costs through economies of scale and increased in-house management.

The Investment Team continued to be recognised for its leadership in the field, being awarded 'Best Use of Private Markets' in the Institutional Investor European Awards and 'Fixed Income Strategy of the Year' at the LAPF investment Awards.

Further details on investment performance is on page 19 of this report.

As part of the changes accompanying the launch of the Local Pensions Partnership we have reviewed our approach to responsible investment. This was in order to ensure that new investment management arrangements, introduced to accommodate asset pooling, would meet our stewardship requirements. Our reference points in confirming our approach were guidance provided by the UK Stewardship Code and the commitments of signatories to the Principles of Responsible Investment. These two external standards offered us an objective framework for confirming our Responsible Investment requirements and a benchmark for monitoring and holding LPP to account for delivery going forward.

The creation of the Partnership has involved the alignment and streamlining of stewardship processes and has gained both partners the joint benefit of a dedicated resource in the form of a Responsible Investment Manager who is available to provide support and advice on stewardship matters. The additional capacity to link into and learn from a wider network is producing broader insights and giving new opportunities for collaboration with other investors.

Administration

During the year the Fund's administration service, provided by LPP, processed around 25,000 items of work (ranging from changes of address to the calculation of pension benefits) on behalf of our 167,000 members of the Fund. Over the course of the year LPP's team, working with employers, have managed to reduce the time it takes to put a pension into payment by 9 days by providing an easy to use "final pay" calculator which reduces the time it takes employers to get information back to the Fund. Also as a result of work by employers the quality of data has improved meaning that Annual Benefit Statements for the year ended 31st March 2017 will be published earlier than ever before. The team has also been extremely successful in signing members up for the 'My Pension on line' service with around 30% already connected. Over the coming year LPP are looking to fundamentally change the way their administration team is structured in order both to improve productivity and to move more of the detailed support work they undertake to Preston providing further job opportunities for Lancashire.

County Councillor Eddie Pope
Chair of the Pension Fund Committee

C Governance of the Fund

Lancashire County Pension Fund Governance Policy Statement

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

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

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 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 Policy 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 - APRIL2017

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) √ √
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 time.)	√
D. Voting	(a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	√
E. Training/Facility time/expenses	(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. (b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	√ √
F. Meetings - Frequency	(a) that an administering authority's main committee or committees meet at least quarterly. (b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	√ √

	(c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	√
G. Access	(a) that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	√
H. Scope	(a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	√
I. Publicity	(a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	√

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.

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.

Review of the Year

Over the year Your Pension Service has achieved an overall performance level of 97% against the standards and targets set out within a Service Level Agreement.

During the year to 31 March 2017, 25,563 individual calculations/enquiries were completed, of which 24,807 met the performance standard; an overall performance of 97% was achieved.

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. Of these organisations, over 285 have active members.

The Local Government Pension Scheme is open to 2 main types of employers, “Scheduled Bodies and Admitted Bodies”. Scheduled Bodies are listed within the LGPS regulations and if they meet criteria 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 2016	31 March 2017
Active scheme members		
Lancashire County Council	27,106	26,416
Other employers	29,223	29,499
Total	56,329	55,915
Pensioners		
Lancashire County Council	22,414	23,141
Other employers	22,093	23,012
Total	44,507	46,153
Deferred members		
Lancashire County Council	33,253	34,668
Other employers	28,377	30,573
Total	61,630	65,241
Total membership	**162,466**	**167,309**

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 2017 is included as Appendix 2 to this annual report.

Since the administration service transferred to the Local Pensions Partnership, performance continues to exceed SLA targets and consistently exceeds its key performance indicator;

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

Overall achievement against SLA targets over the year was 97%.

The average time elapsed between retirement date and date of first pension payment has been reduced from 54 days in the year to 31 March 2016 to 45 days in the year to 31 March 2017.

Customer service

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

The second annual Fund Members meeting was held in Preston on 27 June 2017. This was hosted by Local Pensions Partnership and the event included a review of the financial year, a discussion around investments being made on behalf of the Fund and an update on investment pooling and other developments within the Local Pensions Partnership.

A dedicated helpdesk, AskPensions provides the first point of contact for members and employers. The helpdesk has a target to answer 90% of calls received. Between 1 April 2016 and 31 March 2017, 60,255 calls were received and 88% of them were answered. Additional resources are now in place to address the dip in performance.

During the year to 31 March 2017, the service received 29 compliments (17 in the previous year), relating to the good customer service provided by the staff within the pensions administration team. During the same period, 38 complaints were received (10 in the previous year). Almost all the complaints were from members relating to the late payment of pension and time taken to process pensions.

The service also received and responded to over 30,000 emails as at 31 March 2017.

Legislative changes

Very little change occurred during the year to 31 March 2017, compared to recent years.

However, a number of proposals were suggested throughout the year which could have significant impact in the world of pensions for the future.

Changes that took effect in the year

• At the Spring Budget 2017, the government introduced a new tax charge when a member transfers their pension benefits to an overseas pension scheme. The charge applies to transfers requested on or after 9 March 2017. Some members will be exempt from the charge, for instance, whether the member is living in the same country in which the overseas pension scheme is based.

• The Government Actuary's Department (GAD) amended the majority of the factors used to process pensions. This includes the factors used to calculate the reduction to pensions drawn early and the increase to pensions drawn late.

• The government reduced the Lifetime Allowance (LTA) from £1.25 million to £1 million and the Annual Allowance for high earners and members who expect the value of their savings to exceed £1 million can apply for protection against the LTA reduction.

Proposed Change

• The Government announced proposed reforms to the rules covering public sector exit payments, for example, introducing a cap of £95,000. The proposals will have an impact on the Scheme, particularly the level of pension benefits paid to certain members upon redundancy. Further information is awaited from the government.

• In May 2016, the government launched a consultation on amendments to the Scheme's rules. These included:

– offering members more freedom and choice as to when and how they may draw their additional voluntary contributions (AVC) fund;

– 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;

– changing the rules about what pension arrangements must be offered to LGPS employees whose employment is compulsorily transferred to a new employer.

• Certain members will have a pension that contains a Guaranteed Minimum Pension (GMP) element. In November 2016, the government launched a consultation in respect of members who attain their State Pension Age on after 6 December 2018. The consultation considers whether the element should be fully inflation proofed and, if so, how this should be done. The government response to the consultation is awaited.

Service developments

During the year the Fund's administration service processed around 25,000 items of work

An easy to use "final pay" calculator has recently been developed which reduces the time it takes employers to get information back to the Fund. Working closely with employers in this way helps to enhance the quality and timeliness of data meaning that Annual Benefit Statements for the year ended 31st March 2017 were published ahead of the statutory deadline of 31 August.

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.

Drop in sessions are also hosted during the year where members (including pensioners) can be helped through the process of registering to use the online self-service portal. Four drop in sessions have been held over 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 a host of forms and guides and also allows the administration service to communicate with registered members via email.

Currently around 30% of 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.

Over the year 41 appeals have been received under stage 1 of the process. Of these 9 have been upheld in the members favour and 29 were dismissed. At the close of the year 3 stage 1 cases were outstanding.

In respect of appeal applications that progressed to stage 2 of the IDRP, 15 appeals have been received. Of these 4 have been upheld in the members favour and 4 were dismissed. At the close of the year 7 stage 2 cases were outstanding.

As in previous years the majority of appeals continue to relate to ill health.

Charges

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

Other information

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

Your Pension Service can be contacted at:

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

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 Policy recognises that the competency and performance of senior Officers is assessed under the County Council's Performance Development Review (PDR) process and continuing professional development (CPD) frameworks which uphold the required standards. Therefore, the Policy focusses on the needs of Pension Fund Committee and Lancashire Local Pension Board members, supporting them to attain levels of knowledge and understanding which underpin robust decision-making and effective oversight.

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 2016/17 are given below:

Date	Subject	Venue	Attendees	
			PFC	LLPB
28 April 2016	Asset Management Conference	Royal London, London	0	1
29 April 2016	Virtual Reading Room	Workshop, County Hall, Preston	9	3
11 May 2016	Investment Trust Conference	Baillie Gifford, Edinburgh	0	1
16-18 May 2016	PLSA Local Authority Conference	Gloucestershire	1	1
25 May 2016	Traditional Assets	Workshop, County Hall, Preston	9	4
23-24 Jun 2016	LGA 13th Annual LGPS Trustees Conference,	Manchester	2	0
29 Jun 2016	Local Pension Boards - One Year On Seminar	Cheapside House, London	0	1
30 Jun 2016	Alternate Assets	Workshop, County Hall, Preston	9	5
7 July 2016	SPS Conference - Investing Mature Funds	London	0	1
22 July 2016	LGPIF Infrastructure Conference	London	0	1
10 Aug 2016	Q&A Session on Investment Reform for Local Pension Board Member and Employer Reps	Local Government House, London	0	1
31 Aug 2016	Section 13 Regional Workshop	Local Government House, London	0	1
2 Sept 2016	LGPS (England & Wales) Regional Workshop on Sec13 reports	Durham	1	0

8-9 Sept 2016	LGC Investment Summit - “Adapting to changing times"	Celtic Manor Resort, Newport, South Wales	1	0
21 Sept 2016	Role of the Depositary for LPPI	Workshop, County Hall, Preston	8	4
20 Sept 2016	UK Investment Seminar 2016	London	1	0
28 Sept 2016	Introduction to the LGPS	London	2	0
22 Nov 2016	Annual Northern Pension Investment Conference	Manchester Marriott V&A Hotel	1	1
6 Oct 2016	CPN Autumn Investment and Accounting Workshop	London	2	0
11 Oct 2016	Local Government Pension Investment Forum 2016	London	2	0
11 Oct 2016	CPN Autumn Investment and Accounting Workshop	Manchester	2	0
19 Oct 2016	PLSA Annual Conference and Exhibition 2016	Liverpool	3	0
28 Oct 2016	Investment Strategy	Workshop, County Hall, Preston	8	3
25 Nov 2016	Responsible Investment	Workshop, County Hall, Preston	11	4
28 Nov 2016	LGPS Pension Boards Seminar	PLSA offices London	0	1
7-9 Dec 2016	Annual Local Authority Pension Fund (LAPFF) Conference	Highcliffe Marriott Hotel, Bournemouth	1	1
25 Jan 2017	Global Custody Services	Workshop, County Hall, Preston	9	4
22 Feb 2017	Risk	Workshop, County Hall, Preston	7	4
1 Mar 2017	2016/17 LGPS Local Pension Board Seminar	Leeds	0	2
2-3 Mar 2017	LGC Investment Seminar	Carden Park Hotel, Cheshire	1	0
8-10 Mar 2017	PLSA Investment Conference 2017	EICC in Edinburgh	1	0
9 Mar 2017	Global Independent Research conference	London	0	1
23 Mar 2017	SPS Local Authority Investment & Pooling Issues Conference	London	1	0
27 Mar 2017	Local Pensions Partnership	Workshop, County Hall, Preston	8	5
30 Mar 2017	EPFIF conference	London	0	1

F Investment Policy and Performance

Performance

In the year to 31 March 2017, The Fund delivered 20.19% return on assets, outperforming the Lancashire Plan Benchmark of 17.25% and maintaining Lancashire's investment performance alongside the best of the Local Authority Pension Scheme members. The value of the Fund's assets at 31 March 2017 was £7,168.4m, up from £6,036.2m at 31 March 2016.

Whilst it is pleasing to be able to report strong performance once again, the Fund invests its assets to meet its own liabilities over the medium to long-term time frame and therefore performance should be judged against those objectives and over a corresponding period.

Annual returns can be volatile, as seen in 2008/09 (fund down 20%) and 2009/10 (fund up 35%); short term returns, however spectacular, do not necessarily indicate the underlying health of the Fund.

The Fund has been changing its asset allocation over the last few years to add diversification, which should help to dampen the volatility of returns. Nonetheless, the fund remains exposed to movements in the valuation of assets.

Investment Pooling and Asset Allocation

During the year, LCPF appointed Local Pensions Partnership Investments Limited (LPP I) to manage all of its assets. LPP I is an 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 LPP I to manage all of its own assets, creating a larger pool (£12.5 billion as at 31 March 2017) which will be jointly invested. As well as combining the assets of both parties to create a larger investment pool, the investment teams of LCPF and LPFA have been combined, leading to access to more resources. The intention is to be able to make better quality investment decisions, leading to more robust investment performance; and to reduce costs through economies of scale and increased in-house management.

In line with new Local Authority Investment Regulations, the Pension Fund Committee adopted a new Investment Strategy Statement in 2016. LCPF maintains complete control over 'asset allocation' between a number of different asset class pools managed by LPPI. As at 31 March 2017, the Fund held investments in five asset classes.

Global Equities

Global public equity investments were transitioned during the year into a single pooled vehicle – LPP I Global Equities ACS. This fund combines the expertise of a variety of world-class external equity managers together with an in-house investment strategy. These different managers operate with differing and complementary styles of investment selection. LPP I Global Equities ACS publishes its own separate annual report and investment commentary.

Private Equity

Private equity investments are held through a variety of closed-ended limited partnerships, which are invested over a wide range of inception dates and managed by a diverse collection of different managers. The majority of LCPF's holdings were transferred into a collective vehicle at the end of the period. The strategy of the collective vehicle is to continue to be to invest in a diversified portfolio of third party managers, complimented by a small number of direct 'co-investments'.

Property

The Fund dedicates a large portion of its investment portfolio to directly owned UK commercial properties managed by Knight Frank. An allocation to local investment opportunities has been adopted, with further commitments made during the year to development of a student accommodation block in Lancaster and a Logistics hub near the M61. The Fund also has allocations to a European real estate investment fund managed by M&G, a healthcare property fund managed by Kames and private rented residential property.

Infrastructure

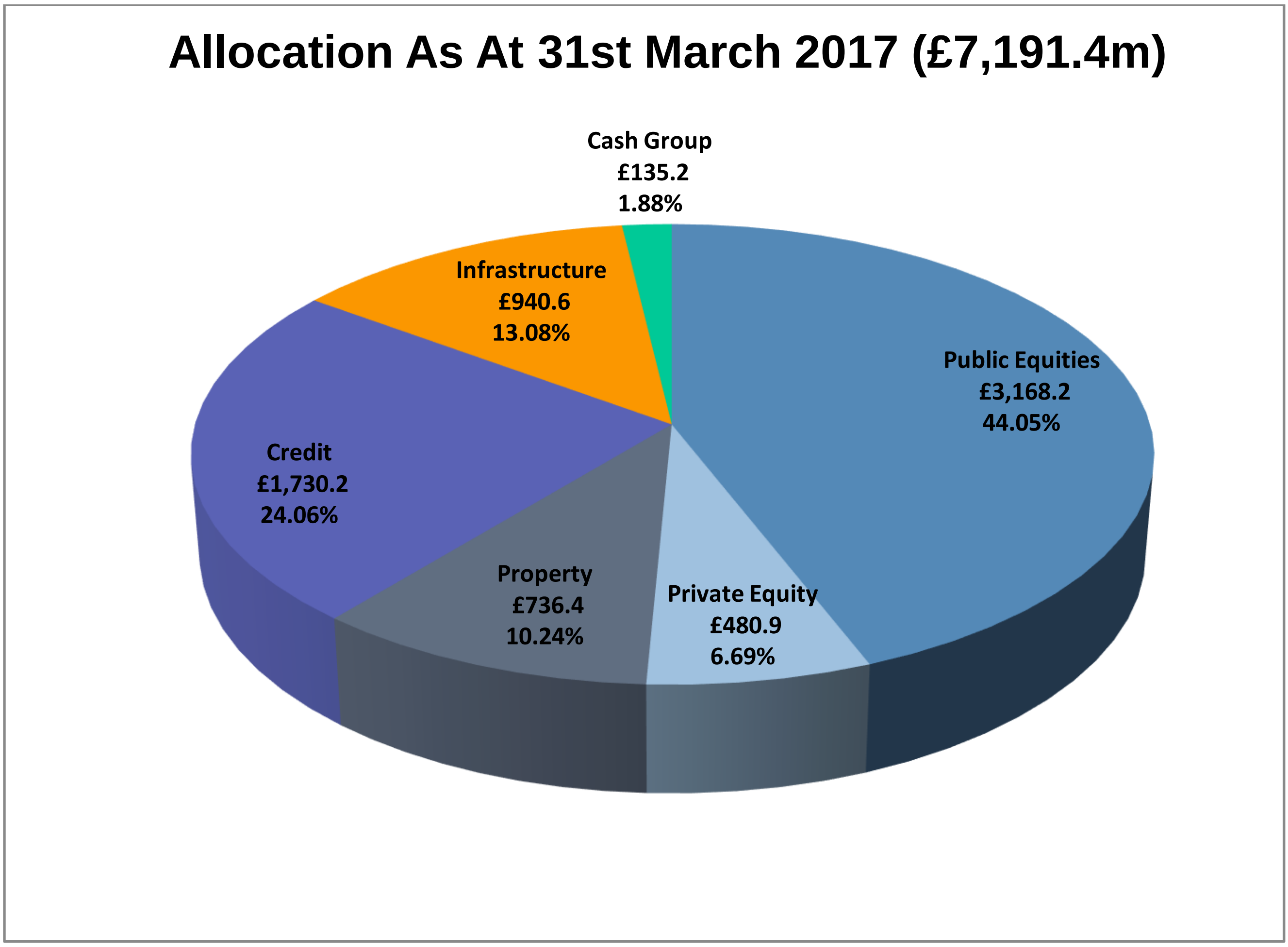
The Fund has allocations to a number of different global infrastructure funds, and also invests directly in global renewable energy infrastructure projects. In December 2016, LCPF joined GLIL, a £1.275 billion partnership between five local authority pension funds, which has a remit to invest in predominantly core UK infrastructure. The approach of bidding and investing alongside key strategic counterparties has continued and LCPF now owns interests in international gas and electricity distribution networks together with significant domestic and international investments in wind-powered electricity generation.

Credit

The Fund has an internally managed portfolio, split into four broad categories of credit investment: Emerging Markets sovereign debt, non-investment grade secured lending, cyclical credit opportunities, and debt secured on real assets. These investments include both direct loans made by the Fund and a variety of different externally managed funds. Steady deployment of investment commitments continued to be made throughout the year as loans made at the inception of these strategies started to repay. Experience of credit defaults in the portfolio remained very low.

The Investment Team continued to be recognised for its leadership in the field, being awarded 'Best Use of Private Markets' in the Institutional Investor European Awards and 'Fixed Income Strategy of the Year' at the LAPF investment Awards.

A summary of asset allocation, as at 31 March 2017, is shown below.



Future Investments

LCPF's investment strategies, particularly in relation to private investments, require commitments to be made which are then deployed over following periods. 2016/17 saw continued deployment of commitments made in previous periods as well as further commitments being made. It can be anticipated that these commitments will continue to be deployed in the coming years, whilst other investments start to mature and return cash.

As part of the exercise of transferring control of assets to LPP I and in order to maximise the benefits of pooling with LPFA, it is anticipated that the majority of investments in further asset classes including infrastructure and credit will be moved into single asset class pooled vehicles during the course of 2017/18.

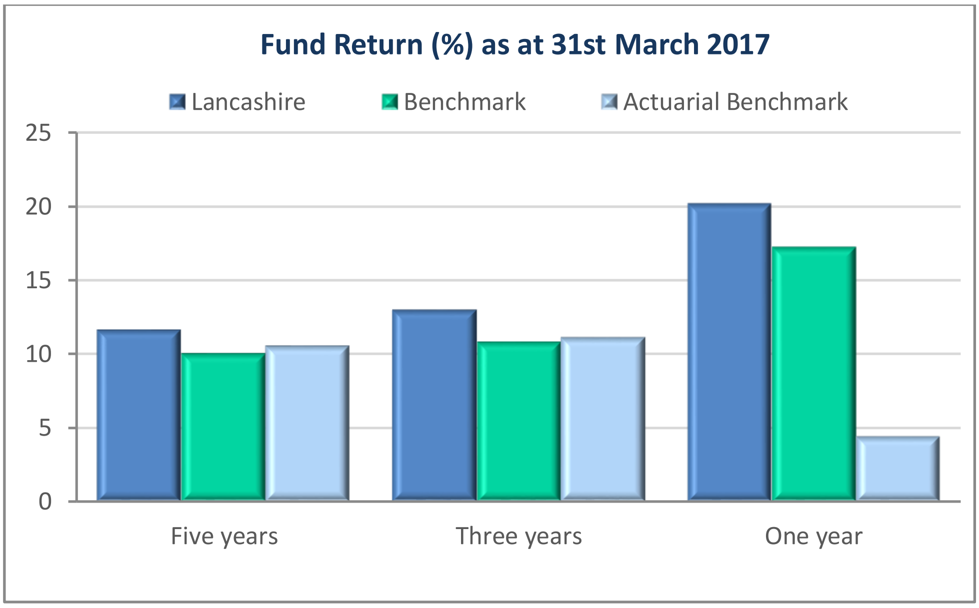
Performance Monitoring

Performance is measured against a number of specific benchmarks with individual managers being given performance targets which are linked to the expected market returns for the assets they manage; and direct investments being underwritten with an expectation of specific levels of benchmark return. The performance of investment managers is reviewed on a regular basis by LPPI and the LCPF Investment Panel. Any recommendations arising from those reviews are considered by the Investment Committee.

Benchmarks are an indication of how markets overall or individual assets might be expected to perform. The Fund's primary objective, however, is to have assets available to meet pension liabilities as they fall due; and this requires the Fund to consistently match or outperform the actuarial assumption of investment returns.

The actuarial assumption used until 31 March 2016 was UK gilts+1.6% - this was changed with effect from the actuarial valuation which took place in relation to that date and is now an inflation-linked measure of CPI + 2.2%.

The chart below shows the total return of the Fund compared to the overall Fund-specific benchmark and the actuarial Fund return assumption of gilts+1.6% to March 16 and CPI+2.2% from April 16 measured over 1, 3, and 5 years to 31 March 2017.



In the year to 31 March 2017, the total fund return amounted to 20.19% against a benchmark return of 17.25%. The CPI+2.2% actuarial return assumption for the same period was 4.4%.

The more important five-year performance of the Fund shows annualised returns for the Fund of 11.66% per annum versus the benchmark return of 10.05% and the actuarial measure of 10.53%. Readers should note that the five-year figures do not yet fully reflect the impact of the current investment strategy, which was put in place over a three year period through to 2014-15.

Currency Effects

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

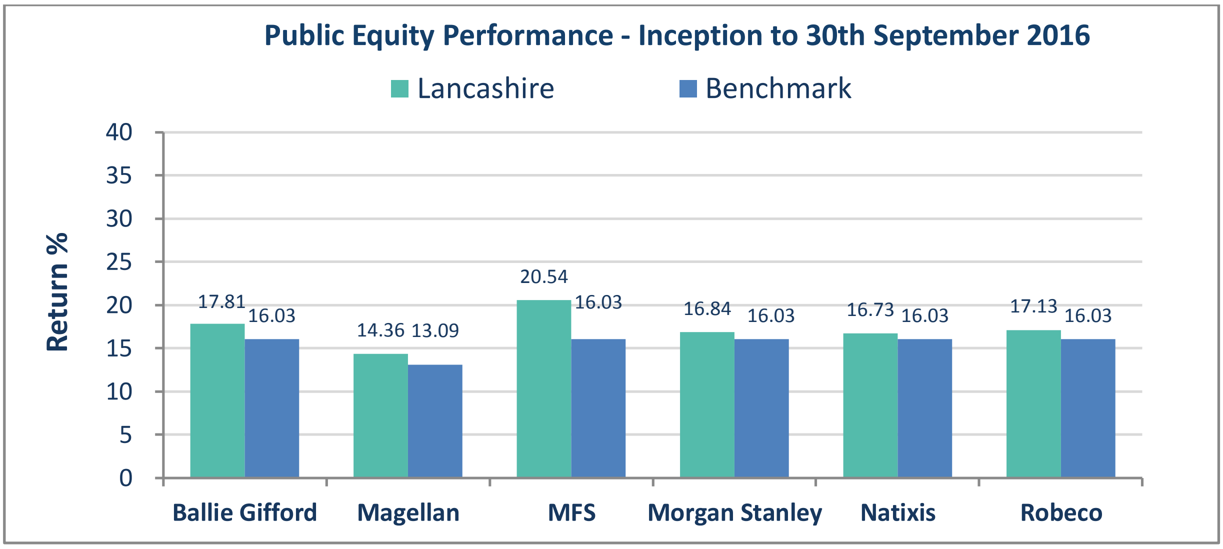
Over the course of the year, Sterling weakened significantly against the Dollar from a rate of $1.44 at 31 March 2016 to a rate of $1.25 on 31 March 2017 (with a dramatic devaluation associated with the 'Brexit' vote in June 2016). Sterling valuation of Dollar sensitive assets would therefore have increased by 15.2% (all other things being equal). In the same period, Sterling weakened against the Euro from €1.26 at 31 March 2016 to €1.17 on 31 March 2017, similarly increasing the value of Euro sensitive assets by 7.7%.

The fund has benefitted from a number of periods in which currency movements, notably the continued weakening of Sterling, have driven excess investment performance. It should be anticipated that there may be years in future during which a strengthening pound may dampen performance outcomes.

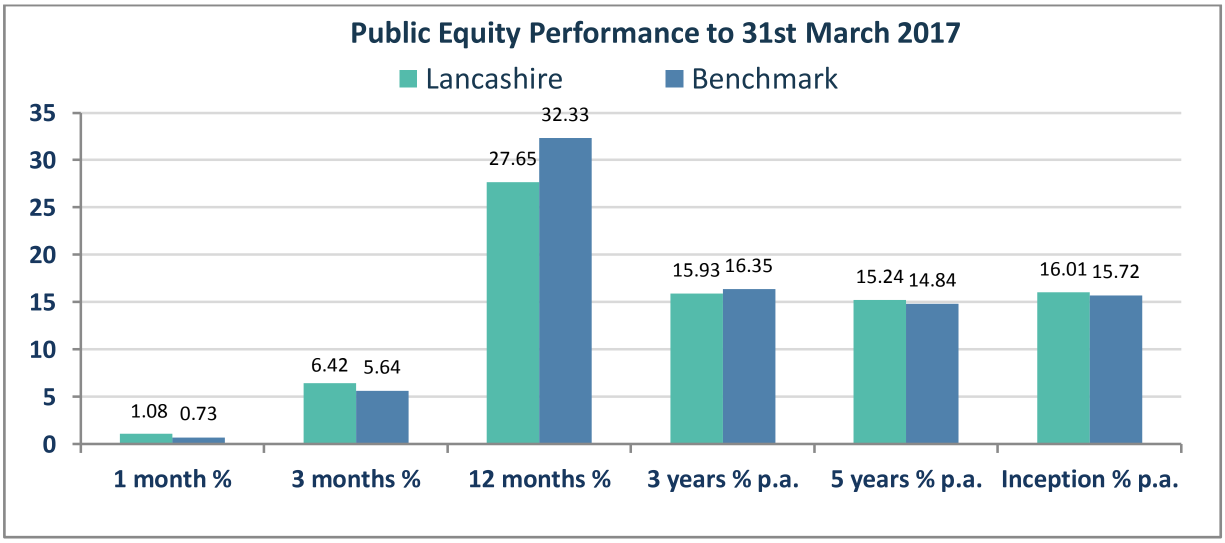
Despite these factors - which can make performance data hard to interpret - underlying investment performance remains strong, with local currency investment returns in line with, or ahead of, expectations.

Listed Equities

As noted above, the listed equities portfolio was transitioned during the course of the year replacing the seven existing global equities managers with a single investment in LPP I Global Equities ACS. Performance attribution to the outgoing managers since inception is set out in the chart below. Overall, the Fund was satisfied with the outgoing managers' performance over the whole period of their appointment, both individually and as a portfolio.



Performance during the year is difficult to accurately and fairly attribute to different managers, as there was an active transition process which created certain costs, led to periods during which the equity allocation was not fully deployed and impacted different managers at different times. Performance of the portfolio as a whole is therefore shown below. The period for the last three months reflects a period during which the equities were managed wholly within LPP I Global Equities ACS.



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

The outgoing managers were combined to give a strategy which would be robust across varying market conditions. The particular bias on 'quality' stocks which protected the portfolio is the poor market conditions of 2014/15 led to underperformance in a period during which the market grew strongly and favoured other factors. Costs of transition also created a negative drag on performance.

The LPP I Global Equities ACS will adopt a similar approach, combining external managers with an internally managed 'quality' based strategy to seek to create a portfolio which is robust across the investment cycle whilst at the same time driving cost savings though use of internal resources and rationalisation of the number of external providers used. Further details of investment strategy, portfolio make-up and a commentary on investment performance are published directly by LPP I Global Equities ACS. The first five months of operation, which also contains some further transition activity, is too short a period to merit any great discussion or analysis of performance, however.

It should be noted that the benchmark chosen, being a measure of global equity markets, rather than the performance of the UK stock market, showed significantly stronger performance during the year than the domestic measure.

The largest ten direct equity holdings of the Fund (via LPP I Global Equities ACS) as at 31 March 2017 were:

Equity	**Market value as at 31 March 2017**	**Percentage of net assets of the Fund**
	£m	**%**
Visa Inc.	120.9	1.69%
Accenture Plc	111.3	1.55%
Nestle SA	109.0	1.52%
Johnson & Johnson	87.8	1.22%
Medtronic Plc	79.7	1.11%
Honeywell International Inc.	79.5	1.11%
Colgate-Palmolive Co	78.2	1.09%
Reckitt Benckiser Group Plc	71.0	0.99%
3M CO	67.0	0.93%
Diageo Plc	65.5	0.91%
	869.9	**12.14%**

Private Markets

The fund holds an increasing allocation to assets with investment characteristics that diversify the risk associated with the core allocation to listed equities and which bring other beneficial characteristics, some having inflation-related return expectations, others designed to be significantly cash generating.

Private Equity

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

In 2016/17, Private equity investments performed strongly, buoyed by the strong increases in global equity markets. Valuation increases however, are based on sophisticated estimates rather than actual market prices; so it is wise to look at longer term performance during which investments are made and realised as a guide to performance. Since 31 December 2011, the Fund's private equity portfolio has delivered an annualised return of 12.4% versus a benchmark of 12%.

Property

Real estate is an important portion of the Fund's investment portfolio because of both the diversification benefits that real estate investments bring and the rental income generated that is used to fund member benefits without the need to liquidate other investments. This role will become increasingly important as the gap between contributions received by the Fund and member benefits being paid out will inevitably grow as the fund matures with time.

Initial transaction and stamp duty costs associated with the continued increase in the allocation to property create negative headwinds to performance, as does the lag in valuation uplift likely to occur in relation to property development activity. As observed last year, the high quality of LCPF's core commercial real estate portfolio can perhaps be expected to perform worse than a broad benchmark during real estate boom periods, while providing a much more robust portfolio in a downturn.

The performance during the year of 6.7% versus a benchmark of 4.5% is a highly satisfactory outcome, therefore, reflecting the crystallisation of some development profits and some tactical asset disposals, as well as the strength of the portfolio.

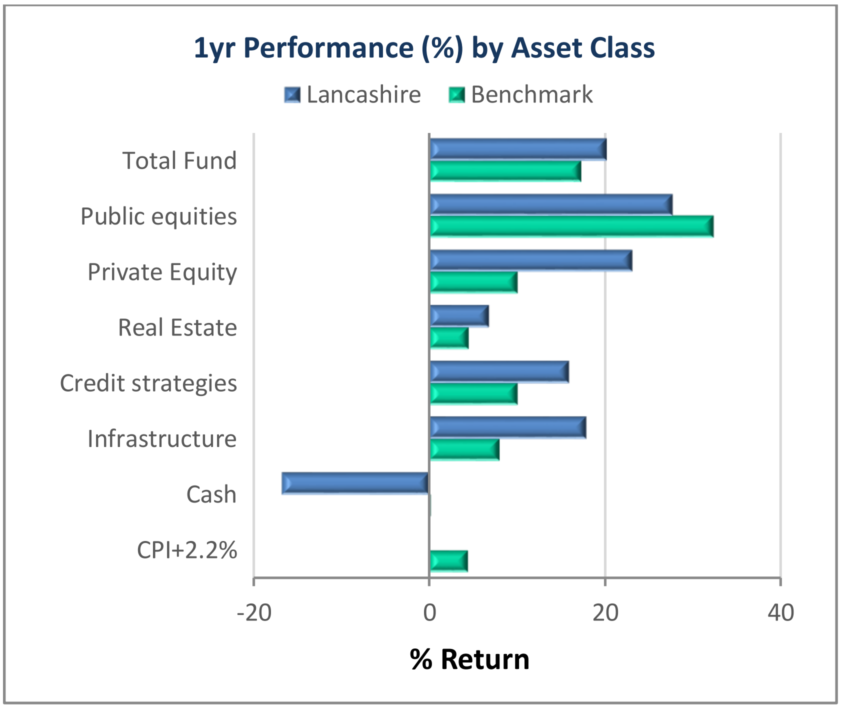
In the long term, real estate investment performance exceeds the benchmark return, having delivered 10.1% per annum versus a benchmark of 9.2% per annum since 30 September 2011.

Infrastructure

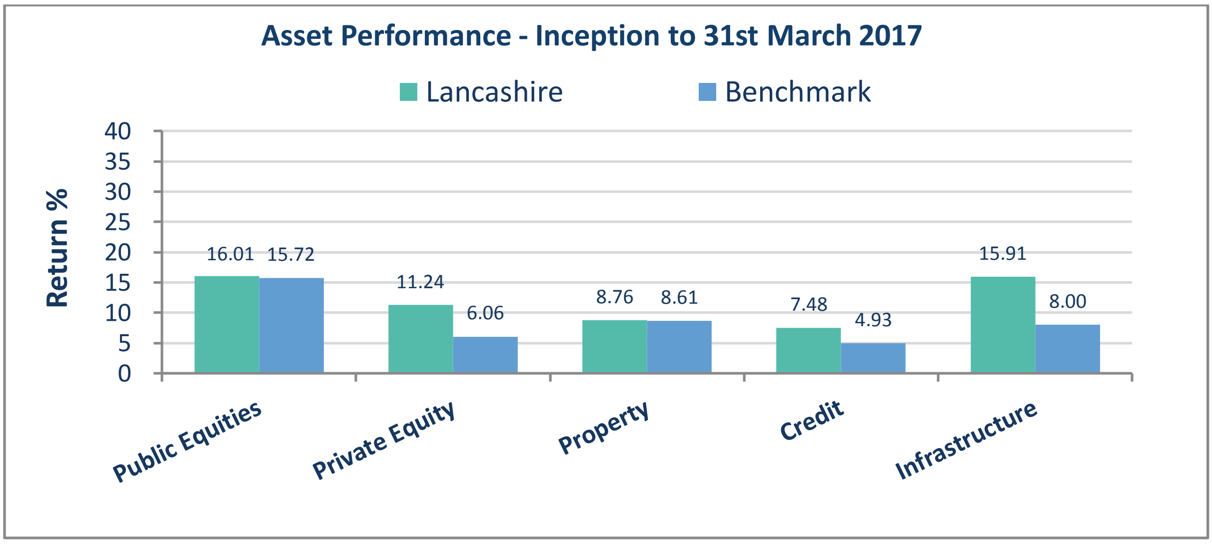
Infrastructure investments offer long-term returns that are expected to closely match the Fund's investment needs, and provide an important source of diversification. As well as investing in traditional infrastructure funds, the Fund has made a number of direct investments in global infrastructure, notably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

Similar to property, significant initial investment costs associated with the growth in the portfolio could be expected to act as a short term dampener of performance whilst the significant increase in strategic commitment to infrastructure is deployed. However, the infrastructure portfolio delivered a return of 17.8% during the year, helped by increases in global asset values generally but also by the fact that it is an international portfolio, so valuations are buoyed by the weakness of Sterling.

Over the longer term, infrastructure investments have delivered 15.9% per annum since 30 September 2011. The benchmark is 8% per annum.



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



Property investments accounted for 10.2% of the LCPF's total assets under management as at 31 March 2017. This is a slight decrease in percentage allocation – although the investment value, at £732.2m, represents a significant increase of £68.7m. The largest ten direct property holdings of the Fund were:

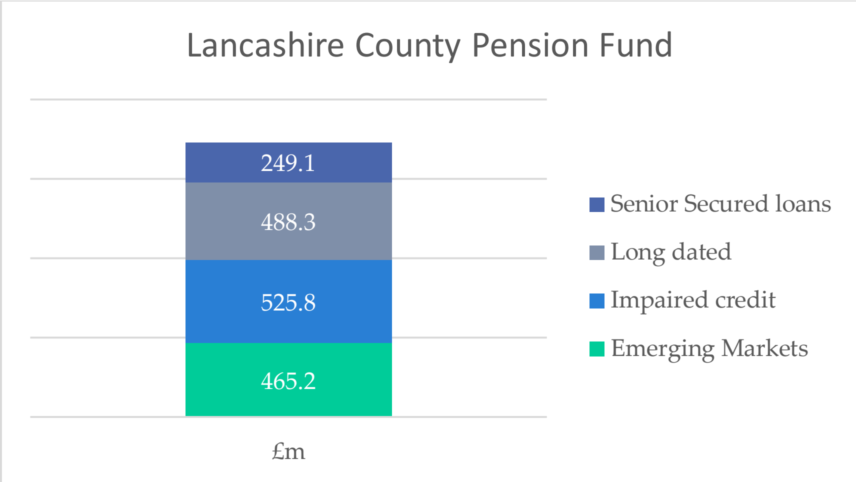
Property	Sector	Market Value as at 31 March 2017 £m
Helmont House, Cardiff	Multi-let commercial	35.6
1-3 Dufferin St, London	Offices	30.6
Princes Mead Shopping Centre, Farnborough	Shopping Centre	25.6
St Edmondsbury Retail Park, Bury St Edmunds	Retail / Warehouse	22.2
Weir Road, Wimbledon	Industrial / Warehouse	21.7
8-10 Lower James St, London	Offices	21.6
Unit H, Tuscany Park, Wakefield	Industrial / Warehouse	20.9
1 & 2 Woodbridge Meadows, Guildford	Multi let commercial	20.3
Oxonian Park, Oxford	Industrial / Warehouse	18.2
St Peter's Street, St Albans	Offices	18.2
		234.9

Credit strategies

Credit strategies follow four themes. Investments in emerging market debt amounted to £465.2 (6.5% of the Fund), £249.1m (3.5%) was invested in non-investment grade secured lending, £525.8 (7.3%) in cyclical credit opportunities and £488.3m (6.7%) in debt secured on real assets.

Overall, the fund's credit investments delivered a return of 15.9%, and the Fund was once again recognized by receipt of a number of industry awards, including the LAPF Fixed Income Strategy of the Year award.

The target level of investment was reduced slightly in 2016/17 to accommodate increased allocations to infrastructure and real estate. Investment levels are now close to target amounts. Continuing commitments were made to ensure that the fund remains fully invested in future.

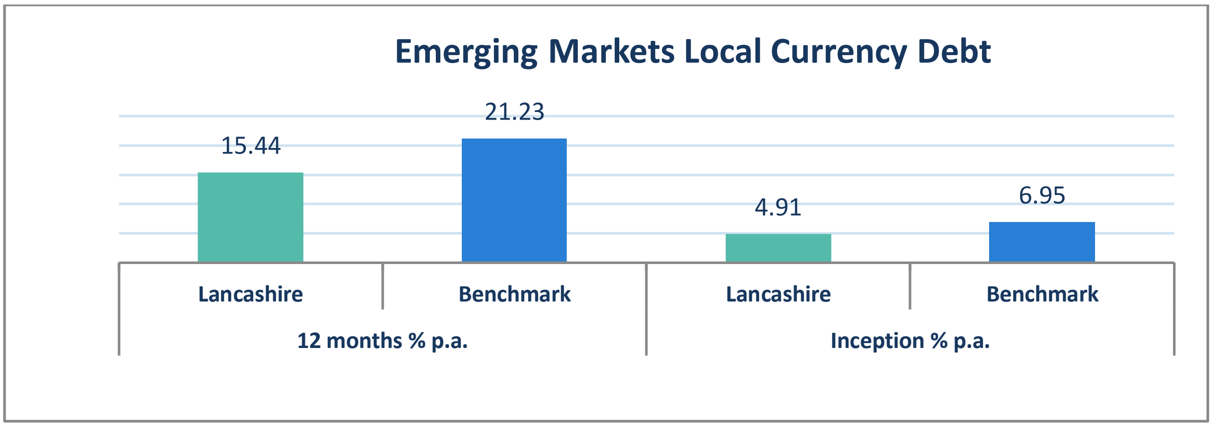


Emerging markets sovereign debt

After a very difficult year in 2015/16, emerging market debt performed solidly in 2016/17, delivering 15.4% in the year. This return lagged behind the benchmark significantly due to a more conservative portfolio construction and lower risk appetite of our managers.

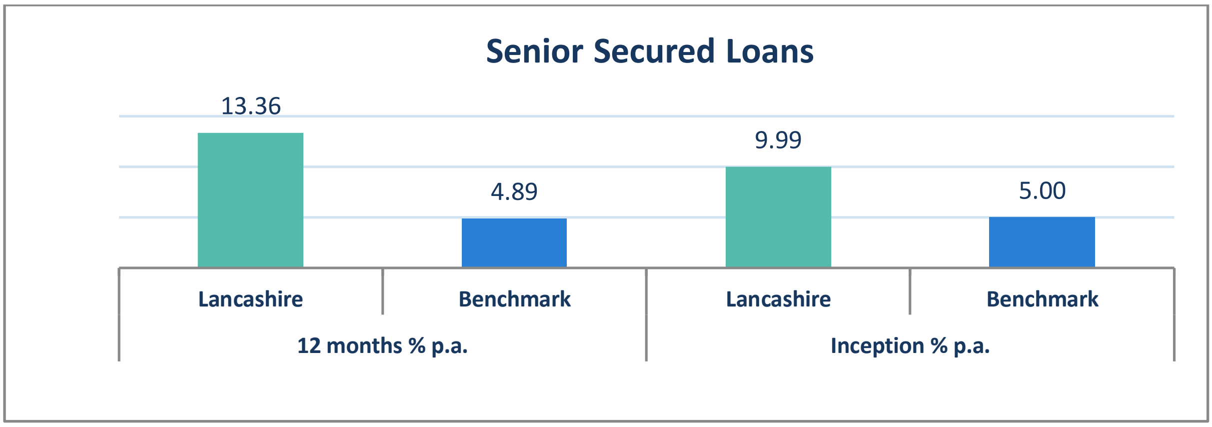
Since inception, the Fund's investments in emerging markets debt have achieved a satisfactory positive return of 4.91% per annum, again, lagging behind the more risky benchmark, which has delivered 6.95% annualized.

These investments are considered likely to benefit from long-term global economic growth and strengthening of the currencies of emerging economies, even if there is some short term volatility. In addition, the asset class provides useful diversification from other more mainstream credit investments.



Senior secured loans

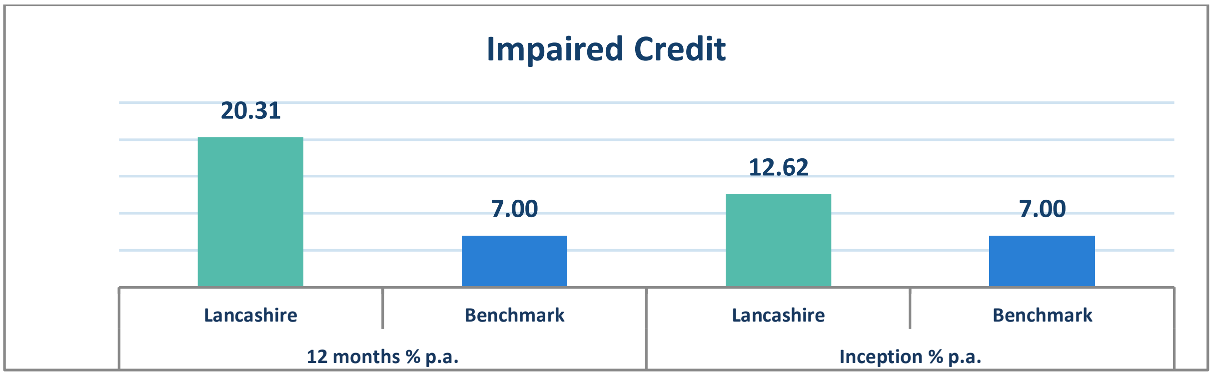
Investments in non-investment grade secured debt (i.e. lending to smaller companies) recorded a return of 13.4% during the period versus a benchmark of 4.9%. These investments deliver regular cash flows that are reinvested and the investment team believes that they provide an excellent risk/reward profile when compared to traded bonds. The international nature of the portfolio, which includes lending to US and European smaller companies, helped generate an excess return this period due to the weakness of sterling.



Credit opportunities

Investments in cyclical credit opportunities delivered 20.3% during the year versus a benchmark of 7.00%. These investments seek to take advantage of specific opportunities where 'technical' factors mean that assets can be acquired at a discount to their long-term economic value.

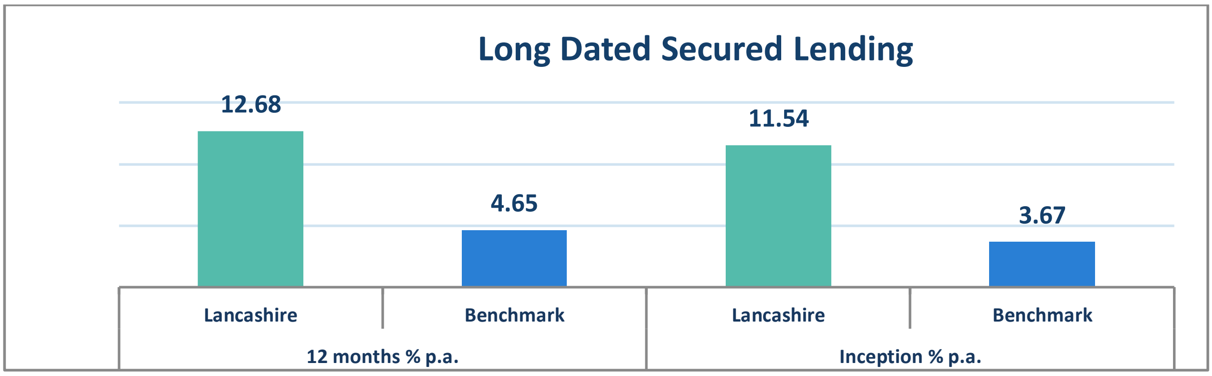
Generating returns in this credit category requires manager skill in identifying investment opportunities and in managing investments to achieve maximum value. The investments may be illiquid, meaning they have to be held to maturity in order to realise gains. They provide a diversification benefit and the expectation of excess returns over the medium term. However, valuations require a degree of manager judgement, so return figures should be treated with caution until the portfolio is mature and has a significant track record of realising mark-to-market gains.



Loans secured on real assets

These showed significant returns during the period: 12.7% versus a benchmark of 4.7%. The current environment continues to provide an excellent backdrop for good quality investments to be made, with higher expected returns than might be achievable in the longer-term.

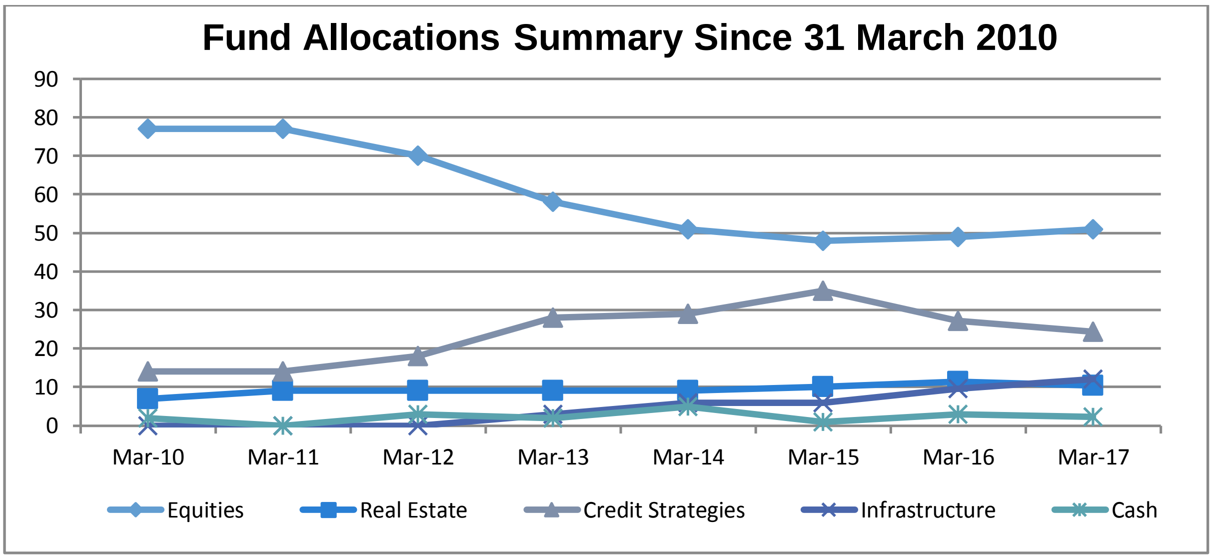
These investments are generally provide a very low-risk profile, being secured, typically, on real estate. Properly underwritten and managed, there is a very low expectation of loss. While carrying a lower expectations of long-term return, these investments should provide a very good match for the long-term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



Trend

The Fund's investment strategy focuses on reducing reliance on assets such as listed equities, whose values can be volatile and unpredictable. Increased allocations in favour of other growth asset classes with predictable cash returns such as infrastructure, real estate and credit have been made with the intention of diversifying assets to create a more robust portfolio.

This move towards a diverse range of asset classes has resulted in listed equity accounting for 44.2% of the Fund at 31 March 2017, compared with 77% at 31 March 2010. During the same period, infrastructure investments have increased from 5.6% to 13.0% in line with the Fund's target allocation of 10-15%.



At 31 March 2017, the fund's holdings in different asset classes, policy allocations and ranges were as follows:

Asset Class	Actual Allocation*	Policy Allocation	Range
Global Equities	44.1%	42.5%	40%-50%
Private Equity	8.6%	7.5%	0%-10%
Infrastructure	12.9%	12.5%	10%-12.5%
Real Estate	10.1%	15%	10%-20%
Credit	24.0%	20%	10%-25%
Fixed Income	0%	2.5%	0%-5%
Cash	0.5%	0%	0%-5%

**Totals do not add to 100% due to rounding.*

Future Commitments

As at 31 March 2017, the Fund had committed to invest a further £324.3m in infrastructure investments, £393.1m in private equity funds, £25.2m in property developments, and £390.7m in various credit strategies. These commitments will be met from the holdings of cash and cash equivalents that the Fund holds, distributions of income, maturity of existing investments and rebalancing of positions in other asset classes.

Cash flow

During 2016-17, cash inflows during the year totaled £369.5m and cash outflows were £329.4m, representing a net cash inflow of £40.1m (compared with an inflow of £39.6m in the previous year). Benefits payable amounted to £261.1m and were partially offset by net investment income of £113.0m, contributions of £245.6m and transfers in of £10.9m.

Currently, investment income more than covers any shortfall in contributions received versus benefits paid. As outlined above, the Fund continues to shift its asset allocation towards income generating assets to ensure that this remains the case in the medium term.

Governance

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

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

- The Investment Panel ("the 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 Limited 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. Governance Policy Statement

Social, Environmental, and Ethical Considerations

LCPF is committed to responsible asset ownership and became a signatory to the Principles of Responsible Investment (PRI) in March 2015.

All PRI Signatories' make the following commitment:

"As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that ESG issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

Principle 1 We will incorporate ESG issues into investment analysis and decision-making processes;

Principle 2 We will be active owners and incorporate ESG issues into our ownership policies and practices;

Principle 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest;

Principle 4 We will promote acceptance and implementation of the Principles within the investment industry;

Principle 5 We will work together to enhance our effectiveness in implementing the Principles;

Principle 6 We will each report on our activities and progress towards implementing the Principles.

The Fund reported against the principles for the first time in March 2017 and a copy of the

Transparency Report is publicly available from the PRI website. PRI Reporting Framework

We have agreed investment arrangements with the Local Pensions Partnership which reflect our commitments and ensure ownership rights conferred by our investments will be used to support corporate governance best practice in the companies we invest in. Shareholder voting and engagement activities are the main routes for exercising this ownership influence.

The Fund is a member of the Local Authority Pension Fund Forum ("LAPFF") which exists to represent the specific investment interests of Local Government Pension Schemes in the UK. 73 like-minded local authority pension funds are members of the Forum and they come together to share insight, discuss priorities and engage collectively on Responsible Investment and Corporate Governance issues.

Policy on Voting

2016/17 has been a transitionary year in which new voting arrangements have been put in place to accommodate the pooling of the Fund's listed equity investments.

Since November 2016, LCPF has owned units in a Global Equities Fund managed by LPP I rather than shares in underlying companies. As a beneficial co-owner in the fund LCPF is not entitled to direct shareholder voting but has confirmed voting arrangements with LPP I which reflect responsible investment beliefs and the commitments of signatories to the Principles of Responsible Investment.

Shareholder voting for the Global Equities Fund is managed centrally by LPP I rather than being delegated to individual portfolio managers. This enables a consistent approach across the equities within the fund in accordance with a single voting policy. LPP I employs Institutional Shareholder Services (ISS) to oversee ballot management and vote execution and to provide information, analysis, voting recommendations, and reporting facilities via an online voting platform.

ISS voting recommendations are in accordance with an agreed voting policy which is actively reviewed on an annual basis and updated to reflect emerging issues and trends. The recommendations for forthcoming meetings are reviewed by LPP I and where there is a case for departing from the ISS recommendation this is considered carefully as part of making a final decision on voting direction. Where LPP I decides to depart from the ISS voting recommendation the rationale is recorded online and captured in reporting. There were no occurrences of this during the period from 1st November 2016 to 31st March 2017.

A record of voting activity is provided to the Pension Fund Committee quarterly as part of Responsible Investment reporting by LPP I.

Risk Management

The Lancashire County Pension Fund recognise the importance of managing risks effectively. To this end, the fund have appointed a new officer to manage 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;
- Member;
- Operational;
- Transition.

Risk reporting is carried out each quarter to the Lancashire Pension Fund Committee. Additional oversight is also undertaken by the Lancashire Pension Board.

Compliance with Myners Principles

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

G Accounts of the Fund

Responsibilities for the Statement of Accounts

The responsibilities of the administering authority

The administering authority is required:

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

The Director of Financial Resources 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 Director of Financial Resources 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 Director of Financial Resources 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 2017 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.

Neil Kissock

Director of Financial Resources

31 July 2017

Lancashire County Pension Fund –
Annual Governance Statement 2016/17

Introduction

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

At 31st March 2017 the Lancashire County Pension Fund provides a means of pension saving and retirement security for 167,309 members across 287 organisations with active members and a range of other organisations with only deferred or pensioner members. The Fund is one of the largest funds within the LGPS.

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

The Pension Fund's Responsibilities

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

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

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

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

In addition the operation of the Fund is subject to Lancashire County Council's Code of Corporate Governance. 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 principles that should underpin the governance of each local authority.

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

The Purpose of the Governance Framework

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

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

This statement reports on the annual review of the governance framework by officers which confirms that the framework has been in place within the Pension Fund for the year ended 31 March 2017.

The Fund's Governance Framework

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

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

The Fund has an established planning process focussed around the triennial actuarial review. Both the Fund and Local Pensions Partnership (LPP) have Strategic Plans which are incorporated into annual service plans for the various teams.

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

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

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

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

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

The Pension Fund Committee has approved a strategic plan for the Fund setting out specific objectives in relation to the 4 dimensions of the running of a pension fund. Many of these functions are now performed under contract by LPP and the Strategic Plan forms part of their business objectives. The overall strategic plan will continue to be monitored by the Head of Fund

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

The administration service is now 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. This includes amongst other things, performance against the Key performance indicators set out in the legal agreements.

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

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

Much of the investment and administration functions are to be performed by LPP. These are to be provided in accordance with several legal agreements between Lancashire County Council and LPP and are to be undertaken in accordance of decisions made by the Pension Fund Committee. Appropriate guidance documents and constitutional documents such as the Governance Policy Statement provide the basis on which the management of the Fund is undertaken within a defined framework of procedural governance. Matters reserved for the Pension Fund Committee and 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, including levels of delegation, was reviewed in 2015/16 as part of the production and approval of the new governance policy. Revisions were made to better meet the needs of the Fund in terms of effective delivery of the Investment Strategy, and this is reflected in specific reporting arrangements in relation to investment activity.

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 progress on the Fund's risk register especially in light of the relationship with LPP is subject to regular reports to the Committee. The work on risk is increasing the awareness of risk in various contexts including:

- Investment and Funding Risk
- Member risk
- Operational risk
- Transition risk

Fulfilling the core functions of an Audit Committee

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

The ensuring of compliance with relevant laws and regulations, internal policies and procedure and that expenditure is lawful

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

Compliance with the Scheme Regulations is ensured by a dedicated technical team and the use of a 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 both either the Fund's or LPP's custodian. LPP is a FCA registered company and therefore has to follow strict rules over compliance and has a compliance Team which is independent from the Investment Management.

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

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

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

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

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

Whistle blowing and receiving and investigating complaints from the public

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

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

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

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

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

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

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

- Newsletters for active, deferred and pensioner members;
- Campaign materials focussed around scheme changes;
- Workshops, conferences and guidance materials provided to employers
- The Fund's website, which contains an increasing transactional capability.
- An annual "brief" for Finance Directors of employer organisations providing information on the performance of the Fund and an update on specific issues of interest, such as the triennial valuation.
- An annual members meeting focussed on the performance of the fund.
- 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. This is a collaboration with the London Pensions Fund Authority with Lancashire County Council holding half of the shareholding in the company. 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.

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

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

Review of Effectiveness

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

The key planned activities of the Fund during 2016/17 were:

- Working with the Fund's Actuary and engaging with the employer's throughout the valuation process to ensure that risks to the longer term sustainability of the fund and costs to employers are dealt with in a balanced and transparent manner.
- Finalise a review of the investment strategy, and in particular the Strategic Asset Allocation for the fund based on the actuarial valuation.
- A further review of the Fund's governance arrangements as the relationship with Local Pensions Partnership (LPP) becomes more established.
- A review of the effectiveness of the Local Pensions Board.
- Preparing for the injection of new committee members following the 2017 elections by designing an induction and training program.

The Committee has overseen each of these processes and has continued the Governance arrangements whereby it will delegate executive authority to officers in appropriate circumstances with effective accountability and scrutiny arrangements. This process has embedded the arrangements agreed by the Pension Fund Committee which are set out in the Governance Policy Statement.

The Investment Panel ensures that the Investment Strategy is delivered and that performance is in line with expectations. The Panel is chaired by the Head of the Pension Fund and includes the Fund's two Independent Investment Advisers. The Panel continues to operate under delegated authority from the Pension Fund Committee and it submits a quarterly report to the Committee.

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

The Fund's Internal Audit Service is provided by the County Council's Internal Audit Service and the Head of Internal Audit who is managerially accountable to the Director of Legal and Democratic services. The Head of Internal Audit provides both a separate annual audit plan and annual report to the Pension Fund Committee, which are subject to approval by the Committee. The work of Internal Audit is carried out:

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

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

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

The Head of Internal Audit's Annual Report for 2016/17 indicates that she is able to provide substantial assurance over the controls operated by the Fund.

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

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

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

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

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

Actions Planned for 2017/18

The following specific actions are proposed for completion during 2017/18.

- To support the new Committee especially by providing appropriate training for new members.
- Review and amend as necessary the Terminations Policy.
- To produce a new 3 year Strategic Plan.
- The Investment Panel undertake a full review of the Fund's investment strategy following the triennial funding valuation.

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

Date: 30 June 2017

Independent Auditor's statement to the members of Lancashire County Council on the Pension Fund financial statements included in the Lancashire County Pension Fund Annual Report

The accompanying pension fund financial statements of Lancashire County Pension Fund for the year ended 31 March 2017 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2017 included in Lancashire County Council's ('the authority')Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 10th August 2017

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 is not a substitute for reading the audited Statement of Accounts of the Authority.

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 work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's 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.

The Director of Financial Resources' responsibilities for the pension fund financial statements in the pension fund annual report

Under the Local Government Pension Scheme Regulations 2013 the Director of Financial Resources 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 Authority 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 2016/17.

Auditor's responsibility

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of the Management Structure, Foreword by the Chair of the Pension Fund Committee, Governance of the Fund, Administration of the Fund, Knowledge and Skills Framework, Investment Policy and Performance, Local Pension Board Annual Report and Actuarial Valuation.

Opinion

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2017 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

[TO BE SIGNED]

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square

Spinningfields

Manchester

M3 3EB

[TO BE DATED]

LANCASHIRE COUNTY PENSION FUND

Fund account

2015/16 £m		Note	2016/17 £m
	Dealing with members, employers and others directly involved in the Fund		
238.6	Contributions	6	245.5
5.5	Transfers in from other pension funds	7	10.9
244.1			**256.4**
(245.8)	Benefits	8	(261.1)
(12.5)	Payments to and on account of leavers	9	(15.7)
(258.3)			**(276.7)**
(14.2)	**Net withdrawals from dealings with members**		**(20.4)**
(45.3)	Management expenses	10	(49.6)
(59.5)	**Net withdrawals including fund management expenses**		**(70.0)**
	Returns on investments		
99.1	Investment income	11	109.9
165.9	Profit and losses on disposal of investments and changes in the market value of investments	14	1,133.2
265.0	**Net return on investments**		**1,243.1**
205.5	**Net increase / (decrease) in the net assets available for benefits during the year**		**1,173.1**
5,830.7	**Opening net assets of the scheme**		**6,036.2**
6,036.2	**Closing net assets of the scheme**		**7,209.3**

Net assets statement as at 31 March 2017

31 March 2016		Note	31 March 2017
£m			£m
6,108.0	Investment assets	14	7,135.1
210.3	Cash deposits	14	56.3
(291.0)	Investment liabilities	14	-
6,027.3	**Total net investments**		**7,191.4**
27.7	Current assets	20	30.7
(18.8)	Current liabilities	21	(12.8)
6,036.2	**Net assets of the Fund available to fund benefits at the at the period end**		**7,209.3**

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 26.

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 2017 and its income and expenditure for the year then ended.

Neil Kissock
Director of Financial Resources

County Councillor Alan Schofield
Chair of Audit and Governance Committee

NOTES TO THE FINANCIAL STATEMENTS

1. PENSION FUND OPERATIONS AND MEMBERSHIP

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

The published accounts show that in 2016/17 cash inflows during the year were £366.3 million and cash outflows were £326.4 million, representing a net cash inflow of £39.9 million (compared with an inflow of £39.6million in the previous year). Benefits payable amounted to £261.1 million and were offset by net investment income of £109.9 million, contributions of £245.5 million and transfers in of £10.9 million.

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 2016/17 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) regulations.

1.1 General

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

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

The Fund is overseen by the Lancashire Pension Fund Committee, which 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 fourteen 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 Your Pension Service - Lancashire Fund Information

The investments of the Fund are managed by external investment managers, including the Local Pensions Partnership (LPP), a joint venture established with effect from 8 April 2016 and 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.

The administration and investment management staff involved in the operation of the two funds transferred to the new organisation on 8 April 2016 and the investment operations within the company received regulatory approval from the Financial Conduct Authority on 11 April 2016.

1.2 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 413 employer organisations (2015/16: 369 employer organisations) within Lancashire County Pension Fund including the County Council itself, of which 287 have active members (2015/16: 261) as detailed below:

31 March 2016	Lancashire County Pension Fund	31 March 2017
369	Total number of employers	413
261	Number of employers with active members	287
	Number of active scheme members	
27,106	County Council	26,416
29,223	Other employers	29,499
56,329	**Total**	**55,915**
	Number of pensioners	
22,414	County Council	23,141
22,093	Other employers	23,012
44,507	**Total**	**46,153**

	Number of deferred pensioners	
33,253	County Council	34,668
28,377	Other employers	30,573
61,630	**Total**	**65,241**
162,466	**Total membership**	**167,309**

1.3 Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5 % to 12.5% of pensionable pay for the financial year ending 31 March 2017. Employee contributions are matched by employers' contributions which 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.

1.4 Benefits

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

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

2. BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the financial year and its position as at 31 March 2017. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in United Kingdom 2016/17* which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in note 26 to these accounts.

2.1 Accounting standards issued but not yet adopted

Under the *Code of Practice on Local Authority Accounting in the United Kingdom 2016/17,* 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 2017 but not yet adopted by the Code.

The Fund has adopted CIPFA guidance on management expenses since 2014/15 when the guidance was introduced. The *2017/18 Code* is expected to mandate the current guidance and no material change to the Fund accounts is expected.

The Fund provides a breakdown of pension fund management expenses across three categories: investment management expenses, pension scheme administration costs and oversight and governance expenses. This information can be found in note 10 and further information is provided in accounting policies 3.2.3 to 3.2.6.

The *2017/18 Code of Practice* will also amend the reporting of investment asset concentration for pension funds and will require disclosure of any single investment exceeding either 5% of the net assets available for benefits or 5% of any class or type of security. This is consistent with the approach taken in the *Financial Reports of Pension Schemes – A Statement of Recommended Practice 2015'*. No material impact on the accounts of the Fund is expected.

3. ACCOUNTING POLICIES

3.1 Fund Account - revenue recognition

3.1.1 Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Member contributions are in accordance with the LGPS Regulations 2013 and employer contributions are at the percentage rate recommended by the scheme actuary, in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary. Any receipts in advance are accounted for as accrued income.

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

3.1.2 Transfers to and from other schemes

Transfer values represent amounts received and paid during the period for individual members who have either joined or left the Fund during the financial year and are calculated in accordance with Local Government Pension Scheme Regulations 2013.

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

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

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

3.1.3 Investment income

3.1.3.1 Interest income

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

3.1.3.2 Dividend income

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

3.1.3.3 Distribution from pooled funds

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

3.1.3.4 Property related income

Property-related income consists primarily of rental income.

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

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

3.1.3.5 Movement in the net market value of investments

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

3.2 Fund account – expense items

3.2.1 Benefits payable

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

3.2.2 Taxation

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

3.2.3 Management expenses

The code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with the CIPFA guidance "*Accounting for Local Government Pension Scheme Management Expenses (2016)".*

- 3.2.4 – Administrative expenses
- 3.2.5 – Oversight and governance costs
- 3.2.6 – Investment management expenses

3.2.4 Administrative expenses

Administration 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.

3.2.5 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 pensions 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.

3.2.6 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 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, 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 2016/17, £7.1m of fees is based on such estimates (2015/16: £4.7m).

3.3 Net assets statement

3.3.1 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).

3.3.2 Freehold and leasehold properties

The properties were valued at open market value at 31 March 2017 by independent property valuers GVA Grimley Limited in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arms-length terms.

3.3.3 Foreign currency transactions

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

3.3.4 Derivatives

The Fund has used derivative financial instruments to manage its exposure to specific risks arising from its investment activities. These have been valued using appropriate market information. The Fund does not hold derivatives as at 31 March 2017. Derivatives were previously held in relation to the equity portfolio which is no longer a direct investment of the Fund. Any derivatives in respect of the pooled equity investments will sit within the pools and are not recorded as separate assets or liabilities of the Fund.

Until the transition of equities to the LPPI Global Equity Fund, derivative contract assets were fair valued at bid prices and liabilities were fair valued at offer prices. Changes in fair value of derivative contracts are included in change in market value.

As at 31 March 2016, the future value of forward currency contracts was based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

3.3.5 Loans and receivables

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

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

3.3.6 Cash and cash equivalents

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

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

3.3.7 Financial liabilities

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

3.3.8 Actuarial present value of promised retirement benefits

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

As permitted under 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 26).

3.3.9 Additional voluntary contributions

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

AVCs are not included in the Pension Fund accounts in accordance with section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 19).

3.3.10 Securities lending

During the year, all equities were transitioned into the LPP Global Equities Pool. Securities lending by Northern Trust, the Fund's custodian, effectively ended on transition. Until this date, Northern Trust were authorised to release stock to a third party under stock lending arrangements up to the statutory limits for this activity.

Any income from securities lending within the LPP Global Equities Pool will be reinvested within the pool.

Note 13 provides details of stock lending income and average on loan value during the period to transition of equities.

4. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

4.1 Unquoted private equity and infrastructure investments

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

4.2 Pension Fund liability

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 26. This estimate is subject to significant variances based on changes to the underlying assumptions.

5. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

The items in the net assets statement at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Impact if actual results differ from assumptions
Private equity and infrastructure investments	Private equity and infrastructure investments are valued at fair value in accordance with 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 £1,421.8 m. There is a risk that these investments might be under or overstated in the accounts.
Long-term credit investments	Long-term credit investments are valued as the Fund's percentage share of the independently audited Net Asset Value of each individual strategy as provided by the relevant manager. In some cases the underlying investments will comprise level three assets whose valuations involve a degree of management judgement.	The market value of long-term credit investments in the financial statements (excluding the loan to Heylo Housing listed separately below) totals £1,591.6m. There is a risk that these investments might be under or overstated in the accounts.
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 totals £138.6m in the financial statements. There is a risk that this may be under or overstated.
Indirect property valuations	Indirect properties are valued at the current open market value as defined by the RICS Appraisal and Valuation Standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Indirect property investments in the financial statements total £99.4m. There is a risk that these investments may be under or overstated in the accounts.
Actuarial present value of retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Mercers) is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.25% reduction in the discount rate assumption would increase the value of the liabilities by approximately £450m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £150m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £240m.

6. CONTRIBUTIONS RECEIVABLE

2015/16		2016/17
£m	**By category**	**£m**
54.9	Members	**55.5**
	Employers:	
122.4	Normal contributions	124.5
49.0	Deficit recovery contributions	48.5
12.3	Augmentation contributions	17.0
183.7	Total employers contributions	**190.0**
238.6		**245.5**
	By authority	
104.2	County Council	109.5
113.2	Scheduled bodies	114.7
21.2	Admitted bodies	21.3
238.6		**245.5**

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

Within the employee contributions figure for 2016/17, £0.3m is voluntary and additional regular contributions (2015/16: £0.4m).

7. TRANSFERS IN FROM OTHER PENSION FUNDS

2015/16		2016/17
£m		**£m**
5.5	Individual transfers in from other schemes	10.9
5.5		**10.9**

8. BENEFITS PAYABLE

2015/16		2016/17
£m	**By category**	**£m**
200.2	Pensions	207.3
40.5	Commutation and lump sum retirement benefits	48.2
5.1	Lump sum death benefits	5.6
245.8		**261.1**
	By authority	
107.2	County Council	113.3
120.4	Scheduled bodies	128.6
18.2	Admitted bodies	19.2
245.8		**261.1**

9. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2015/16		2016/17
£m		**£m**
0.7	Refunds to members leaving service	0.7
11.2	Individual transfers	14.4
0.6	Group transfers	0.6
12.5		**15.7**

10. MANAGEMENT EXPENSES

2015/16		2016/17
£m		**£m**
4.1	Fund administrative costs	3.2
32.5	Investment management expenses[1]	42.7
8.7	Oversight and governance costs[2]	3.7
45.3		**49.6**

[1]Included within investment management expenses for the year ended 31 March 2017 are costs of the transition of equities to the LPP Global Equities Fund, paid to the transition manager and amounting to £2.0m.

[2]Oversight and governance costs above include external audit fees which amounted to £34,169 (2015/16: £34,169)

10.1 Investment management expenses

2015/16		2016/17
£m		**£m**
1.5	Transaction costs	1.6
27.9	Fund value based management fees[1]	31.8
-	Cost of global equities transition	2.0
2.9	Performance related fees	7.1
0.2	Custody fees	0.2
32.5		**42.7**

[1] 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 2016 guidance on accounting for local government pension scheme management expenses. 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.

12. INVESTMENT INCOME

2015/16		2016/17
£m		**£m**
3.3	Fixed interest securities	1.4
41.6	Equity dividends	32.0
1.1	Index linked securities	1.5
15.2	Pooled investment vehicles	34.1
7.1	Pooled property investments	11.2
29.2	Net rents from properties	28.2
0.5	Interest on cash deposits	0.7
1.1	Other	0.8
99.1	**Total before taxes**	**109.9**

13. PROPERTY INCOME

2015/16		2016/17
£m		£m
32.3	Rental income	31.3
(3.1)	Direct operating expenses	(3.1)
29.2	**Net income**	**28.2**

14. STOCK LENDING

Northern Trust the Fund's custodian, are authorised to release stock to a third party under stock lending arrangements up to the statutory limits for this activity.

Stock lending by Northern Trust ceased when all directly held equities were transitioned into the LPP Global Equities Pool. Stock lending income to the date of transition was £0.8m (2015/16: £1.5m). There were no directly held securities on loan at 31 March 2017. The average on loan value, wholly comprised of equities, for the period to transition was £67.8m. Assets on loan at 31 March 2016 consisted of £76.2m equities.

Any income from securities lending within the LPP Global Equities Pool will be reinvested within the pool.

14. RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

2016/17

	Market value as at 1 April 2016	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value[3]	Market value as at 31 March 2017
	£m	**£m**	**£m**	**£m**	**£m**
Fixed interest securities	123.1	189.5	(190.5)	10.1	132.2
Equities[1]	2,069.9	1,867.8	(4,358.0)	420.3	-
Index linked securities	63.7	125.1	(66.7)	5.0	127.1
Pooled investment vehicles[2]	2,855.0	3,396.3	(780.0)	665.4	6,136.7
Pooled property investments[2]	80.6	13.2	0.0	5.6	99.4
Direct property	608.1	95.2	(104.5)	38.2	637.0
	5,800.4	**5,687.1**	**(5,499.7)**	**1,144.6**	**7,132.4**
Derivatives contracts:					
Forward currency contracts asset value	294.5				-
Forward currency contracts liability value	(291.0)				-
Forward currency contracts	**3.5**	**47.7**	**(13.2)**	**(38.0)**	-
Other investment balances:					
Cash deposits	210.3				56.3
Investment accruals	13.1				2.7
Net Investment assets	**6,027.3**				**7,191.4**

[1]All direct equity holdings were transitioned into the Local Pensions Partnership Global Equities Pool with effect from 1 November 2016.
[2]The value of pooled property investments was previously included within total pooled investment vehicles. Pooled investment vehicles includes the LPP Global Equities Pool.
[3]The change in market value of net investment assets disclosed above is included in the total profit and loss on disposal of investments and change in market value of investments reported on the face of the Fund account. £1,133.2m on the face of the Fund account also includes profits and losses on disposals and the change in market value of derivative contracts.

2015/16

	Market value as at 1 April 2015	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Market value as at 31 March 2016
	£m	£m	£m	£m	£m
Fixed interest securities	148.8	103.2	(126.8)	(2.1)	123.1
Equities[1]	2,000.7	377.7	(347.6)	39.1	2,069.9
Index linked securities	317.9	865.0	(1,115.5)	(3.7)	63.7
Pooled investment vehicles[2]	2,697.1	918.5	(842.6)	82.0	2,855.0
Pooled property investments[2]	43.0	31.9	-	5.7	80.6
Direct property	531.4	84.4	(52.6)	44.9	608.1
	5,738.9	**2,380.7**	**(2,485.1)**	**165.9**	**5,800.4**
Derivative Contracts:					
Forward currency contracts asset value	632.4				294.5
Forward currency contracts liability value	(629.6)				(291.0)
Forward currency contracts	**2.8**	**24.9**	**(12.6)**	**(11.6)**	**3.5**
Other investment balances:					
Cash deposits	60.0				210.3
Investment accruals	11.7				13.1
Net investment assets	**5,813.5**				**6,027.3**

[1]All direct equity holdings were transitioned into the Local Pensions Partnership Global Equities Pool with effect from 1 November 2016.

[2]The value of pooled property investments was previously included within total pooled investment vehicles.

Investments analysed by manager

31 March 2016			31 March 2017	
£m	**%**		**£m**	**%**
Public equity				
733.3	12.1%	Baillie Gifford	-	-
350.1	5.8%	MFS	-	-
324.6	5.4%	Morgan Stanley	-	-
209.7	3.5%	NGAM	-	-
496.0	8.2%	Robeco	-	-
234.5	3.9%	AGF	-	-
251.2	4.2%	MFG (Magellan)	-	-
2,599.4	**43.1%**		**-**	**-**
Private equity				
336.5	5.6%	Capital Dynamics	452.7	6.3%
11.7	0.2%	Standard Life	28.2	0.4%
348.2	**5.8%**		**480.9**	**6.7%**
Long term credit investments				
56.0	0.9%	Ares Institutional	-	-
74.5	1.2%	Babson	-	-
73.0	1.2%	Hayfin	52.4	0.7%
0.0	0.0%	Highbridge	0.0	0.0%
4.9	0.1%	Kreos	33.8	0.5%
5.9	0.1%	Muzinich Private Debt Fund	17.6	0.2%
47.3	0.8%	Permira Credit Solutions	76.6	1.1%
57.0	0.9%	THL	-	-
18.4	0.3%	White Oak	68.8	1.0%
83.6	1.4%	Heylo Housing	138.6	1.9%
214.6	3.5%	Prima	256.8	3.6%

83.0	1.4%	Venn Commercial Real Estate	83.7	1.2%
11.4	0.2%	Westmill	10.9	0.2%
125.0	2.1%	Bluebay	132.5	1.8%
60.0	1.0%	HSBC	71.5	1.0%
83.1	1.4%	Investec	101.7	1.4%
134.0	2.2%	Pictet	159.6	2.2%
89.2	1.5%	CRC	152.5	2.1%
53.0	0.9%	EQT	51.2	0.7%
109.9	1.8%	MFO King Street	128.4	1.8%
52.4	0.9%	Monarch	67.0	0.9%
54.0	0.9%	Neuberger Berman	61.9	0.9%
47.6	0.8%	Pimco Bravo	64.8	0.9%
1,537.8	**25.5%**		**1,730.2**	**24.1%**
Liquid credit (cash and bonds)				
283.8	4.7%	Local Pensions Partnership and LCC Treasury Management	135.2	1.9%
283.8	**4.7%**		**135.2**	**1.9%**
Global equity funds				
-	-	Local Pensions Partnership	3,168.2	44.1%
-	**-**		**3,168.2**	**44.1%**
Infrastructure				
62.6	1.0%	Arclight Energy	95.7	1.3%
66.4	1.1%	Capital Dynamics Cape Byron	85.7	1.2%
31.7	0.5%	Capital Dynamics Clean Energy	31.1	0.4%
76.0	1.3%	Capital Dynamics Red Rose	60.5	0.8%
0.7	0.0%	Capital Dynamics US Solar	-	-
9.6	0.2%	EQT Infrastructure	26.6	0.4%

34.3	0.6%	Global Infrastructure Partners	60.3	0.8%
70.4	1.1%	Guild Investments Ltd	130.1	1.8%
0.0	0.0%	GLIL Infrastructure	42.6	0.6%
35.2	0.6%	Highstar Capital	61.5	0.9%
34.0	0.6%	Icon Infrastructure	69.8	1.0%
7.5	0.1%	ISQ Global Infrastructure	101.3	1.4%
135.9	2.3%	Madrilena Red de Gas (MRG)	146.6	2.0%
5.2	0.1%	Stonepeak Infrastructure	28.9	0.4%
569.5	**9.5%**		**940.6**	**13.1%**
Property				
608.1	10.1%	Knight Frank	637.0	8.9%
30.4	0.5%	Gatefold Hayes	33.4	0.5%
14.0	0.2%	Kames Target	25.0	0.4%
36.1	0.6%	M&G Europe fund	41.0	0.6%
688.6	**11.4%**		**736.4**	**10.2%**
6,027.3	**100.0%**		**7,191.4**	**100.0%**

Fixed interest securities

31 March 2016		31 March 2017
£m		**£m**
85.3	UK corporate bonds quoted	20.9
0.0	Overseas public sector	13.6
37.8	Overseas corporate bonds quoted	97.7
123.1		**132.2**

Equities

31 March 2016		31 March 2017
£m		**£m**
191.3	UK quoted	-
1,878.6	Overseas quoted	-
2,069.9		-

Index linked securities

31 March 2016		31 March 2017
£m		**£m**
63.7	UK quoted	127.1
63.7		**127.1**

Direct property investments

31 March 2016		31 March 2017
£m		**£m**
515.7	UK – freehold	538.8
92.4	UK – long leasehold	98.2
608.1		**637.0**

Pooled investment vehicles

31 March 2016		31 March 2017
£m	**UK managed funds:**	**£m**
60.0	Fixed income funds	71.5
88.6	Private equity	79.5
107.7	Infrastructure	136.1
173.1	Long term credit investments	189.6
44.5	Property funds	58.3
	Overseas managed funds:	
1,097.3	Fixed income funds	1,125.1
259.6	Private equity	401.4

461.8	Infrastructure	761.8
120.6	Long term credit investments	204.1
485.7	Equity funds	3,168.2
0.6	Cash funds	0.0
36.1	Property funds	41.0
2,935.6		**6,236.1**

Property holdings

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

Details of these directly owned properties are as follows.

31 March 2016*		31 March 2017
£m		**£m**
531.4	**Opening balance**	**608.1**
	Additions:	
66.4	Purchases	27.6
15.7	New construction	23.1
2.3	Subsequent expenditure	44.5
(52.6)	Disposals	(104.5)
44.9	Net increase in market value	38.2
608.1	**Closing balance**	**637.0**

*Comparatives as at 31 March 2016 have been restated to disclose new construction and subsequent expenditure separately rather than include within the purchases figure.

Operating leases

The Fund leases out property under operating leases.

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

2015/16		2016/17
£m		£m
29.5	Leases expiring in the following year	32.3
87.0	Leases expiring in 2 to 5 years	101.5
87.6	Leases expiring after 5 years	106.0
204.1	**Total future minimum lease payments receivable under existing non-cancellable leases**	**239.8**

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

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

Cash deposits

31 March 2016		31 March 2017
£m		£m
114.9	Sterling	18.2
95.4	Foreign currency	38.1
210.3		**56.3**

15. 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 2017	Fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	132.2		
Index linked securities	127.1		
Pooled investment vehicles	6,136.8		
Pooled property investments	99.4		
Cash deposits		56.3	
Investment accruals	2.6		
Debtors		30.7	
Total financial assets	**6,498.1**	**87.0**	
Financial liabilities			
Creditors			12.8
Total financial liabilities			**12.8**

31 March 2016	Fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	123.1		
Equities	2,069.9		
Index linked securities	63.7		
Pooled investment vehicles	2,935.6		
Derivative contracts	294.5		
Cash deposits		210.3	

Investment accruals	13.1		
Debtors		27.7	
Total financial assets	**5,499.9**	**238.0**	
Financial liabilities			
Derivative contracts	291.0		
Creditors			18.8
Total financial liabilities	**291.0**		**18.8**

16. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The net gain on financial assets at fair value through profit and loss was £1,133.2 (2015/16: £165.9m after adjusting for directly owned property).

17. FINANCIAL INSTRUMENTS – FAIR VALUE HIERARCHY

17.1 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.

17.1.1 Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Examples include quoted equity investments, including those held in the LPP I 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.

17.1.2 Level 2

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

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

17.1.3 Level 3

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments include 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.

17.1.4 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 2017	**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	3,549.9	158.7	2,789.5	6,498.1
Non-financial assets at fair value through profit and loss (property holdings)		637.0		637.0
Net investment assets	**3,549.9**	**795.7**	**2,789.5**	**7,135.1**

31 March 2016*	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	3,341.1	245.6	1,913.2	5,499.9
Non-financial assets at fair value through profit and loss (property holdings)*		608.1		608.1
Financial liabilities at fair value through profit and loss	(291.0)			(291.0)
Net investment assets	**3,050.1**	**853.7**	**1,913.2**	**5,817.0**

*The information for 2015/16 has been restated from the audited 2015/16 accounts to include investments in directly held property as a result of changes to the Code.

17.1.5 Basis of valuation

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Equity funds	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 GVA Grimley in accordance with RICS	Comparable recent market transactions on arm's length terms;	Not required.

		valuation standards (9th edition).	general changes in property market prices; rental growth; vacant properties.	
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

17.1.6 Reconciliation of fair value measurements within level 3

	Financial assets at fair value through profit and loss
	£m
Market value 1 April 2016	**1,913.2**
Purchases during the year and derivative payments	878.4
Sales during the year and derivative receipts	(364.2)
Unrealised gains	290.8
Realised gains	71.3
Market value 31 March 2017	**2,789.5**

18. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

18.1 Risk and risk management

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

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

18.2 Market risk

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

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

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

18.3 Other price risk

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

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

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

18.3.1 Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risks are reasonably possible for the 2016/17 reporting period.

Asset type	Potential market movements (+/-)
Total bonds (including index linked)	6.4%
Total equities	9.6%
Alternatives	6.4%
Total property	2.4%

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 2017	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total bonds (including index linked)	1,433.1	6.4%	1,524.8	1,341.4
Total equities	3,649.1	9.6%	3,999.4	3,298.8
Alternatives	1,313.8	6.4%	1,397.9	1,229.8
Total property	736.4	2.4%	746.7	726.1
Total assets available to pay benefits	**7,132.4**		**7,676.2**	**6,588.6**

Asset type	31 March 2016	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
Investment portfolio assets:				

Total bonds (including index linked)	1,233.0	6.4%	1,311.9	1,154.1
Total equities	2,902.9	9.6%	3,181.6	2,624.2
Alternatives	975.7	6.4%	1,038.1	913.3
Total property	688.8	2.4%	705.3	672.3
Total assets available to pay benefits	**5,800.4**		**6,236.9**	**5,363.9**

18.4 Interest rate risk

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

The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors. The Fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

31 March 2016	Asset type	31 March 2017
£m		£m
210.3	Cash and cash equivalents	56.3
210.3	**Total**	**56.3**

18.4.1 Interest rate risk - sensitivity analysis

The Fund has recognised that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 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 +/- 100 BPS change in interest rates:

Asset type		Change in year in net assets available to pay benefits	
	31 March 2017	+100BPS	-100BPS
	£m	£m	£m
Cash and cash equivalents	56.3	0.6	(0.6)
Total change in assets available	**56.3**	**0.6**	**(0.6)**

Asset type		Change in year in net assets available to pay benefits	
	31 March 2016	+100BPS	-100BPS
	£m	£m	£m
Cash and cash equivalents	210.3	2.1	(2.1)
Total change in assets available	**210.3**	**2.1**	**(2.1)**

18.5 Currency risk

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

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

The following table summarises the Fund's currency exposure as at 31 March 2017 and as at the previous year end:

31 March 2016	Currency exposure – asset type	31 March 2017
£m		£m
850.9	Overseas bonds (including index linked)	1,071.4
2,622.9	Overseas equities	3,569.6
868.0	Overseas alternatives	1,101.9
36.1	Overseas property	41.0
4,377.9	**Total overseas assets**	5,783.9

18.5.1 Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 6.1%.

A 6.1% 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 (2015/16 6.1%).

A 6.1% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type		Change in year in net assets available to pay benefits	
	31 March 2017	+6.1%	-6.1%
	£m	£m	£m
Overseas bonds (including index linked)	1,071.4	3,787.3	3,351.8
Overseas equities	3,569.6	1,136.7	1,006.0
Overseas alternatives	1,101.9	1,169.1	1,034.6
Overseas property	41.0	43.5	38.5
Total change in assets available	**5,783.9**	**6,136.6**	**5,431.0**

Currency exposure - asset type		Change in year in net assets available to pay benefits	
	31 March 2016	+6.1%	-6.1%
	£m	£m	£m
Overseas bonds (including index linked)	850.9	902.8	799.0
Overseas equities	2,622.9	2,782.9	2,462.9
Overseas alternatives	868.0	920.9	815.0
Overseas property	36.1	38.3	33.9
Total change in assets available	**4,377.9**	**4,644.9**	**4,110.8**

18.6 Credit risk

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

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

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

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

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

The Fund's cash holding under its treasury management arrangements at 31 March 2017 was £56.3m (31 March 2016: £210.3m.) This was held with the following institutions:

31 March 2016	Summary	Rating	31 March 2017
£m			£m
	Bank deposit accounts		
154.8	Northern Trust	A1+	47.9
55.4	Svenska Handelsbanken	A1+	8.4
	Bank current accounts		
0.1	NatWest	A3	-
210.3	**Total**		**56.3**

18.7 Liquidity risks

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

The Fund has immediate access to its cash holdings.

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

All financial liabilities at 31 March 2017 are due within one year.

19. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC'S)

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 2016 to 31 March 2017 for Prudential and 1 September 2015 to 31 August 2016 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	**0.8**	**22.0**	**22.8**
Income (incl. contributions, bonuses, interest & transfers in)	0.0	7.0	7.0
Expenditure (incl. benefits, transfers out & change in market value)	(0.1)	(4.7)	(4.8)
Value at the end of the year	**0.7**	**24.3**	**25.0**

20. CURRENT ASSETS

31 March 2016		31 March 2017
£m		£m
13.9	Contributions due – employers	14.1
4.6	Contributions due – members	4.6
9.2	Debtors	12.0
27.7		**30.7**

31 March 2016	Analysis of debtors	31 March 2017
£m		£m
14.9	Other local authorities	14.6
12.8	Other entities and individuals	16.1
27.7		**30.7**

21. CURRENT LIABILITIES

31 March 2016		31 March 2017
£m		**£m**
1.1	Unpaid benefits	5.7
17.7	Accrued expenses	7.1
18.8		**12.8**

31 March 2016	Analysis of creditors	31 March 2017
£m		**£m**
2.1	Other local authorities	5.0
16.7	Other entities and individuals	7.8
18.8		**12.8**

22. CONTRACTUAL COMMITMENTS

As at 31 March 2017 the commitments relating to outstanding call payments due to unquoted limited partnership funds held in the venture capital and infrastructure part of the portfolio totalled £663.4m (2016: £665.3m). The amounts 'called' by these funds are irregular in both size and timing and commitments to these partnerships are drawn down over a number of years. The term of an individual investment can be up to 10 years. Realisation of these investments in the form of distributions normally occurs towards the end of the investment period, when portfolio companies have built value and can be liquidated.

Commitments to outstanding call payments due to certain credit strategies stood at £390.7m (2016: £497.2m). 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 £24.6m (2016: £19.9m). These amounts are expected to be drawn down over the next 12 months based on valuation certificates.

The commitment on indirect property of £0.6m (2016: £13.8m). These amounts are expected to be drawn down over the next few months.

23. RELATED PARTY TRANSACTIONS

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

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.

23.1 Lancashire County Council

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

The Council incurred costs of £0.4 m (2015/16: £3.7m) 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 £87.0m to the fund in 2016/17 (2015/16: £81.4m). 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 2017 amount to £8.2m (2015/16: nil).

23.2 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 2017 payroll, are included within the debtors figure in note 20.

23.3 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 2016/17 regarding membership of, and transactions with such persons or their related parties. No related party transactions were identified during the year to 31 March 2017.

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

24. KEY MANAGEMENT PERSONNEL

The key management personnel of the Fund are the Lancashire County Council Director of Financial Resources and the Head of Fund. Total remuneration payable to key management personnel is set out below:

2016/17	Employment period	Salary[1]	Pension contributions[1]	Total including pension contributions[1]
		£	£	£
Head of Fund	01/04/16 – 31/03/17	52,175	6,664	58,839
Director of Financial Resources (Section 151 officer)	01/04/16 – 31/03/17	4,732	563	5,295

2015/16	Employment period	Salary[1]	Pension contributions[1]	Total including pension contributions[1]
		£	£	£
*Director of Lancashire Pension Fund	01/04/15 - 31/03/16	86,199	10,800	96,999
**Head of Fund	01/12/15 – 31/03/16	16,316	2,167	18,483
***Director of Financial Resources (Section 151 officer)	29/02/16 – 31/03/16	401	25	426
****Chief Investment Officer	01/04/15 - 31/03/16	120,150	13,230	133,380

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

*The Director of Lancashire Pension fund held the position for the full 12 month period. This position was terminated on 31 March 2016.

**The Head of Fund took up this new post on 1 December 2015

***The Director of Financial Resources was appointed on 29 February 2016. This position was previously held by an interim consultant.

****The Chief Investment Officer position transferred to the Local Pensions Partnership on 7 April 2016.

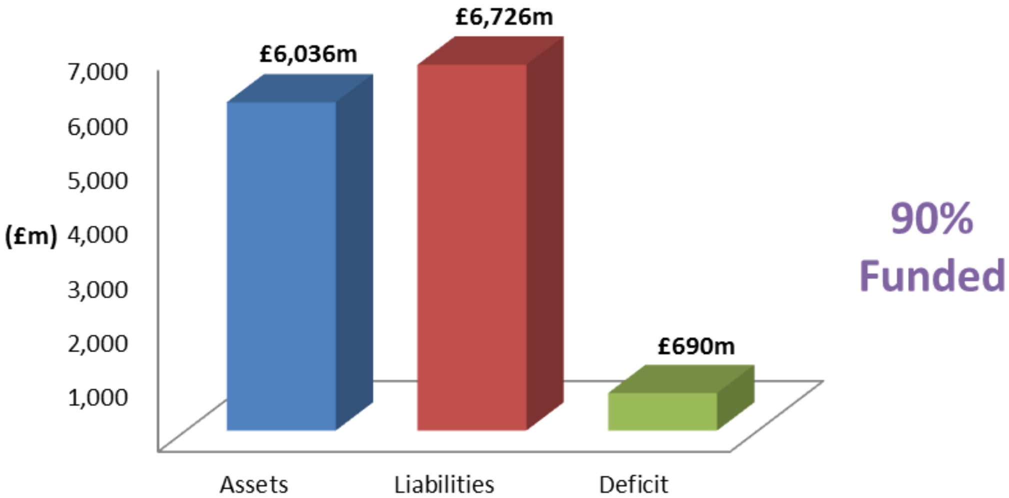
25. FUNDING ARRANGEMENTS

Accounts for the year ended 31 March 2017 - 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 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 2017/18 is approximately £41.5 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.

26. ACTUARIAL PRESENT VALUE OF PROMISED RETIREMENT BENEFITS

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2017 (the 31 March 2016 assumptions are included for comparison):

	31 March 2016	31 March 2017
Rate of return on investments (discount rate)	3.6% per annum	2.5% per annum
Rate of pay increases*	3.5% per annum	3.8% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% 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 fell, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.5% p.a. versus 3.6% p.a.). The expected long-term rate of CPI inflation increased during the year, from 2.0% p.a. to 2.3%. Both of these factors combined served to significantly increase the liabilities over the year. The pay increase assumption at the year-end has also changed to allow for short-term public sector pay restraint, which serves to reduce the liabilities.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2016 was estimated as £8,106 million. Interest over the year increased the liabilities by c£291million, and allowing for net benefits accrued/paid over the period also increased them by c£6 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a further increase in liabilities of £1,662 million made up of "actuarial losses" (mostly changes in the actuarial assumptions used, primarily the discount rate and assumed rate of future CPI as 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 2017 is therefore £10,065 million.

John Livesey

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

May 2017

H Lancashire Local Pension Board Annual Report - 2016/17

A year ago, I wrote my first report as the Independent Chair of the Lancashire County Pension Fund's Local Pension Board (LPB). I commented then that we had successfully established the Board in accordance with the regulations, but were still finding our feet within the overall governance structure. This was particularly so given the changes taking place as a result of the formation of the London Pensions Partnership Ltd (LPP) pool to manage the investments, liabilities and administration of the Fund. I ended my report by stressing the need for the LPB to add value to the Fund's governance and activities. Although still early days, I said then that I believed it was already fulfilling two important functions: offering challenge to the executive; and providing valuable Members' and Employers' perspectives to the Executive which they might otherwise struggle to obtain.

Twelve months on, as a Board we have a much clearer view of our role and where and how we can add value, and I shall devote some of this report to setting that out in more detail. First, however, I should report on the mechanics. The Board has nine members, four Employer representatives who were chosen to be representative of the Fund's Employers, four Member representatives elected in a public election, and myself as the Independent Chair. All members served throughout the year. My term comes to an end in March 2019, while members may serve for a maximum of two terms of four years. We have met four times during the year, and held one Working Group (comprising 3 Board members) to consider revised Terms of Reference.

The following table shows members attendance at Board meetings

Name	Representing	5th July 2016	18th Oct 2016	17th Jan 2017	11th Apr 2017
W Bourne	Chair	✓	✓	✓	✓
S Browne	Employer - LCC	✓	✓	apologies	✓
C Gibson	Employer - Others	✓	✓	✓	apologies
K Haigh	Active members	✓	✓	✓	✓
J Hall	Deferred members	apologies	✓	✓	✓
R Harvey	Pensioner members	✓	✓	✓	✓
County Councillor T Martin	Employer – LCC	✓	apologies	apologies	apologies
Y Moult	Active members	✓	✓	✓	✓
S Thompson	Employer – Unitary, City, Borough, Police & Fire	✓	apologies	✓	✓

Information about the Board, including minutes and public papers are available on the Pension Fund website.

The Board has a small internal budget, which is used primarily to defray the cost of Members' attendance at training events or conferences. During the year £14,000 was spent.

The year has included a triennial actuarial valuation, a new set of investment regulations, as well as the FCA authorisation of LPP and the transfer of assets to it, so there has been no shortage of important subjects. In all of these, the Pension Fund Committee has primary responsibility for executive and strategic decisions, and the LPB's remit is one of scrutiny. We are there as a second pair of eyes on behalf of the Fund's stakeholders, especially the Employers who make contributions and the Members who both contribute and receive pensions, to ensure that good governance is in place. In practice this means that the legal and regulatory requirements are complied with, that due process is followed, that risks are considered beforehand, monitored, and where possible mitigated, and that all is done in an efficient manner. However, it is important to underline the fact that executive power resides with the Committee, and we can only make recommendations or note our concerns.

For our scrutiny role, we rely considerably on third party verification reports from various parties, whether it be from Officers, from internal service providers such as auditors, or from independent parties. These are presented at meetings, and we will normally discuss the background and if we are not comfortable, we will ask to see the original documents. For example during the year we noted our concerns to the Pension Fund Committee that although LPP had commenced operations, the formal governance structure for monitoring its activities had yet to be put in place. Since then, a formal review has been conducted by PWC, and recommendations put in place.

The second major focus of the LPB's activities is assisting the Pension Fund Committee in the efficient running of the Fund. Here the perspectives which Employer and Member representatives on the Board bring to bear are of undoubted value. Looking at ways to improve communication between the Fund and its stakeholders is a perpetual task, but one example is the tracing of Members whose addresses are missing. This was reviewed by the LPB in 2015, a policy of conducting a tracing exercise on a regular basis put in place by Officers, and as result over 3,000 deferred Members are now back in contact with the Fund, and will be able to receive the pensions they are entitled to.

Efficiency is also about keeping an eye on costs. The great majority of costs are now incurred by LPP, because investment and administration activities have been transferred to them. It is important that the Fund obtains good value for the money spent here, and we have made the Pension Fund Committee aware of the importance we place on monitoring the value achieved over a long period in order to demonstrate the benefits delivered to the Fund from the establishment of the pool.

As part of the process of pooling with LPP, there is scope to reduce costs by reviewing and consolidating the arrangements by which the Fund and the LPFA conduct administration. The LPB is supportive of this quite ambitious plan, but is aware that change brings risks with it. We accordingly recommended the Pension Fund Committee conduct an audit to confirm that the risks which transformation inevitably brings have been properly assessed and where possible mitigated. At the time of writing this is still work in process, but we believe our comments have been given due consideration to the benefit of stakeholders.

New investment regulations came into law during the year under consideration as part of the process of pooling. Among other things, they make it clear that the LPB is one of the bodies which need to be consulted in certain circumstances, underlining its status within the formal governance structure as the only body with stakeholder representation. We reviewed the proposed Investment Strategy Statement, required under the new regulations, outside our meeting cycle for time constraint reasons, and made known to the Pension Fund Committee a number of concerns. It is our understanding the Statement will be reviewed again later this year.

Governance is one of the keys to a well-run Fund, and it became apparent to the LPB during the year that in the course of the formation of LPP, the Fund itself had been left with too little resource in this area. We viewed this as particularly concerning at a time when the governance structures were becoming increasingly complex as a result of the pooling process. We therefore made a formal recommendation to the CEO of Lancashire County Council that the Head of the Fund be provided with more support. At the time of writing, I understand that a new hire has been made to achieve this.

The LPB also sees all breaches of law or regulations, and considers among other things whether there is a requirement to report a breach to the Pensions Regulator. During the year, no breach was sufficiently serious or systemic that this was necessary, but we will continue to keep a beady eye on the performance of LPP.
After a full year of operation, we conducted an appraisal of the LPB, in accordance with our terms of reference. This exercise resulted in a number of recommendations, and considerably greater clarity how we should operate. Our remit is clearly one of scrutiny, and it is the Pension Fund Committee's role to manage the relationship with LPP. We will use our Member and Employer perspectives to assist the Fund in seeking better ways to do things. Where the LPB sees a proposed formal document or decision before it is ratified by the Committee, we will make known our concerns by means of a formal note. Where, as inevitably happens on occasion, we only see a decision after it has been taken, we will make a formal recommendation to the relevant body, usually the Committee.

As a result of the appraisal we also recommended some changes to our Terms of Reference, to bring them in line both with the public requirements for the LPB and the way we have defined our remit. The new Terms of Reference can be found on the Pension Fund website.

Training is also required under the Pensions Act 2013, and is covered by the Fund's Training Policy, which was refreshed during the year alongside that for the Pension Fund Committee. Members are invited to and have attended Training Workshops in Lancashire, and are encouraged to attend useful seminars and conferences which will help them to increase their knowledge levels.

The table below shows the number of training events each Board member attended during the year.

Name	Internal event attended	External events attended
W Bourne	Nil	1
S Browne	3	Nil
C Gibson	1	Nil
K Haigh	7	3
J Hall	3	Nil
R Harvey	7	3
County Councillor T Martin	3	Nil
Y Moult	3	1
S Thompson	2	1

In the next year, the LPB's focus is likely to be on continuing to scrutinise the governance arrangements around LPP as they settle down. We are likely to spend more time on the administration side, as that is where the biggest changes will be happening. We are also proposing to continue to look at engagement with employers and members. Lancashire County Pension Fund has one of the most effective engagement policies anywhere in the country, but that is not a reason for looking for further improvements. The LPB is the best placed body to promote that because it is representative. In both these areas, we will look to share best practice with the equivalent body on our LPP partner, the London Pension Fund Authority's Pension Board.

I will finally highlight the support we get from, first, the Pension Fund Committee and the Chair in particular, and secondly the Officers. The LPB's ultimate objective is the same as that of the Committee, but we also have a clear duty to challenge it on occasion. This can only function effectively if the relationship is a good one, so that when we note concerns or make comments, they are taken constructively. Even when we have made the Committee's lives less than comfortable, the Chair has always been fully supportive of our interventions and comments. Without the assistance of the Officers running the fund, the LPB would simply not function.
I have no doubt that in this year the LPB has by acting as a scrutinising body been able to add value during this year now that it has bedded down.

We look forward to the next year with confidence, expecting to be able to make our contribution to making a well-run fund even better.

William Bourne
Independent Chair of the Lancashire Local Pension Board.
July 2017

I Actuarial Valuation

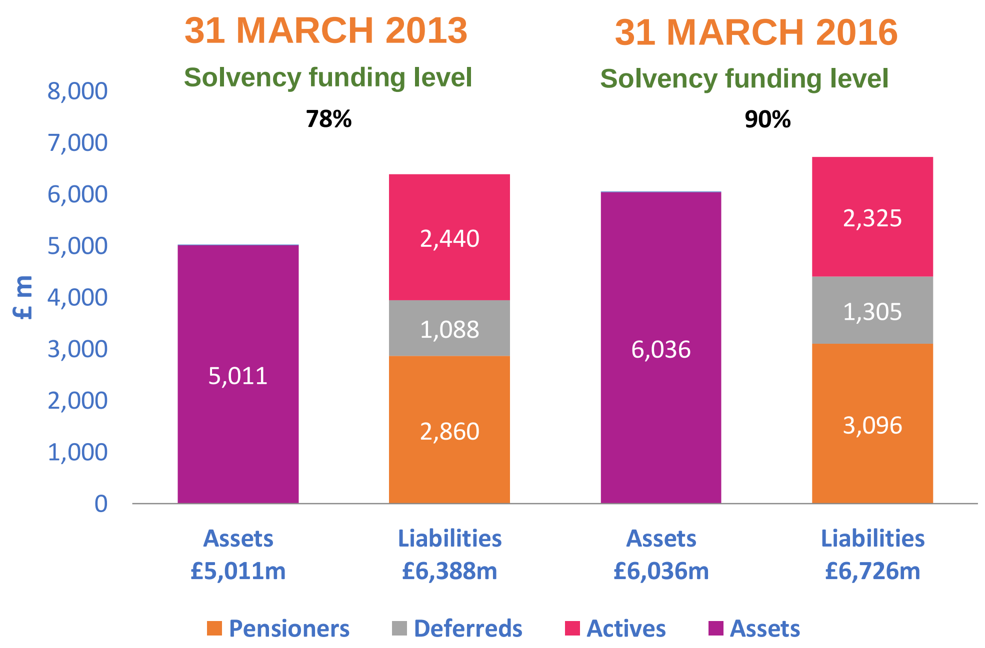
An actuarial valuation of the Fund is carried out every three years by the Fund's actuary Mercer. The most recent valuation carried out was at 31 March 2016 which determines contribution rates effective from 1 April 2017 to 31 March 2020.

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)

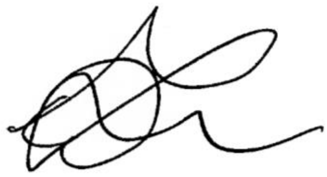
No allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions. Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method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

Signature: 

Name: John Livesey

Qualification: Fellow of the Institute and Faculty of Actuaries

Date of signing: 31 March 2017

Signature: 

Name: Mark Wilson

Qualification: Fellow of the Institute and Faculty of Actuaries

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
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

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
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%
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

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
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%
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%

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
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
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

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
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
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%

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
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
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%

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
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
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

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
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
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

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
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%
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%

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
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%
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%

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
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%

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%

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
Employers grouped with Council							
Andron Fearns Sport College	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
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.

J Contacts

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K 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.

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.

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.