

Lancashire County Pension Fund - Fund Account - Year Ending 31st March 2018

Appendix A

	Actual year ended 31 March 2018 £'000	Budget year ended 31 March 2019 £'000	Budget for 6 months to 30 September 2018 £'000	Actual for 6 months to 30 September 2018 £'000	Variance for 6 months to 30 September 2018 £'000	Notes - see below	Forecast year ended 31 March 2019 £'000	Forecast full year budget variance £'000	Notes - see below
INCOME									
Contributions Receivable									
From Employers	(181,374)	(193,100)	(96,550)	(54,003)	42,548	1	(108,005)	85,095	1
From Employees	(56,522)	(59,382)	(29,691)	(29,045)	646		(58,090)	1,292	
Total contributions receivable	(237,896)	(252,483)	(126,241)	(83,047)	43,194		(166,095)	86,388	
Transfers in	(11,518)	(11,370)	(5,685)	(3,368)	2,317		(9,053)	2,317	
Total Investment Income	(142,008)	(144,397)	(72,199)	(119,363)	(47,164)	2	(167,980)	(23,582)	2
TOTAL INCOME	(391,422)	(408,250)	(204,125)	(205,779)	(1,654)		(343,128)	65,122	
EXPENDITURE									
Benefits Payable									
Pensions	213,656	220,065	110,033	111,872	1,839		223,743	3,678	
Lump Sum Benefits	41,188	42,424	21,212	16,813	(4,399)		38,025	(4,399)	
Total benefits payable	254,844	262,489	131,244	128,685	(2,560)		261,768	(720)	
Transfers out	17,354	17,875	8,937	4,533	(4,404)		13,471	(4,404)	
Refund of Contributions	594	611	306	254	(52)		560	(52)	
Contributions Equivalent Premium	(27)	(28)	(14)	(2)	12		(4)	24	
Fund administrative expenses									
<u>Administrative and processing expenses:</u>									
LPP administrative expenses	3,712	3,300	1,650	1,367	(283)	3	3,010	(290)	3
Write off of bad debts	19	10	5	2	(3)		7	(3)	
Total administrative expenses	3,731	3,310	1,655	1,369	(286)		3,017	(292)	
Investment management expenses									
<u>Investment management fees:</u>									
LPP directly invoiced investment management fees	3,078	1,800	900	869	(31)		1,800	0	
DIRECTLY INVOICED non LPP investment management fees - direct holdings	4,662	4,662	2,331	1,999	(332)		3,998	(664)	
Investment management fees on pooled investments	45,922	52,092	26,046	25,002	(1,044)		51,048	(1,044)	
Transition costs	303	200	200	(13)	(213)		200	0	
Custody fees	99	50	25	15	(10)		30	(20)	
Commission, agents charges and withholding tax	1,421	1,421	711	1,902	1,191	4	2,612	1,191	4
LCC recharge for treasury management costs	52	52	26	34	8		67	15	
Property expenses	3,342	3,442	1,721	533	(1,189)		2,254	(1,189)	
Total investment management expenses	58,880	63,720	31,960	30,340	(1,620)		62,009	(1,711)	
Oversight and Governance expenses									
Performance measurement fees (including Panel)	54	75	38	9	(29)		17	(58)	
IAS19 advisory fees	70	70	35	33	(2)		66	(4)	
Other advisory fees (including abortive fees)	608	600	300	32	(268)		400	(200)	
Actuarial fees	39	50	25	15	(10)		30	(20)	
Audit fees	27	52	26	10	(16)		21	(31)	
Legal & professional fees	188	188	94	90	(3)		181	(7)	
LCC recharges	446	446	223	227	3		453	7	
Bank charges	6	6	3	2	(2)		3	(3)	
Total oversight and governance expenses	1,439	1,487	744	417	(326)		1,171	(316)	
TOTAL EXPENDITURE	336,814	349,464	174,833	165,596	(9,236)		341,992	(7,472)	
MONEY AVAILABLE FOR INVESTMENT BEFORE REALISED AND UNREALISED PROFITS AND LOSSES ON INVESTMENTS	(54,608)	(58,785)	(29,292)	(40,182)	(10,890)		(1,135)	57,650	

NOTES

1 - The budgeted contribution income from employers includes the recognition of the 18/19 element of future service rate and deficit contributions received in advance from a number of Fund employers. After the budget was agreed and on the basis of the opinion of the Fund's external auditors Grant Thornton, an adjustment was made to the statutory accounts of the Fund to recognise all advance contributions in the Fund account for 2017/18. This results in a significant favourable variance against budget for 2017/18 and an adverse variance of approximately £90m in the current year.

2 - Of the £23.6m favourable variance in investment income, £23.4m is attributable to pooled investments. Favourable income variances against fixed income investments (£1.4m), foreign exchange (£1.4m) and other investment income (£0.8m) mitigate for the year to date shortfall in property rental income (£3.4m). The budget for income from pooled investments did not assume any % increase on the prior year and represents the sum of income from investment assets in 2017/18, excluding directly held property income. Pooled investment income includes dividends received into the global equities pool which are reinvested.

3 - Over accrual of March LPP admin costs has resulted in a credit in 18/19. Assumption is that this will be a favourable variance over the year.

4 - Withholding tax of £1.9m YTD has been suffered on the LPPI PE pool and also on infrastructure and credit assets. The forecast for the second half of the line is in line with budget. Withholding tax was not budgeted - it is assumed that the Fund will recover this as income but there can be a significant timing difference due to the requirements of different tax jurisdictions.