Annual Report & Accounts 2019-20

LPP
Local Pensions Partnership

Developing exceptional pension services

MILLET PLACE

Developed by Linkcity in partnership with LPFA, LPPI and Grainger, Millet Place provides much needed homes for Londoners, including a mix of 154 high-quality, professionally managed rented homes and 82 affordable homes for rental or shared ownership, as well as new shops, landscaping and improved access to the Thames Barrier Park.

Income and expenditure

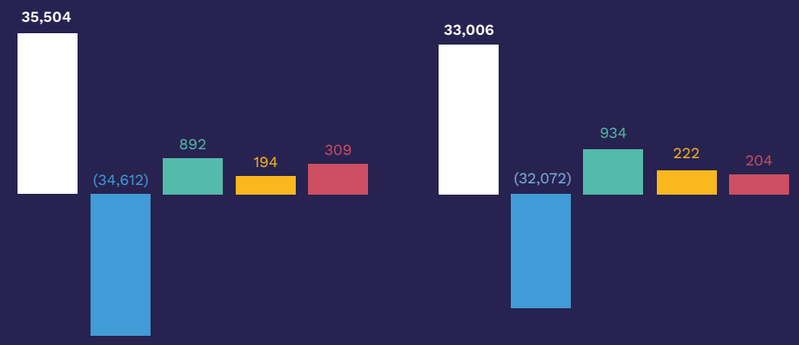
INCOME STATEMENT £'000

2019-20 Turnover

35,504

2018-19 Turnover

33,006



	2019-20 £'000	2018-19 £'000	2017-18 £'000
Turnover	**35,504**	33,006	26,140
Administrative expenses	**(34,612)**	(32,072)	(27,906)
Operating profit/(loss)	**892**	934	(1,766)
Profit/(loss) before taxation	**194**	222	(2,492)
Profit/(loss) for the financial year	**309**	204	(2,110)

BALANCE SHEET HIGHLIGHTS £'000

Cash at bank

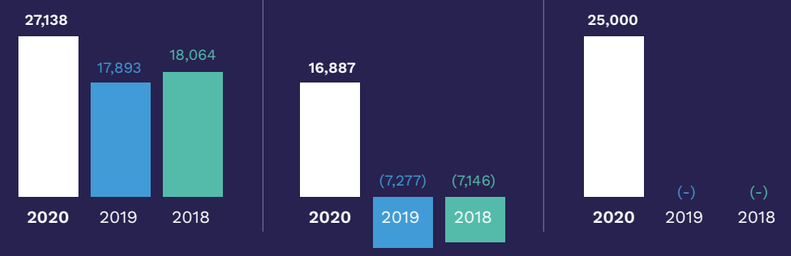
27,138

Net assets

16,887

Share capital

25,000



	2019-20 £'000	2018-19 £'000	2017-18 £'000
Cash at bank	**27,138**	17,893	18,064
Net assets	**16,887**	(7,277)	(7,146)
Share capital	**25,000**	(-)	(-)

Contents

Local Pensions Partnership (LPP) strives to be an **exceptional pension services provider.**

Formed in 2016, we are a provider of pension administration and investment services to some of the largest local government pension funds in the UK.

We launched as a collaboration between Lancashire County Council (LCC) and London Pensions Fund Authority (LPFA), ahead of the Government plan to create asset pools from the **89 funds** that make up the Local Government Pension Scheme (LGPS).

LPP in brief

LCC and LPFA took the decision to pool their assets to reduce cost and improve performance, and to widen the opportunities that come with scale. **LPP is now one of eight national Local Government pools.**

Today we manage around £17.7bn of assets on behalf of three LGPS clients including the committed capital of GLIL Infrastructure LLP (GLIL).

We also provide pension administration services for more than **600,000 LGPS, Police and Firefighters' pension scheme members across more than 1,900 employers.**

COVID-19 statement

A summary of LPP's actions and philosophy as we continue to navigate the COVID-19 pandemic.

The global COVID-19 pandemic is an unprecedented crisis for the world, requiring governments and companies to take extraordinary actions to support their people and stakeholders.

As the pandemic has escalated, LPP has successfully mitigated the impact that the virus is having on our business, our members, our employees and their families.

We moved swiftly to home working in March with almost our entire workforce working successfully from home from very early on in the pandemic. We have supported our people and operations to ensure we are as close as possible to business as usual across the company. This was achieved by a major investment in IT to support homeworking. Our approach incorporated a heavy emphasis on employee well-being with regular communications, surveys, and virtual team 'get-togethers'. This was supported by dedicated health and safety and remote working initiatives through our business continuity planning.

This support for our people and our operations, which will continue over the long term, has meant we have been able to pay all pensions to our UK and overseas pensioners and maintain good service levels to our clients. Investment performance has remained resilient and our long-standing attention to liquidity management has paid dividends, as we have been able to provide reassurance that our client pension funds remain well-positioned to meet their liabilities and take advantage of opportunities to generate the required returns.

You will see further references to our approach to the COVID-19 pandemic throughout this report.

Local Pensions Partnership:
A year in perspective

Members

609k
Number under administration

318
Total headcount

Assets under management
(as at 31 March 2020)

£17.7bn

Pension Administration performance for completed queries across all clients **98%**

Improved staff engagement scores – an increase on the Peakon Scale **↑0.9**

Investment funds with launch of Real Estate Fund **8**

Strong foundations

Business re-capitalised, swapping loan financing for equity injections from shareholders total

£25m

£35m
in revenue

Group operating surplus before tax and IAS19 pension costs

£3.77m

Successful migration of IT Data Centre

Investment performance in excess of client benchmarks for all clients during 2019

Senior Managers & Certification Regime (SMCR) implemented by LPPI

Refreshed LPP website enhancing user experience

Recognition and Accreditations

Professional Pensions UK Pensions Award 2019
Finalist - Alternative Investment Manager of the Year - GLIL Infrastructure

Pension and Investment Provider Awards 2019
Finalist - Covenant Review Provider of the Year

European Pensions Awards 2019
Finalist - Sponsor Covenant Provider of the Year

Pensions Age Awards 2020
Shortlisted for Pensions Administration Award

Pensions Age Awards 2020
Shortlisted for Sponsor Covenant of the Year Award

European Pensions Awards 2019
Winner - Manager of the Year GLIL Infrastructure

European Pensions Awards 2019
Finalist - Fiduciary Management

Signatory of:
PRI Principles for Responsible Investment

Principles for Responsible Investment
PRI is an investor initiative in partnership with UNEP Finance and the UN Global Compact

ISO 27001

ISO 27001
Awarded October 2019

THE UK STEWARDSHIP CODE 2020

The UK Stewardship Code
Aligned with the principles of the Financial Reporting Council

PART 1

STRATEGIC REPORT

A message from our Chair

LPP celebrated its fourth birthday this year. Since launch, our focus has been on establishing a new model to manage the pension services of our clients in the LGPS, fire and police pension schemes. Our services cover investment and risk management and pension administration.

Our operating environment has been encouraging:

- The stock markets have been broadly supportive, although we expect the current market volatility to continue for the foreseeable future;
- With a dynamic employment market, we have been successful in attracting and retaining high-quality people in the industry to help us deliver our aim to be an exceptional provider of pensions services; and
- Over the past year, we have successfully underpinned a stable and resilient business, sustainable over the longer term.

Normally, my report should, therefore, have been a relatively simple update on LPP's activities and operating environment. But, as we know, times are far from normal.

Our response to the pandemic

As the full extent of the COVID-19 pandemic became clear, we responded with a plan to reduce its impact on our business, our clients, and our employees.

LPP transitioned to home working early in the crisis and implemented a strategic programme of communications to ensure our people, our key partners and suppliers were kept updated and involved in our response planning. This programme has been very successful with all key services provided to clients maintained.

Building on strong ground

The past two years saw us focus on building business and operational resilience. This means we've now successfully built a solid foundation to support the next phase of our strategy, which has the full backing of our shareholders.

The new strategy is very much shareholder and client focused. It is important that we continue to deliver the savings, value and opportunities achieved from asset pooling and pension administration services.

Our new strategy also includes a focus on seeking to learn from best practice, nationally and internationally.

To help shape its 2020-25 strategy, LPP has reviewed international comparators and UK pension services providers. This has included reviewing the Canadian pension model, with its globally respected leadership in pensions scheme governance, scale, and high standards of professional in-house management.

LPP is broadly mid-way on the journey, with growing degrees of independence in our operations and thinking*.

The financial indicators

I am pleased to say that during the year we have achieved all the goals set when we were formed, two years ahead of our original five-year target.

The financial year concluded with LPP delivering a core operating profit of £3.77m (pre-tax and pre-defined benefit pension liabilities charge). LPP's success is partly evidenced by achievement of investment management savings, which derive from asset pooling, and lower fees of internal investment management. The savings are evidenced in the publicly available statement of accounts of our shareholder clients. Our current savings run rate of £18m per annum is a good indicator of our progress.

Finally, I am pleased that Chris Rule has taken up the position of LPP and Local Pensions Partnership Investments Ltd (LPPI) CEO. Chris was previously Managing Director and CIO of LPPI, before moving into the interim CEO position. His investment and business knowledge continues to prove an invaluable asset. Chris has a strong strategic vision for LPP, and I am looking forward to working with him to bring this to life.

We are committed to our purpose to deliver exceptional pension services and, with the support of our excellent people and shareholders, I am looking forward to moving into this new phase of our journey.

"Since launch, our focus has been on establishing a new model to manage the pension services of our clients."

MICHAEL O'HIGGINS
Chair

*Find more details **here.**

A message from our Chief Executive

I am delighted with the progress we have made since forming LPP. Over the past year this progress culminated with the early completion of our original five-year objectives, the recapitalisation of the company and the development of a new strategic plan which sets out the direction for the business to 2025. See later sections for more information on these and a review of our investment and pension administration businesses.

Our new strategy

Developed last year and launched in April 2020, our new strategy builds on the achievements to date, with an aim to further strengthen our business for the long term. It will see LPP learning from best practice elsewhere, broadening investment capabilities and being well positioned to ensure we are prepared for future industry developments across the investment and administration sectors. I am very much aware of the energy, agility and resilience required to compete in a fast-moving industry. The LPP Strategic Plan 2020-25 can be viewed **here**.

New structure

To support our continued development, we have initiated a restructure of the LPP Group – establishing our pension administration division as a subsidiary business, Local Pensions Partnership Administration Ltd (LPPA), alongside our existing investment management company, LPPI.

Our shareholders injected £25m of additional capital into LPP during 2019-20. This positions the business on a strong and resilient financial footing – ready to mature beyond our start-up phase with our new five-year plan.

New technologies

A significant investment in technology was made this year to enhance the resilience of our operations:

- LPPI invested in the Portfolio Management System (PMS) operated by Broadridge, which provides our investment business with the consolidated and timely portfolio information required for us to continue to build our internal investment management capabilities; and
- We have migrated our on-site servers to hosted data centres. This move provides LPP with greater IT resilience and aligns to our new IT Strategy.

Our performance

Our performance across both pension administration and investment management has been strong. The temporary challenges with service delivery within our pension administration service are now behind us. We are delivering against hard service level indicators augmented by much more granular information on the quality of our client services and satisfaction levels are good. We will continue to give this the right focus, as we seek to enhance the client experience.

Our investment performance has continued to exceed client targets over 2019. The first three months of 2020 was a challenging time for the capital markets. The largest allocation in each of our client's portfolios is their equity allocation (circa 40%). Our philosophy of investing within high quality companies that exhibit a competitive edge meant that each of our client's equity allocations outperformed its benchmark over the first quarter of 2020.

Meaningful value add was achieved in some of our larger portfolios, such as global equities, where the LPPI fund is significantly ahead of its benchmark. We have also made good progress developing the investment platform with the launch of our final pooling vehicle (real estate assets), and selective additions to the investment, risk and operations teams.

Stewardship

I am also delighted with the continued development of our stewardship and Responsible Investment (RI) activity – this is an area in which we have invested heavily in recent years with many examples of good practice. Going forward we will be seeking to take a more explicit leadership role, consistent with the theme of collaboration and partnership which runs throughout our five-year plan, as we seek to work with industry peers to develop the toolkit all investors are looking for from a forward-looking and sustainable business.

"Our new strategy... builds on the achievements to date, with an aim to further strengthen our business for the long term."

CHRIS RULE
Chief Executive Officer

Conclusion

None of our achievements over the past year would have been possible without the dedicated support of our people, who have worked tirelessly and collaboratively to support our clients and to build a business that is fit to take on the challenges of the future. I believe a diverse, inclusive and collaborative culture, with professional conduct, is central to the success of any business. It is reassuring to experience the combination of skill, diligence and professionalism among all our colleagues.

As covered earlier, COVID-19 has created fresh challenges for our people, our clients, and, of course, for everyone around the world. Our employee engagement scores have, nonetheless, continued to improve, and our most recent 'pulse checks' suggest employees feel supported and protected during the transition to home working in response to the pandemic.

We continue to monitor the physical and mental well-being of our staff and we have introduced additional flexible working solutions to meet their needs. At present, there is no indication that the current pandemic-related changes to working practices, nor market events, are inhibiting our ability to manage our business, service our clients and meet our objectives.

To conclude, I am pleased to have engaged our stakeholders in the launch of our new five-year strategy. I am now looking forward to working with shareholders, clients and colleagues to achieve our ambitious goals.

Section 172(1) Statement 2020

LPP is required to publish a statement setting out key decisions that have been taken during the year and how the Directors, in making those decisions, have discharged their duty to promote the success of the Company.

LPP's Board and committee papers that require decisions to be made, now include a statement on how the decision will assist the Directors in the discharge of their obligations under section 172 of the Companies Act 2006. This requirement for all key papers assists both the directors in their decision making and in embedding the consideration of Section 172 in the culture of the business and in its decision making at senior management level, where papers are written. Additionally, all Board and committee papers require authors to consider corporate social responsibility, which would include any impact on the community and/or the environment.

Directors are mindful of the impact on stakeholders when making decisions. The Group considers its stakeholders to be: its two shareholders; staff; investments and pension administration clients; the members and employers of those clients, where relevant; suppliers of key services and goods to the LPP Group, such as software; regulatory bodies; and the Government.

LPP is committed to maintaining a reputation for high standards of business conduct and does so with its commitment to good standards of corporate governance as described in the corporate governance statement and in its application of the Wates principles. See page 56 for more details.

The key decisions taken during 2019-20 are outlined on page 21 and are important steps in the long-term success of the company. The table describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006 to promote the success of the company when making key decisions.

More generally, LPP seeks to build positive relationships with suppliers by ensuring it acts as a responsible client. This means effective procurement, engagement and operating without payment delays (via purchase orders).

Launch of the new strategy

This was a key decision, since it confirms the strategic direction for the business to 2025, and was the result of several months of discussions with shareholders.

Shareholders - Shareholder feedback was sought as part of the launch of the new strategy. The launch of a new strategy is a shareholder reserved matter under LPP's constitution.

Clients - The strategy is very client focused – our metrics demonstrating delivery of the strategy are also aligned to client needs and expectations.

Staff - One of LPP's strategic goals relates to making LPP an "exciting, forward thinking and collaborative place to work". This reflects the importance of *how* our actions are delivered and the culture we foster.

A further aspect of the new strategy was that staff would be moving into either LPPI or LPPA and that corporate services would be dedicated to one of the subsidiaries. Staff representatives were consulted as part of the project.

Recapitalisation of the Company

LPP was formed prior to the introduction of the updated LGPS Investment Regulations and was originally debt financed.

The changes in regulation permitted our shareholder LGPS funds to invest equity in a collective vehicle and therefore we worked with shareholders to repay the historic loan monies and re-finance the business using shareholder equity of £25m plus new loan facilities.

LPP now has a far more resilient balance sheet providing comfort for all stakeholders.

Launch of the Real Estate Fund

Launching the Real Estate Fund provides clients with an opportunity to pool their real estate investments under a new Authorised Contractual Scheme. In launching the fund, the LPPI Board delegated the decision to the Funds Launch Committee which considered:

- Product governance; is a new ACS the most appropriate structure to have in place?
- Legal documentation and key terms

This resulted in the Fund being launched over two phased closes, with each investment management client being deemed suitable to invest in the fund.

Investment in IT and approval of the new IT Strategy

This was a decision taken by the Chief Risk Officer, but with the budgetary support agreed by the LPP Board. Consideration was given to clients and employees in making the decision.

The IT Strategy is a multi-year investment to update LPP's infrastructure, hardware and software. Clients will benefit from improved IT resilience and cyber security environment.

Strategic Plan 2020-25

LPP'S PURPOSE

To be an exceptional provider of pension services

LPP'S STRATEGY

LPP has entered the next phase of its development having completed four years of rapid growth, the latter half of which included a focus on consolidation and improving operational resilience.

OUR BUSINESS MODEL AND ETHOS

LPP operates with a partnership and an asset owner ethos. This means that success is measured by achieving the performance and service delivery objectives of its pension fund clients. This allows the business to focus on long-term delivery and differentiates us from those focused on short-term success. The business is helping each investment client to meet their liabilities and each administration client to serve their members and employers with whom we engage.

The Strategic Plan can be summarised in three key objectives:

Prioritise self-sufficiency and stability

Deliver excellent investment performance in excess of LPPI's targets and benchmarks

Focus on improving the member and employer experience

The three key objectives of the strategic plan are reflected in a broader range of strategic goals and objectives.

Pension administration

2019-20 Performance

LPP had a strategic target for 2019-20 to achieve our performance objectives of the pension administration business following a period of significant change.

From October onwards, all client Service Level Agreements (SLAs) were met, following significant improvements in performance. Our operational resilience was further tested in March 2020 by the COVID-19 pandemic. Despite the disruption of the pandemic, administration performance consistently outperformed agreed service levels, with no interruptions to payment of all pensions to our UK and overseas pensioners.

Our pension administration business is a stable business, delivering on all its client service agreements.

In June 2020, the business was re-established as a separate legal entity, LPPA. This included aligning corporate services staff to LPPA to achieve greater focus and dedication to the pension administration business.

There is a significant opportunity to harness technology in LPPA to transform the business. In June 2020, we deployed a new telephony solution across our contact centre operations for the benefit of the members and employers of our clients and we are reviewing, and developing, our overall IT roadmap.

Pension cases completed p/m

17,000+

Performance against pensions casework SLAs

98%

Pension benefits paid each month

c£100m

Average calls into our Helpdesk every day

500

Average Helpdesk call wait time of

<2mins

High quality service provision and customer excellence

Pension administration cont.

Call centre satisfaction
97%

Email satisfaction
80%

Retirement survey
82%

Key areas of focus

The focus under the new strategy is to consider how the member and employer experiences can be further enhanced and to develop more measurable SLAs in partnership with our clients.

Our key areas of focus for 2020-21 in summary:

- **Full transition** of former corporate services into LPPA
- **Investment in technology**, including a review of the core pension administration system
- Leverage our investment in **contact centre functionality**, including speech analytics and webchat
- Investment in **our people and culture,** with a focus on employee engagement and well-being (see People and Culture page 34)
- Focus on improved **member and employer experiences** and communications
- **Improving The Pensions Regulator (TPR)** common and conditional data scores for our clients.

TRANSITION

TECH

CONTACT

PEOPLE

EXPERIENCE

IMPROVED TPR

Investment management

LPPI manages £17.7bn of assets on behalf of three LGPS clients plus GLIL Infrastructure LLP (GLIL). GLIL is an Alternative Investment Fund with more than £1.8bn of committed capital, supported by Local Pensions Partnership and Northern LGPS. LPPI is the Alternative Investment Fund Manager (AIFM) for GLIL.

The financial benefits resulting from our approach are shown in the statutory accounts of our clients, in the form of reduced costs of running the pension funds. This is achieved by consolidating third-party fund managers, increasing allocations to internal management and through broader economies of scale.

Investment management within our partners' strategic asset allocation and risk parameters

We work closely with our partner pension funds to provide advice as they set their strategic asset allocation and risk parameters. Ours is a partnership approach, with the implementation of their strategy delegated to LPPI to manage.

Client funds are allocated to one of our investment pooling vehicles which are usually multi-manager vehicles, some of which include internal management, while others will be fully allocated to external managers.

Enhanced focus on Responsible Investment and Stewardship

Our investment team has continued to embed Environmental, Social and Governance (ESG) factors into the core of our investment philosophy. We have also broadened and deepened our ESG analysis, when underwriting new investments and managing existing ones.

LPP is a signatory to the UN's Principles of Responsible Investment. In February, we signed a new partnership with Robeco to support engagement activity across the Global Equities portfolio, exercising active stewardship.

A **Responsible Investment report** is available **here** on the LPP website.

LPPI's investment approach

Our model is built upon three pillars:

Scale

Enables us to access a broader range of investment opportunities

Governance

Delegated, independent decision-making and governance structures enable effective investment management

In-house investment and risk management

Deep and broad in-house investment expertise across major asset classes in both public and private markets, enabling us to better understand clients' liabilities and funding needs and to develop appropriate investment strategies to meet these requirements

Our funds

LPPI operates investment pooling vehicles across eight asset classes, as outlined opposite. These are housed within two Authorised Contractual Schemes (ACS) and a number of pooling special purpose vehicles.

Details on the UK Registered investment pooling vehicles are available from Companies House: (all values are as at 31 March 2020).

LPPI's approach to joint management for clients

It is not always economical or practical to transfer clients' assets into investment pooling vehicles. In these circumstances LPPI is still able to uses its resources to manage the investments under delegated authority – it simply does so whilst the legal ownership remains with our partners. This means clients are able to benefit from 100% pooled management utilising consistent investment processes and asset class-based objectives. In addition to the funds which have been transferred into investment pooling vehicles LPPI also manages £2.9bn of legacy assets for its clients in this way.

Wider service provision

Through a partnership with Northern Pool, LPPI also provides services to GLIL Infrastructure. GLIL Infrastructure continues to seek new infrastructure investment opportunities, with its stake in Cubico Sustainable Investments being the most recent. GLIL currently has more than £1.8bn in committed capital.

New Portfolio Management System implemented

To help us achieve a fully integrated end-to-end operation, LPPI implemented its updated Portfolio Management System (PMS) – Broadridge Paladyne.

Public market assets went live on the system in December 2019, and private market assets were implemented in May 2020.

This means we have the entire portfolio represented within the system, with better data consistency, integrity and controls. Our new system brings together the front office, investment operations and compliance department, all in one place.

Further strengthening our investment teams

As part of our succession plan Richard J Tomlinson, previously Deputy CIO, has been appointed Chief Investment Officer (CIO). Richard has 20 years' experience across a wide variety of asset management roles and has been instrumental in the development and management of LPPI's investment strategy. In addition, over the reporting period, the Responsible Investment (RI) team expanded to four.

Our key areas of focus within LPPI for 2020-21 are:

- Maintaining **strong** investment performance
- Further **enhancing** our operating platform including fully embedding the Broadridge portfolio management system
- Continuing to advance our **focus** on sustainability and responsible investment
- Adapting to **new ways of working** in light of the post COVID-19 world
- Promoting a learning culture where inclusion, **diversity** and equality are core.

LPPI asset classes

LPPI Global Equities Fund

The Fund invests across global equity markets through a combination of internally managed and third-party managed investments.

LPPI Fixed Income Fund

The Fund aims to deliver long-term risk-adjusted returns, capitalising on opportunities in the global fixed income market, with a strong focus on capital preservation.

LPPI Diversifying Strategies Fund

The Fund seeks to generate a diversifying source of return distinct from global equity and bond markets.

LPPI Credit Fund

The fund seeks to gain cost-effective exposure to diverse sources of return linked to global credit markets and credit instruments.

LPPI Infrastructure Fund

The Fund seeks to gain cost-effective, diversified exposure to global infrastructure assets, predominately in the UK, Europe and North America. It invests via primary infrastructure funds, co-investments and direct ownership in infrastructure assets.

LPPI Private Equity Fund

The Fund seeks to achieve long-term investment returns by investing in companies at various stages of the growth cycle (buyout, growth capital, special situations, distressed).

LPPI Real Estate Fund

The Fund seeks to gain cost-effective, diversified exposure to real estate with a focus on income, predominately in the UK, but with up to 50% global exposure. It invests directly and via funds, joint ventures and co-investments.

LPPI Liquidity Fund

The investment objective of the sub-fund is to provide investors with income and capital preservation. The sub-fund will invest in a diverse portfolio which can include fixed income bonds, floating rate bonds, money market instruments (including bank deposits, certificates of deposit and commercial paper) and asset backed securities (such as mortgage backed securities).

Approved by the FCA in October 2016 but currently without allocated funds.

Further information on our funds can be found here on the LPP website, Investment Management section.

Active ownership in action

Focus on Loimua

In practice

What is active ownership?

Active ownership means we actively exercise our rights as a shareholder. This is particularly relevant within private companies in asset classes such as infrastructure. Here we are able to use our position on the board to select, support and direct the executive team in the delivery of the business plan. We are similarly committed to active ownership within the board – here the implementation tool is more commonly via collaborative efforts and engagement given we would typically own a smaller proportion of these companies and do not sit on the investee company board.

What types of business?

LPPI has taken direct stakes, on behalf of clients, in a number of different businesses in sectors such as utilities, energy generation and social infrastructure, which can be broadly defined as the construction and maintenance of facilities that support social services. Types of social infrastructure include healthcare (hospitals), education (schools and universities), public facilities (community housing) and transportation (railways and roads).

Where?

Currently LPPI's direct investments are focused on managing assets primarily in the UK and Europe. The investment team conducts a careful process of selecting sectors and businesses, and management teams, that will fit our investment criteria. LPPI's most recent direct acquisition during 2019 was Loimua in Finland, to complement assets held already in the UK, Spain and Portugal.

Context

Infrastructure assets tend to have a long investment horizon, normally 15 years or more, which is part of their attraction. However, this means that selecting partner shareholders with whom LPPI can work effectively is a critical part of the investment decision. This is in addition to the process of selecting appropriate companies, assessing the risk versus return and pursuing opportunities in a highly competitive environment.

Loimua Case Study

Loimua is the ninth largest district heating company in Finland, purchased by LPPI in July 2019. The company owns and operates 16 district heating networks across Finland with a total network length of roughly 500km, operating in 10 municipalities and serving approximately 85,000 end-customers. LPPI acquired a 25% shareholding alongside two other institutional investors.

Primary benefits derived from coordinated asset management responses were:

LPPI partnered with other investors with similar investment objectives – this left our consortium well positioned to win a highly contested auction for Loimua.

The investment team was active with our joint owners – an early refinancing of Loimua with long-term funding allowing for capital expenditure to support the transition to local biomass fuels, reducing reliance on fossil fuels and peat for heat and power generation.

The LPPI investment team who performed diligence on Loimua moved into the asset management role, scrutinising the division of Loimua from the larger Elenia Oy group; this was achieved successfully on time and within budget.

Regular engagement with the Loimua executive team, where LPPI has been acting jointly with our ownership group, has provided support and guidance across new strategy and financial reporting objectives; the Loimua executive team have been becoming more accustomed to active shareholder engagement despite having been a smaller part of a utility before the sale to new owners; we expect further improvements to emerge from the business plan as a result of our focus and support.

Our people and culture

One of our strategic goals is to make LPP an "exciting, forward-thinking and collaborative place to work".

"Everything we've achieved over the past year would not have been possible without the huge support of our people, who have worked tirelessly and collaboratively to support our clients and to build a business that is fit to take on the challenges of the future."

CHRIS RULE, CEO.

Our people

One of our strategic goals is to make LPP an "exciting, forward-thinking and collaborative place to work", and we therefore have a strong focus on creating a great employee experience, which promotes the importance of collaboration and commitment.

Our values

At LPP, our values play a fundamental role in guiding our behaviour as we develop a sustainable pensions services business, while sharing the benefits with clients. Our values underpin the culture and promote a collaborative approach and are embedded in our people processes and procedures to encourage further innovation.

1. **Working together**
2. **Committed to excellence**
3. **Doing the right thing**
4. **Forward thinking**

Our purpose

While our values are not differentiators in themselves, when combined with our purpose to be 'an exceptional provider of pension services', they help us build trust and expertise, as we develop relationships and teamwork, internally and externally.

Nurturing our talent

We are committed to providing the right conditions for all our people to thrive so they can deliver the best possible service to our clients. We continue to develop our talent management and succession planning to sit at the heart of our business model, with successes already seen as several key appointments have been made through internal promotions over the past year.

Resourcing

We're always looking for people who share our values and understand the importance of great customer service. In return, we offer an environment of respect and support, enabling everyone to succeed. We believe if our people are happy, we will deliver excellent service to our clients and their members.

This year, we have welcomed a number of new colleagues who believe in our ethos and business model of offering an integrated and comprehensive service which meets all LGPS pension needs, while reducing cost and improving value. We have rewarded our colleagues who refer successful candidates to LPP through our refer a friend scheme and been very pleased with the success of the scheme this year.

Working for LPP and its businesses

Why I like working at LPP – our employee stories can be found **here**.

Our people and culture cont.

We're committed to ensuring everyone feels valued and respected. Our aim is to nurture and promote an inclusive environment where everyone can succeed.

Employee engagement

Our employee engagement scores have continued to improve, with 81% of employees taking the time to complete the most recent regular engagement survey and provide their commentary. We see engagement as a key indicator of our ability to provide a high-quality service to our clients.

Diversity and inclusion

We're committed to ensuring everyone feels valued and respected. Our aim is to nurture and promote an inclusive environment where everyone can succeed.

As an organisation, we have a responsibility to ensure that no person is treated differently because of their skin, race, age, religion, gender or sexual orientation*. Racism has no place in our society nor our workplace. The protests around the world in the summer have encouraged us to review our belief that we are an equal opportunities employer in all respects. More can always be done and we are committed to taking all necessary steps to create and maintain a culture that is welcoming for all and values diversity, which will be fundamental to successful delivery of our strategic aspirations.

We value our people and are committed to making LPP a great place to work. At the heart of this is always acting with integrity and a commitment to bring the LPP values to life, in everything that we do.

Our People Priorities

1. Empowered, supportive, diverse and inclusive culture – consistently communicate the behaviours we expect from our people and our leaders, which are reinforced across our people policies and processes

2. Competitive reward offering – deliver a reward framework that is appropriately positioned against industry benchmarks and drives high performance, together with a range of benefits that allow choice

3. Simple and clear development pathways – implement a multi-channel approach to deliver the right role and leadership capabilities for our two distinct businesses

How do we engage with our people?

Staff members are represented by a Staff Committee and Staff Representatives. Engagement takes place quarterly through the Staff Committee. This is supplemented by an annual staff survey together with exception-based surveys, such as during the current COVID-19 crisis. Our Business Continuity Plan approach to COVID-19 included three additional surveys plus frequent communications to gain feedback on equipment needs to enable remote working and assess mental and physical well-being. The LPP response has been very positively received by our staff.

Wider stakeholder engagement is outlined in LPP's response to the Wates Principles, which are available in summary on page 56 and in detail **here**.

We have agreed a draft Statement of Intent/ Environmental Policy. This includes an intention to monitor LPP's carbon footprint and will be implemented when LPP's staff can return to our offices.

*or any other protected characteristics

Principal risks

Within the LPP Group, the risk management framework can be described as:

'A process which helps the business strike an acceptable balance between risk taking and the activities it undertakes in pursuit of its business objectives.'

Risk resilience

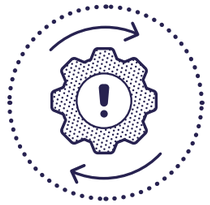
In line with a key business objective of increasing operational resilience, our risk management function continues to develop its resilience and maturity as a second line of defence, providing stakeholders with assurance that our business is well managed. Additional resources have been recruited focusing on investment risk management. New systems have enhanced our ability to manage operational risk across the Group. Cyber and operational risks will continue to be a focus.

The risk management function of LPP has been the beneficiary of new external talent. We have used these hiring opportunities to revisit the risk framework and methodology; the risk management process document of LPPI was refreshed in its entirety and approved by the Board of Directors of LPPI. As part of the team's strategy of monitoring our risk profile, we have procured new risk and controls software that will allow the LPP Group to host its risk appetite frameworks, policies, procedures and key controls in a single place.

A key focus for the team is further collaborative working with the investment team at LPPI. This provides the investment team with proactive and thoughtful investment risk analysis, as well as being a constructive source of challenge, as part of the oversight requirements which are expected by the Financial Conduct Authority (FCA). The Risk Team provides oversight and support to the internal audit function of LPP, which is outsourced to Deloitte LLP. We will continue to focus on taking a risk-based approach to our audit plan that is supportive of the strategic plan of LPP.

LPP's risk framework aims to:

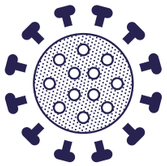
Establish and operate an effective risk management/ internal control environment including risk identification, assessment, monitoring and the development of actions arising.



Establish and operate a regular programme of Group-wide risk analysis, stress testing, scenario development, thematic review and reverse stress testing.

Integrate risk management into the culture of the Group.

Principal risks cont.



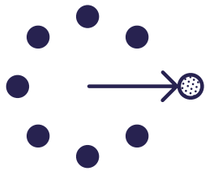
Impact of COVID-19

At the start of the COVID-19 crisis, LPP's Business Continuity Plan (BCP) was invoked, including an early move to remote working. This was a relatively smooth process. As part of the move to remote working, our pension administration contact centre initially focused on urgent enquiries but quickly moved to full operational capability. Service levels were generally maintained. The primary risks attributed to the COVID-19 outbreak are:

- While market moves to date have not had any material impact on income to LPPI, the potential impact exists since LPPI's income is based on assets under management
- Disruption to contact centre activities
- Impact on staff well-being – both physical and mental
- Impact on the cyber security and data protection obligations.

The impact of these risks was mitigated by the establishment of a BCP team which ensured staff received appropriate support and technology to continue working. Staff have responded excellently.

Income levels are being monitored but the recent capitalisation of the business means that LPP's financial position is healthy. A new contact centre telephony solution has been introduced to further improve services.



Brexit

LPP continues to monitor the Brexit timetable. Operationally, we expect there to be a low impact to our business, given we operate only in the UK and provide services to UK resident organisations.

We have worked closely with our key suppliers, some of whom are based outside the UK, to assess whether any contractual arrangements will be negatively impacted. We are satisfied that no significant issues are likely. It is possible that Brexit may cause volatility in investment asset prices and that this may impact the portfolios that LPPI manages.

Our portfolios are well diversified in terms of different asset classes and geographical exposures. We manage with a long-term investment horizon; any short-term volatility is not expected to have a significant impact on our clients and on our business model.

Chris Rule
Chief Executive Officer
7 October 2020

PART 2

CORPORATE GOVERNANCE

Corporate Governance Statement

'These are times of change and uncertainty when it is more important than ever for businesses to be mindful of their stakeholders when making key business decisions.'

As has been noted earlier in this report, these are times of change and uncertainty for us all, when it is more important than ever for businesses to be mindful of their stakeholders when making key business decisions. New external reporting requirements in the form of Section 172 Statements and LPP's own internal governance revisions, referred to below, will continue to strengthen engagement with stakeholders and further enhance accountability. LPP's engagement with shareholders continues to work well with informal meetings sitting alongside formal quarterly meetings, in addition to the AGM. As well as shareholder engagement, a programme of client engagement is in place for all pension administration and investment management clients.

The LPP Board is responsible to its shareholders for the overall direction, supervision and management of LPP and its subsidiaries (the Group) to ensure its success. It determines the Group's strategic direction and objectives, its viability and governance structure. The Board has approved LPP's new five-year strategy for the business (2020-2025) which has been agreed by the shareholders. The Group has been restructured to allow greater emphasis on independent management at subsidiary level with strategic oversight from LPP as the holding company.

As part of this restructure, the pension administration business transferred to the subsidiary company, LPPA. This structure allows both LPPI and LPPA to focus better on their specific opportunities and means greater differentiation of the Board and leadership structures of LPPI and LPPA.

The LPP Board operates in accordance with its Articles of Association, Terms of Reference and matters reserved as laid down by the Shareholders Agreement, along with its obligations under the Companies Act and other public law obligations. As part of the restructure the committee structure has been reviewed. This has resulted in the LPP Audit Committee and the LPPI Risk Committee merging to form a new joint Audit and Risk Committee under the LPPI Board. This new committee will monitor risks, internal controls, compliance arrangements, the provision of internal and external audit services and perform its duties in relation to financial reporting obligations and governance arrangements. It will also monitor the embedding of SMCR requirements into business as usual.

The existing Audit Committee has collaborated with Executive teams during 2019-20 to enhance internal audit monitoring and management and has developed clarity over the framework for the approval of statement of accounts throughout our Group structure and associated investment pooling vehicles.

The Committee has played a key role in ensuring that there is appropriate challenge to the Group's risk management and internal control framework and received regular governance, compliance, risk and internal and external audit reports to assist in this duty. It has also provided assurance to the LPP Board on the robustness of these systems, via a report following each of its meetings, and has played an important role in IT and cyber security risk management during the year.

The Audit Committee has been focused on Group-wide risk management whereas the LPPI Risk Committee has specifically considered risks pertinent to LPP's investment subsidiary and the associated investment funds. The two committees have worked closely, particularly over the implementation of Group-wide risk policies and, as mentioned above, in the new structure the two committees will combine.

During the year, the Board approved a widening of the Remuneration and Nomination Committee's remit to include consideration of organisational culture, staff engagement and well-being, demonstrating a clear commitment to everyone working across the Group. With the restructure, the remit of the Committee will widen to include LPPA. The Committee will also be focused on succession planning across the Group, with particular consideration given to talent management for executive and senior management roles. This will ensure we are in a strong position for future leadership and diversity enhancements.

For this reporting year, there are some new requirements in governance reporting which bring an enhancement to the annual report. The Companies (Miscellaneous Reporting) Regulations 2018 require the strategic report to include a statement which describes how the directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 when performing their duty under section 172. Section 172 is the Duty to promote the success of the company and is addressed as a specific consideration in relevant papers submitted to the LPP Group's boards or committees. This new reporting can be found in the strategic report on page 22 and is a development we very much welcome.

The new regulations, referred to in the previous paragraph, also require all companies of a significant size to disclose their corporate governance arrangements and for those companies for which existing codes did not apply, the Wates Corporate Governance Principles for large private companies were published in December 2018. While LPP does not meet the threshold for required reporting, the Board is committed to the appropriate standards of corporate governance and has made the decision to adopt these Principles and report on them. A high-level summary of the application of these Principles can be found in the Directors' Report on page 54 while the full detail is provided on the LPP website **here**.

The Board and I are pleased to report on the positive developments in the reporting year and are confident that the new Strategic Plan, together with the Group restructure and other enhancements, will see the Group continue with its development of exceptional pensions services in the coming year.

Michael O'Higgins
Chair
7 October 2020

Board of Directors

During 2019-20 the LPP Board comprised an independent Chair, three Executive Directors, five independent Non-executive Directors (NEDs) (one of whom was the Senior Independent Director) and two Shareholder NEDs. Each of LPP's two shareholders appoints a Shareholder NED to the Board.

In line with the Group restructure highlighted in the Corporate Governance Statement, from September 2020 the LPP Board has been reduced to an independent Chair, two Executive Directors, two Shareholder NEDs and the Chairs of LPPI and LPPA. Some current Group NEDs have moved to sit on the Boards of the subsidiaries, this is detailed on page 51.

All statutory directors in the Group are subject to annual re-appointment* by the shareholders at the Annual General Meeting (AGM).

All NEDs are appointed on a three to four-year initial term and undertake a formal induction programme on appointment. This programme is kept under review to ensure that it reflects current regulations and is aligned with the business's strategic objectives. A training schedule is organised to ensure these skills and knowledge remain current.

Board and Committee Memberships

(until September 2020)	(September 2020)
B LPP Board	B LPP Board
A LPP Audit Committee	B LPPA Board
R LPP and LPPI Remuneration and Nomination Committee	R LPP Group Remuneration and Nomination Committee
B LPPI Board	B LPPI Board
Rc LPPI Risk Committee	R LPPI Audit and Risk Committee

*Except for the Shareholder appointed A and B directors

The following served on the LPP Board during the financial year 2019-20. The key to Board and Committee memberships clarifies what these were during the reporting year and what they are from September 2020.

Michael O'Higgins
Chair of LPP Board

B B R B R

Sally Bridgeland
Non-Executive Director

B B B R B

Sarah Laessig
Non-Executive Director

B A B R

Jill Mackenzie
Non-Executive Director

B R B R

Dermot 'Skip' McMullan
Shareholder Non-Executive Director (LPFA)

B R B R

Tom Richardson
Executive Director,
Chief Operating Officer

B B Rc B

Sir Peter Rogers
Senior Independent Director

B A B B

Chris Rule
Executive Director,
Chief Executive Officer

B B B B B

Alan Schofield
Shareholder Non - Executive Director (LCC)

B R B R B

Adrian Taylor
Executive Director,
Chief Financial Officer

B B B

Robert Vandersluis
Non-Executive Director

B B Rc B R

Biographies for all directors are available on the LPP website **here.**

Directorships in the Group (as at 31 March 2020)

LPP (11 Directors)	LPPI (6 Directors)	LPPA (3 Directors)
Michael O'Higgins (Chair)	**Sally Bridgeland** (Chair)	**Sir Peter Rogers** (Chair)
Sally Bridgeland (NED)	**Michael O'Higgins** (NED)	**Jo Darbyshire** (MD)
Sarah Laessig (NED)	**Tom Richardson** (CRO)	**Greg Smith**
Jill Mackenzie (NED)	**Chris Rule** (CEO)	
Dermot 'Skip' McMullan (Shareholder NED)	**Martin Tully** (NED)	
Tom Richardson (CRO)	**Robert Vandersluis** (NED)	
Sir Peter Rogers (SID)		
Chris Rule (CEO)		
Alan Schofield (Shareholder NED)		
Adrian Taylor (CFO)		
Robert Vandersluis (NED)		

Directorships in the Group (September 2020)

LPP (7 Directors)	LPPI (8 Directors)	LPPA (6 Directors)
Michael O'Higgins (Chair)	**Sally Bridgeland** (Chair)	**Sir Peter Rogers** (Chair)
Sally Bridgeland (NED)	**Sarah Laessig** (NED)	**Robert Branagh***
Dermot 'Skip' McMullan (Shareholder NED)	**Tom Richardson** (COO)	**Jo Darbyshire** (MD)
Sir Peter Rogers (SID)	**Chris Rule** (CEO)	**Jill Mackenzie** (NED)
Chris Rule (CEO)	**Adrian Taylor** (CFO)	**Chris Rule** (Group CEO)
Alan Schofield (Shareholder NED)	**Richard J Tomlinson** (CIO)	**Alan Schofield***
Adrian Taylor (CFO)	**Martin Tully** (NED)	
	Robert Vandersluis (NED)	

*(shareholder nominated representative NEDs)

How the Board operates

The Board met five times during the reporting year and held two strategic away days. Each meeting discussed a number of items aligned to the strategic priorities and the agreed forward plan of business. Board meetings are well attended with only one director missing one meeting in the reporting year.

Activity during the year

During the year the Board was focused on reviewing the strategy, structure and governance of the Group to ensure it was fit for purpose going forwards.

Activity during the year included:

- Development of the Group strategic five-year plan
- Capital restructuring
- Increasing the remit of the Remuneration and Nomination Committee to include consideration of organisation culture, staff engagement and well-being
- Approval of the budget for the IT strategy and review of cyber security
- Review of core financial controls
- Approval of LPP's revised Articles of Association
- Consideration of the different Governance Codes and agreement to adopt the Wates Principles on Corporate Governance for large private companies
- Refresher briefing on Directors' Duties from the Companies Act
- Enhancing shareholder engagement.

Board and Committee evaluation

During the year, the Board continued to embed the recommendations from the Board Effectiveness Review carried out in 2018 and reviewed the effectiveness of its committees. The impact of the review into committee effectiveness included the agreement to create an Audit and Risk Committee under LPPI with effect from September 2020. There is an intention to carry out another Board evaluation in 2020-21, although this may focus on subsidiary Boards under the new structure.

Diversity

The Group Board at 31 March 2020 was 27% female. Further development is required on the diversity agenda which the LPP Group Remuneration and Nomination Committee will consider during the coming year.

Outlook for 2020-21

The Board will work with management and the subsidiary Boards to ensure the successful transition to the new structure. A key part of this transition will be ensuring appropriate governance arrangements are in place, including clarity on delegations of authority and appropriate review of key documents such as the Articles of Association for LPP, LPPI and LPPA. Non-Executive Director succession planning will also feature on the agenda.

Remuneration reporting

LPP remains committed to openly reporting the total remuneration of the LPP Group Board directors, key management personnel and highly paid employees (who are typically the investment managers). The remuneration disclosure goes beyond what legislation requires and reflects our commitment to transparency. The table below shows total remuneration (base salary plus incentives plus pension or cash alternative) of 'high earners' (employees earning >£100,000), including key management personnel.

Range	No. of Employees
£100,001 - £150,000	15
£150,001 - £200,000	6
£200,001 - £250,000	5
£250,001 - £300,000	4
£300,001 - £350,000	0
£350,001 - £400,000	0
£400,001 - £450,000	1
	31

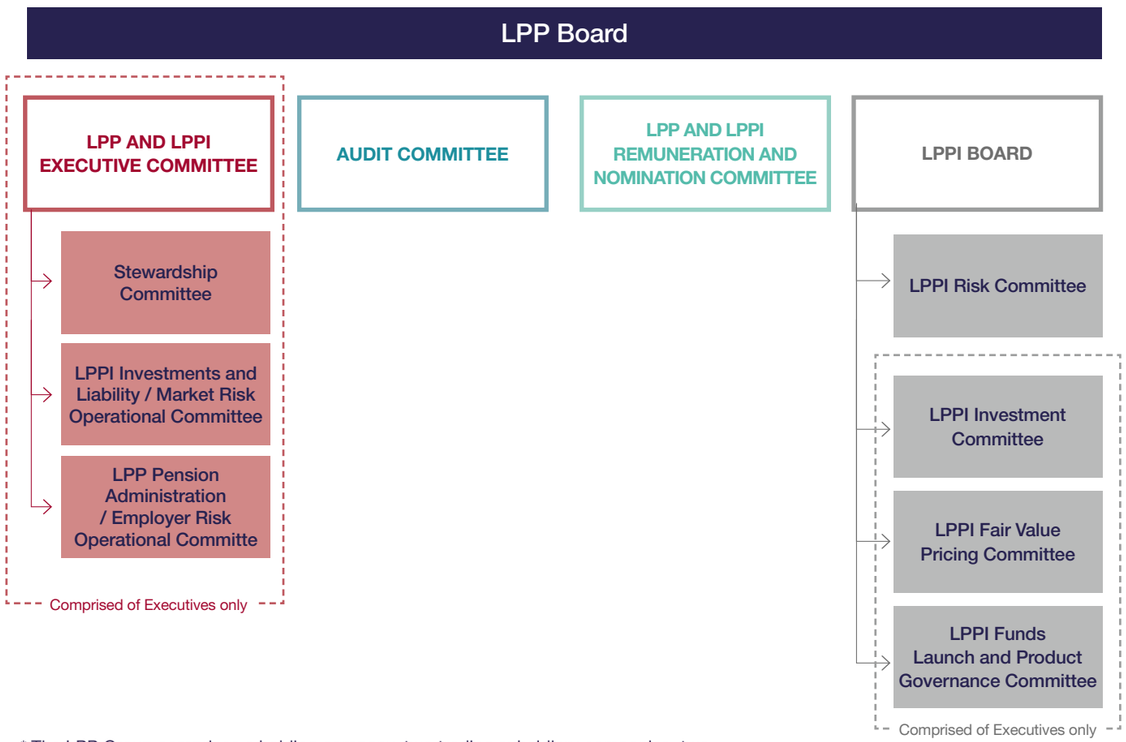
Board and committee structure

The LPP Group comprises a holding company and two subsidiary companies*: one providing pensions investment management and the other providing pensions administration services.

LPP's corporate structure has been revised as part of the Group restructure. Below, two Board and Committee structure documents provide the structure first at year-end and then at the time of signing. Under the new structure the remit of the LPP Group Remuneration and Nomination Committee will expand to include LPPA relevant matters, and the LPP Audit Committee will move to combine with the LPPI Risk Committee to create a new Audit and Risk Committee as a committee of the LPPI Board.

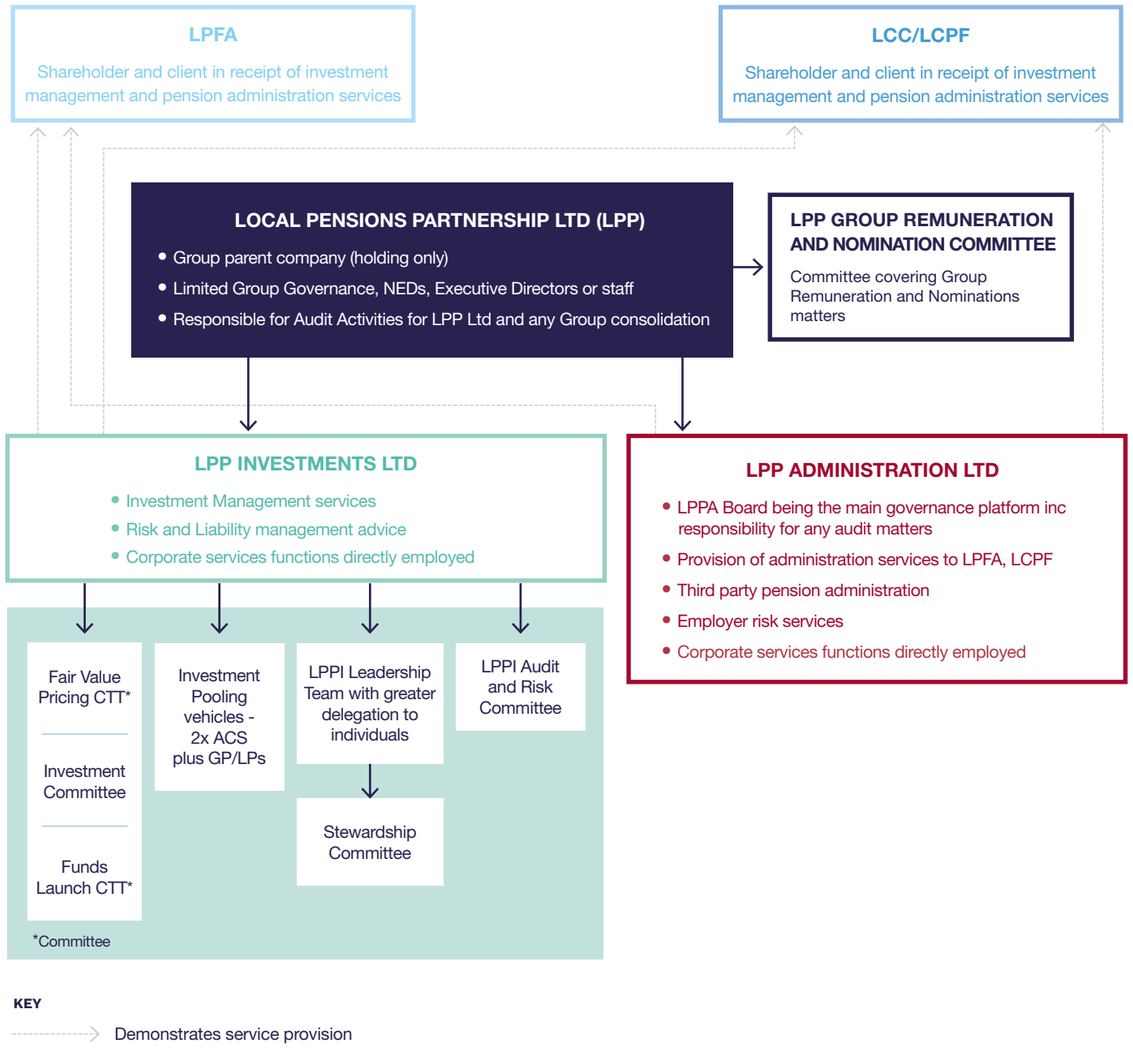
Information on the various committees can be found **here** on the LPP website.

Board and Committee structure (until September 2020)



* The LPP Group comprises a holding company, two trading subsidiary companies, two investment holding companies and a number of General partner investment entities.

Corporate Structure inc. Board and Committees (from September 2020)



LPP and LPPI Executive Committee

The Executive Committee is responsible for the strategic management of the LPP Group, with authority and responsibility for implementing the strategic plan as delegated to it by both LPP and LPPI Boards.

The chart below reflects the position during the reporting period. With effect from August 2020 the Executive Directors have been realigned to each subsidiary. The Group CEO and Director of Strategy will continue to operate at a Group level.

Jacqui Self resigned as Director of Human Resources (December 2019). Richard J Tomlinson joined the Executive Committee as Chief Investment Officer from February 2020.

LPP and LPPI Executive Committee structure

Chris Rule
Group Chief Executive

Jo Darbyshire
Managing Director, LPPA

Tom Richardson
Chief Operating Officer
(Chief Risk Officer during the report period)

Richard J Tomlinson
Chief Investment Officer

Greg Smith
Director of Strategy
(Director of Strategic Programmes & Group Company Secretary during the reporting period)

Adrian Taylor
Chief Financial Officer

Biographies of all Executive Committee members can be found on the website **here.**

Directors' report

Directors*

Michael O'Higgins

Sally Bridgeland

Sarah Laessig
(resigned on 11 September 2020)

Jill Mackenzie
(resigned on 11 September 2020)

Susan Martin
(resigned 26 April 2019)

Dermot 'Skip' McMullan

Tom Richardson
(resigned on 11 September 2020)

Sir Peter Rogers

Chris Rule
(appointed 10 June 2019)

Alan Schofield

Adrian Taylor
(appointed 10 June 2019)

Robert Vandersluis
(resigned on 11 September 2020)

The Directors present their report and financial statements for the year ended 31 March 2020.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with United Kingdom applicable law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the Directors must not approve the financial statements, unless they are satisfied they give a true and fair view of the situation of the Group, and of the profit and loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the Group keeps adequate accounting records that are sufficient to show and explain the Group's transactions; disclose with reasonable accuracy at any time the financial position of the Group; enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Corporate Governance Arrangements

LPP's Directors have agreed to the adoption of the Wates Corporate Governance Principles and although not meeting the threshold requiring the provision of a statement of corporate governance arrangements, LPP's Directors wish to report on LPP's application of these principles:

1. **Purpose and Leadership**
2. **Board Composition**
3. **Director Responsibilities**
4. **Opportunity and Risk**
5. **Remuneration**
6. **Stakeholder Relationships and Engagement**

The table on pages 56 and 57 provides a high-level summary and the full report is available on the LPP website.

Results and dividends

The result for the Group for the year is a profit after tax of **£309,000** (2019 - profit of £204,000). LPP itself made a loss after tax of **£3,252,000** (2019 - loss of £270,000).

Included in the result for the Group is an IAS19 charge of **£2,885,000** (2019 - £3,348,000).

No dividends were paid during the year (2019 - nil) and no recommendation is made to pay a final dividend.

Capital

LPP has an issued share capital of 25,000,002 ordinary shares of £1. The shareholders are: Lancashire County Council and London Pensions Fund Authority, each holds 12,500,001 fully paid ordinary shares of £1 in value. Of its 12,500,001 shares, Lancashire County Council holds 12,500,000 of these acting in its capacity as administering authority for the Lancashire County Pension Fund.

Going Concern

After making enquiries in relation to the Group and Company's forecasts and projects, and an internal review, following the UK's exit from the European Union and the COVID-19 virus outbreak in the year (discussed in more detail in Note 2 to the Accounts), the Directors are satisfied that the Group and Company has adequate resources to continue in business for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements.

Expected future developments

Expected future developments are set out in the strategic report.

Political or charitable donations

No political or charitable donations were made during the year (2019 - nil).

Research and developments

No research and development expenditure was made during the year (2019 - nil).

Financial instrument risk

The Group does not use hedging or financial risk management instruments and all cash is held within bank accounts with highly rated financial institutions.

Business relationships

Information on business relationships is provided in the Section 172(1) statement on page 20.

Employee engagement and representation

Organisational-wide changes are communicated to employees and major strategic projects are discussed with employees through a Staff Committee. During the reporting year the Staff Committee escalates matters to the Group CEO and other Executive Directors as required. LPP also held regular strategic update sessions for all employees, supplemented with informal 'Open Door' sessions where employees are encouraged to put questions to the CEO and the executive.

Further information on employee engagement is provided in the Section 172(1) statement on page 20.

Disabled employees

LPP is committed to ensuring equality of opportunity and access in both its employment and service arrangements. LPP's aim is to promote diversity within its workforce and ensure that services meet the different needs of staff and clients at all times. LPP has published an Equality Statement on its website. Of LPP Group's employees, 8% have reported some form of disability.

As a Group, the aim is to ensure fairness and equality towards all applicants through objective based recruitment practices and family friendly policies to support staff during changing circumstances, this has been particularly important during the COVID-19 challenges. This includes flexible working arrangements to support participation in religious and/or cultural events, to care for dependents or where reasonable adjustments are required to roles/working patterns to support declared disabilities.

Training methods and environments are tailored to support staff with declared disabilities including delivering the training with the support of sign language.

Post balance sheet events

Local Pensions Partnership Administration Ltd (LPPA), a member of the Group, recommenced trading on 1 June 2020. LPPA issued 3,999,999 of £1 ordinary shares, to its parent LPP, which were fully paid on 27 May 2020, in order to finance future working capital requirements.

Disclosure of information to Auditors

Each of the persons who is a director at the date of the approval of this report confirms that:

1. So far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware; and
2. The Directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

At the Annual General Meeting, held on 13 August 2019, Grant Thornton UK LLP was reappointed as auditor of the Company, in accordance with s487 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board:

Chris Rule
Chief Executive Officer
7 October 2020

* In office during the period and at the date of signing this report

Wates Principles

A detailed version of the Wates Principles can be found on the LPP website **here.**

	1. Purpose and Leadership	2. Board Composition	3. Director Responsibilities	4. Opportunity and Risk	5. Remuneration	6. Stakeholder Relationships and Engagement
DESCRIPTION	An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.	Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.	The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.	The board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.	A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.	Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.
APPLICATION	LPP operates with a clear sense of purpose and collective vision, providing investment and pensions administration services for its clients and their members with the single purpose of being an exceptional pension services provider. Five-year Strategy (2020-25) agreed. LPP has developed a set of clear values that underpin the culture, enhance a collaborative approach and are embedded in people processes and procedures.	The Boards of LPP and its subsidiaries LPPI and LPPA comprises the appropriate mix of executive and non-executive directors, chaired by an independent Chair with a clearly defined role and responsibilities. The Group Remuneration and Nomination Committee maintains oversight of board composition and succession planning, ensuring that directors provide an appropriate balance of skills and experience.	LPP Group has an appropriate and tailored governance framework in place with a strong stakeholder focus which ensures compliance with FCA regulation, helping to safeguard client assets and objectives, and seeks to promote achievement of LPP's strategy. LPP has agreed to follow the Wates Principles. Independent challenge is evidenced by Board composition including Non-Executive Directors. Certain delegations have been made to subsidiaries or committees to undertake specific duties and make decisions within agreed parameters; these are clearly defined in their terms of reference. On a quarterly basis the LPP Board receives information on the performance of all aspects of the business including HR indicators, pension administration performance, financial management and investment performance. Key financial information is prepared by the LPP's centralised finance system and by staff with the relevant independence, expertise and qualifications to ensure the integrity of this information.	The LPP Board is responsible for the Group's overall strategic direction and ensuring that risk is effectively managed in line with the Group risk management framework. The LPP Board is also responsible for reputational oversight and managing shareholder and wider stakeholder expectations. The recapitalisation of the LPP Group during 2019-20 was a key step in preserving value of Group.	A Remuneration Policy is set at group level which applies to both LPP and its subsidiaries LPPI and LPPA. The Group Remuneration and Nomination Committee critically reviews the design, detail and on-going relevance of the Remuneration Policy prior to recommendation for adoption. The Group Remuneration Policy covers all employees, including executive directors. Fixed and variable pay is determined by taking into consideration triennial benchmarking which measures LPP pay against appropriate comparator reward data. Variable pay awards are aligned to the long-term sustainable success of the company with appropriate deferrals in place.	The LPP Board has a close working relationship with its shareholders, LPFA and LCC, and there are two shareholder appointed NEDs on the LPP Board. LPP undertakes a full programme of shareholder and monthly client meetings. The Staff Committee provides a forum for employees to meet with senior leadership to share, exchange and discuss ideas on a range of relevant topics. An approach to Responsible Investment has been embedded within LPPI's investment processes. This is articulated in a separate Responsible Investment report which is available on the LPP website **here.**

Independent auditor's reports

Opinion

We have audited the financial statements of Local Pensions Partnership Ltd (the 'Parent Company') and its subsidiaries (together 'the Group') for the year ended 31 March 2020, which comprise the consolidated income statement, the consolidated and the Parent Company statement of comprehensive income, the consolidated and the Parent Company statement of financial position, the consolidated and the Parent Company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- Give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as COVID-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's/Parent Company's future prospects and performance. COVID-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown.We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group's/Parent Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group/Parent Company associated with these particular events.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

In our evaluation of the Directors' conclusions, we considered the risks associated with the Group's business, including effects arising from macro-economic uncertainties such as COVID-19 and Brexit, and analysed how those risks might affect the Group's financial resources or ability to continue operations over the period of at least 12 months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group will continue in operation.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

Matters of which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors for the financial statements

As explained more fully in the statement of Directors' responsibilities set out on page 54, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

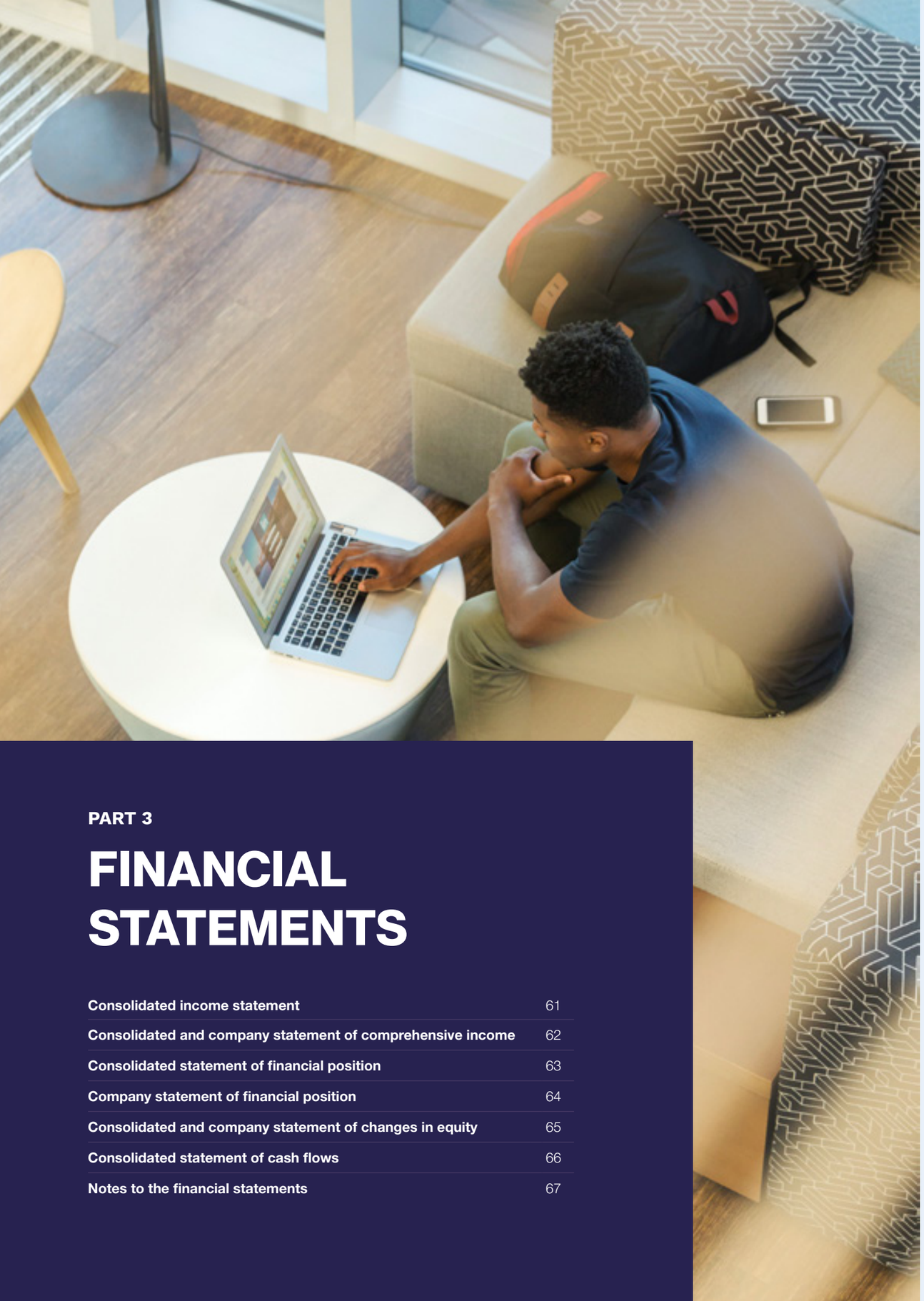
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Paul Flatley
Senior Statutory Auditor
for and on behalf of
Grant Thornton UK LLP

Statutory Auditor,
Chartered Accountants
London, United Kingdom

7 October 2020



PART 3

FINANCIAL STATEMENTS

Consolidated income statement

for the year ended 31 March 2020

	Notes	**2020 £'000**	2019 £'000
Turnover	5	**35,504**	33,006
Administrative expenses		**(34,612)**	(32,072)
Operating profit	6	**892**	934
Interest receivable		**54**	33
Interest payable	9	**(752)**	(745)
Profit before taxation		**194**	222
Tax for the year	10	**115**	(18)
Profit for the financial year		**309**	204

The notes on pages 67 to 95 form part of these financial statements.

Consolidated and company statement of comprehensive income

for the year ended 31 March 2020

Group	Notes	2020 £'000	2019 £'000
Profit for the financial year		**309**	204
Other comprehensive income			
Remeasurement of Defined benefit obligations	17	**(1,414)**	(404)
Tax on components of other comprehensive income		**269**	69
Total comprehensive income for the year		**(836)**	(131)

Company	Notes	2020 £'000	2019 £'000
Profit for the financial year		**(3,252)**	(270)
Other comprehensive income			
Remeasurement of Defined benefit obligations	17	**(453)**	(242)
Tax on components of other comprehensive income		**86**	41
Total comprehensive income for the year		**(3,619)**	(471)

Consolidated statement of financial position

for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	11	**1,074**	385
Tangible assets	12	**753**	868
		1,827	1,253
Current assets			
Debtors	14	**14,109**	12,996
Cash at bank and in hand		**27,138**	17,893
		41,247	30,889
Creditors: amounts falling due within one year	15	**(4,894)**	(4,925)
Net current assets		**36,353**	25,964
Total assets less current liabilities		**38,180**	27,217
Creditors: amounts falling due after one year	16	**-**	(17,500)
Post employment benefits	17	**(21,293)**	(16,994)
Net assets/(liabilities)		**16,887**	(7,277)
Capital and Reserves			
Called up share capital	18	**25,000**	-
Retirement benefit obligations reserve		**(3,866)**	(3,866)
Profit and loss account		**(4,247)**	(3,411)
Total equity		**16,887**	(7,277)

The notes on pages 67 to 95 form part of these financial statements.

Approved by the Board of Directors and signed on behalf of the Board on 7 October 2020 by:

Adrian Taylor
Chief Financial Officer

Company statement of financial position
for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Intangible fixed assets	11	**358**	385
Tangible fixed assets	12	**753**	868
Investments	13	**10,000**	10,000
		11,111	11,253
Current assets			
Debtors	14	**9,177**	7,948
Cash at bank and in hand		**10,959**	5,752
		20,136	13,700
Creditors: amounts falling due within one year	15	**(2,864)**	(3,180)
Net current assets		**17,272**	10,520
Total assets less current liabilities		**28,383**	21,773
Creditors: amounts falling due after one year	16	**-**	(17,500)
Post employment benefits	17	**(17,308)**	(14,579)
Net assets/(liabilities)		**11,075**	(10,306)
Capital and Reserves			
Called up share capital	18	**25,000**	-
Retirement benefit obligations reserve		**(3,605)**	(3,605)
Profit and loss account		**(10,320)**	(6,701)
Total equity		**11,075**	(10,306)

The notes on pages 67 to 95 form part of these financial statements.

Approved by the Board of Directors and signed on behalf of the Board on 7 October 2020 by:

Adrian Taylor
Chief Financial Officer

Consolidated and company statement of changes in equity
for the year ended 31 March 2020

Group	Share capital £'000	Share premium £'000	Retirement benefit obligations reserve £'000	Profit & loss account £'000	Total £'000
At 1 April 2018	-	-	(3,866)	(3,280)	(7,146)
Total comprehensive income for the financial year	-	-	-	(131)	(131)
At 31 March 2019	-	-	(3,866)	(3,411)	(7,277)
At 1 April 2019	-	-	(3,866)	(3,411)	(7,277)
Total comprehensive income for the financial year	-	-	-	(836)	(836)
Transaction with owners:					
Shares issued	25,000	-	-	-	25,000
At 31 March 2020	25,000	-	(3,866)	(4,247)	16,887

Company	Share capital £'000	Share premium £'000	Retirement benefit obligations reserve £'000	Profit & loss account £'000	Total £'000
At 1 April 2018	-	-	(3,605)	(6,230)	(9,835)
Total comprehensive income for the financial year	-	-	-	(471)	(471)
At 31 March 2019	-	-	(3,605)	(6,701)	(10,306)
At 1 April 2019	-	-	(3,605)	(6,701)	(10,306)
Total comprehensive income for the financial year	-	-	-	(3,619)	(3,619)
Transaction with owners:					
Shares issued	25,000	-	-	-	25,000
At 31 March 2020	25,000	-	(3,605)	(10,320)	11,075

The notes on pages 67 to 95 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Operating activities			
Profit for the financial year		**309**	204
Adjustments for:			
Tax on profit on ordinary activities		**(115)**	18
Depreciation		**350**	288
Amortisation of intangible assests		**140**	99
Write off of intangible assets		**-**	473
Pension movements in the year		**3,154**	2,964
Increase in debtors		**(532)**	(2,009)
Decrease in creditors		**(183)**	(1,541)
Cash generated from operating activities		**3,123**	496
Corporation tax paid		**(314)**	(207)
Net cash generated from operating activities		**2,809**	289
Investing activities			
Payments to acquire intangible fixed assets		**(841)**	(92)
Payments to acquire tangible fixed assets		**(223)**	(368)
Cash used in investing activities		**(1,064)**	(460)
Financing activities			
Proceeds from the issue of shares		**25,000**	-
Repayment of loans		**(17,500)**	-
Cash generated from operating activities		**7,500**	-
Net movement in cash and cash equivalents			
Cash generated from operating activities		**2,809**	289
Cash used in investing activities		**(1,064)**	(460)
Cash generated from financing activities		**7,500**	-
		9,245	(171)
Cash and cash equivalents at 1 April		**17,893**	18,064
Cash and cash equivalents at 31 March		**27,138**	17,893
Cash at bank		**27,138**	17,893

Notes to the financial statements

for the year ended 31 March 2020

1. Company information

Local Pensions Partnership Ltd ('LPP' or 'the Company') is a private company limited by shares and incorporated in England. Its registered office is 169 Union Street, London, SE1 0LL

The Company's principal activities and nature of operations are included in the Strategic Report on page 15.

2. Basis of preparation

LPP and its subsidiaries (together 'the Group') financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The Group financial statements have been prepared on the historical cost basis.

The Group financial statements are presented in Sterling (£).

LPP has taken advantage of section 408 of the Companies Act 2006 and has not included its own Income Statement in these financial statements.

The individual accounts of LPP have also adopted the following disclosure exemptions, as they are included in the Group financial statements:

- the requirement to present a statement of cash flows and related notes (s7 FRS 102)
- financial instrument disclosures (s11 & s12 FRS 102), including:
  - categories of financial instruments;
  - items of income, expenses, gains or losses relating to financial instruments; and
  - exposure to and management of financial risks.
- the exemption has been claimed not to disclose related party transactions (s33 FRS 102).

There are no other FRS102 interpretations that are not yet effective that would be expected to have a material impact on the Group or the Company.

Going concern

The Directors are mindful of the current uncertainty surrounding Britain's exit from the European Union and the unfolding events around the Covid-19 virus. They continue to monitor closely both events and the potential impact on the Group.

The Directors have a reasonable expectation, despite current uncertainties, and based on the level of funds available, that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it has adopted the going concern basis in preparing the financial statements.

In light of recent developments around Covid-19 (Coronavirus) since April 2020, the Directors have been actively monitoring the potential impact to the Group.

The financial statements for the year ended 31 March 2020 include the impact of Covid 19. This is reflected in the revenue derived from assets under management and other revenue generated in the year by the Group. The Directors are actively monitoring the consequences of this event with their advisors. Some active measures have been taken during this time including remote working and re-validation of business continuity plans implemented by the Group which has been operating successfully with little or no loss of productivity.

At this stage, the final impact of the coronavirus outbreak on the Group is hard to precisely predict, but the Directors will continue to monitor the situation.

Withdrawal of the United Kingdom from the European Union ('Brexit')

The Group's client base is based in the UK and as the majority of its transactions are based in Sterling, the Directors, do not feel that the Group is exposed to any foreign exchange risk.

The Group could potentially be exposed to certain legal and regulatory uncertainties as a result of Brexit. Based on the current available information, the Directors do not anticipate a material impact. Following the UK's exit of the EU on 31 January 2020, the Directors will continue to monitor and assess the developments and any potential consequences.

3. Significant judgements and estimates

In the process of applying the Group's accounting policies, which are described in note 4, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements. As described below, many of these areas of judgement also involve a high level of estimation uncertainty.

Deferred taxation

The financial statements include judgments and estimates that been made regarding deferred taxation, as described in note 4.9.

Pensions liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries are engaged to provide the Group with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

Notes to the financial statements cont.

for the year ended 31 March 2020

4. Summary of significant accounting policies

4.1 Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group (its subsidiaries). Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

4.2 Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible fixed assets are amortised over the following useful economic lives:

- Length of licence or 3 years, whichever is earliest

4.3 Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- Computer equipment - 3-5 years
- Office equipment - 3-5 years
- Improvements to leasehold over the length of the lease

4.4 Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit and loss account.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

4.5 Debtors

Short term debtors are measured at transaction price, less any impairment.

4.6 Cash at bank and in hand

Cash at bank and in hand also includes deposits held at call with banks and other short-term highly liquid investments with original maturities of three months. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

4.7 Creditors

Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs.

4.8 Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

4.9 Taxation

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities; and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.10 Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the rendering of investment, administration, risk management and corporate services.

4.11 Employee and pension costs

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined benefit pension plan

Participation by Group employees in four administered defined benefit schemes began on 8 April 2016. Contributions from the employer are payable to the schemes and are charged to the profit and loss account in the period to which they relate.

A defined benefit scheme defines the pension benefit that the employee will receive on retirement, usually dependant upon several factors including age, length of service and remuneration.

The liability that is recognised in the statement of financial position in respect of the defined benefit scheme is the present value of the defined benefit obligation at the reporting date less the fair value of the scheme assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on AA rated corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with FRS102 fair value hierarchy and in accordance with the Group's policy for similar held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'remeasurements of net defined liability'.

The cost of the defined benefit scheme, recognised in the income statement as employee costs, except where included in the cost of an asset, comprises:

- the increase in pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the income statement as an expense.

Annual bonus scheme

The Group operates an annual discretionary bonus scheme for its employees. An expense is recognised in the income statement when the Group recognises, as a result of past events, that such a bonus is warranted and a reliable estimate of the obligation can be made.

Notes to the financial statements cont.

for the year ended 31 March 2020

5. Analysis of turnover

	2020 £'000	2019 £'000
Investment management fees	**22,422**	19,873
Pension administration fees	**10,431**	11,072
Risk management services	**1,855**	1,384
Corporate services	**750**	677
	35,504	33,006

6. Operating profit

	2020 £'000	2019 £'000
This is stated after charging:		
Depreciation of tangible fixed assets	**350**	288
Operating lease rentals - land and buildings	**1,377**	1,403
Fee payable to the company's auditor for the audit of parent company and the group's consolidated financial statements	**31**	31
Fee payable to the company's auditor for audit of the company's subsidiaries	**48**	46
Auditor's remuneration for other services	**7**	7

7. Directors' emoluments

	2020 £'000	2019 £'000
Emoluments	**1,962**	1,655
Social security costs	**239**	210
Pension costs	**128**	158
Other pension costs	**27**	-
	2,356	2,023

The amounts set out above include remuneration in respect of the highest paid Director which are as follows:

Emoluments	**391**	382
Social security costs	**57**	52
Pension costs	**24**	46
Other pension costs	**18**	-
	490	480

8. Directors and employees

	2020 £'000	2019 £'000
Wages and salaries	**16,035**	13,368
Social security costs	**1,774**	1,490
Pension costs	**4,552**	4,807
Other pension costs	**112**	-
	22,473	19,665

The companies in the Group are members of four defined benefit pension schemes for the benefit of the employees and Directors. The scheme is administered in house. Pension costs recognised as an expense during the year amount to £4,559,000 (2018/19 - £4,807,000). IAS19 accrued pension costs for the year amount to £2,885,000 (2018/19 - £3,348,000), as disclosed in note 17.

Scheme alternative contributions of £112,000 were also paid during the year.

The average monthly number of employees for the Group, during the year to 31 March 2020 was **308** (2019 - 281), of which **14** (2019 - 11) were Directors and **294** (2019 - 270) were staff.

At 31 March 2020, the Group headcount was **318** (2019 - 297).

	Notes	2020 £'000	2019 £'000
Compensation for loss of office			
Total		**249**	82

For the year ended 31 March 2020, LPP Group incurred the cost above in relation to compensation for loss of office. This cost is also included in the consolidated tables in notes 7 and 8.

9. Interest payable

	2020 £'000	2019 £'000
Loan interest	752	745

Notes to the financial statements cont.
for the year ended 31 March 2020

10. Taxation

	2020 £'000	2019 £'000
Analysis of charge in year		
Current tax:		
UK corporation tax on profits of the year	**678**	737
Adjustments in respect of previous years	**(50)**	(153)
	628	584
Deferred tax:		
Origination and reversal of timing differences	**(743)**	(566)
Tax on profit on ordinary activities	**(115)**	18

Factors affecting tax charge for year
The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows:

Profit/(loss) on ordinary activities before tax	**194**	222
Standard rate of corporation tax in the UK - 19%		
Profit on ordinary activities multiplied by standard rate of corporation tax	**37**	42
Expenses not deductible for tax purposes	**75**	62
Effect of tax rate change	**(178)**	67
Prior year tax adjustment	**(50)**	(153)
Tax (credit) / charge for the year	**(115)**	18

Factors that may affect future tax charges

Deferred taxation		
Deferred tax (credit) to income statement for the year	**(743)**	(566)
Deferred tax (credit) in OCI for the year	**(269)**	(69)
	(1,012)	(635)

11. Intangible fixed assets

Group	Software £'000	Assets under construction £'000	Total £'000
Cost			
At 1 April 2019	546	-	546
Transfers	94	-	94
Additions	31	716	747
At 31 March 2020	671	716	1,387
Amortisation			
At 1 April 2019	161	-	161
Transfers	12	-	12
Provided during the year	140	-	140
At 31 March 2020	313	-	313
Carrying amount			
At 31 March 2020	358	716	1,074
At 31 March 2019	385	-	385

Company	Software £'000	Assets under construction £'000	Total £'000
Cost			
At 1 April 2019	546	-	546
Transfers	94	-	94
Additions	31	-	31
At 31 March 2020	671	-	671
Amortisation			
At 1 April 2019	161	-	161
Transfers	12	-	12
Provided during the year	139	-	139
At 31 March 2020	312	-	312
Carrying amount			
At 31 March 2020	359	-	359
At 31 March 2019	385	-	385

During the year, assets worth £93,762 were reclassed from tangible to intangible.

Notes to the financial statements cont.

for the year ended 31 March 2020

12. Tangible fixed assets

Group & Company	Leasehold improvements £'000	IT equipment £'000	Fixtures,fittings, & office equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation					
At 1 April 2019	196	923	136	23	1,278
Transfers	-	(94)	-	(23)	(117)
Additions	-	197	5	138	340
At 31 March 2020	196	1,026	141	138	1,501
Depreciation					
At 1 April 2019	70	309	31	-	410
Transfers	-	(12)	-	-	(12)
Charge for the year	39	283	28	-	350
At 31 March 2020	109	580	59	-	748
Carrying amount					
At 31 March 2020	87	446	82	138	753
At 31 March 2019	126	614	105	23	868

13. Investments

The Company	Investment in subsidiaries £'000
Cost	
At 31 March 2020 & 2019	10,000

Subsidiaries – direct	Type of capital held	Proportion held	Country of incorporation	Nature of business
Local Pensions Partnership Administration Ltd	Equity	100%	UK	Non-trading
Local Pensions Partnership Investments Ltd	Equity	100%	UK	Investment

LPPA recommenced trading on 01 June 2020.

Subsidiaries – indirect	Type of capital held	Proportion held	Country of incorporation	Nature of business
LPPI Scotland (No.1) Ltd	Equity	100%	UK	Investment
LPPI Scotland (No.2) Ltd	Equity	100%	UK	Investment
Daventry GP Limited	Equity	100%	UK	General partner
LPPI PE GP (No 1) LLP	Debt	100%	UK	General partner
LPPI PE GP (No 2) LLP	Debt	100%	UK	General partner
LPPI Infrastructure GP LLP	Debt	100%	UK	General partner
LPPI Credit GP Limited	Equity	100%	UK	General partner
LPPI PE GP (No 3) LLP	Debt	100%	UK	General partner
LPPI Diversifying Strategies GP Limited	Equity	100%	UK	General partner

Notes to the financial statements cont.

for the year ended 31 March 2020

14. Debtors

	The Company		The Group	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Trade debtors	**3,335**	3,159	**9,127**	8,836
Amounts owed by group undertakings	**1,325**	1,260	**-**	-
Corporation tax	**419**	262	**-**	430
Prepayments and accrued income	**921**	793	**1,076**	835
Deferred taxation	**3,177**	2,474	**3,906**	2,895
	9,177	7,948	**14,109**	12,996

15. Creditors: amounts falling due within one year

	The Company		The Group	
	2020 £'000	31 Mar 2019 £'000	**2020 £'000**	2019 £'000
Trade creditors	**368**	502	**527**	764
Corporation tax	**-**	-	**152**	-
Other taxes and social security costs	**779**	1,063	**952**	1,212
Other creditors	**142**	148	**206**	195
Accruals and deferred income	**1,395**	1,467	**2,877**	2,754
Provisions	**180**	-	**180**	-
	2,864	3,180	**4,894**	4,925

16. Creditors: amounts falling due after one year

	The Company		The Group	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Amounts owed to group undertakings	**-**	17,500	**-**	17,500

The £17.5m loan between LCC and LPP was repaid in full in March 2020. This was part of a capital restructure that saw additional share capital being issued, as shown in note 18. As well as the share capital issued, both LCC and LPFA have granted LPP with unsecured loan facilities of a principal amount not exceeding £5m.

17. Pension schemes

Defined benefit schemes

On 8 April 2016 current employees of LPFA and LCC who were members of the Lancashire County Pension Fund (LCPF), were TUPE transferred to LPP and LPPI. A subsequent transfer of employees into LPP from LPFA took place during the period ending 31 March 2017.

The transferring employees are all members of the Local Government Pension Scheme (LGPS). LPP and LPPI were allocated notional shares of the LPFA and LCPF Fund assets equal to 100% of the value of the transferring pension liabilities. The liabilities were calculated on the ongoing basis appropriate for funding, either the LPFA or LCPF 2016 Triennial valuation assumptions depending on the Fund from which employees' liabilities were transferred. As such LPP and LPPI's pension liabilities were 100% funded on the relevant ongoing basis at the dates of transfer.

Notwithstanding differences between the LPFA and LCPF ongoing 2016 Triennial valuation basis, when the pension liabilities are valued for the purposes of FRS102 disclosures, the discount rate is prescribed by the FRS102 standards to be set with reference to corporate bond yields. The assessment of pension liabilities on this accounting basis at the date of transfer results in pension liabilities greater than those assessed on the LPFA and LCPF ongoing valuation basis. Therefore at the date of transfer LPP and LPPI's pension liabilities on the FRS102 accounting basis were not fully funded.

The LGPS is a tax approved, defined benefit occupational pension scheme set up under the Superannuation Act 1972. The benefits under the scheme are based on the length of membership and the average salary. Each member contributes a proportion of their salary, within a 5.5% to 12.5% range depending on their rate of pay. LPP and LPPI, as the employing bodies, also contribute in to the scheme on the employee's behalf up to 12.0% for the LPFA scheme and 12.4% for LCPF, of the employee's salary.

LGPS is accounted for as a defined benefits scheme. The liabilities of the LGPS attributable to the Group are included in the Statement of Financial Position on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

In accounting for the defined benefit schemes, the Group has applied the following principles:

- No pension assets are invested in the Group's own financial instruments or property

The schemes in the UK typically expose the Group to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk, as follows:

- **Investment risk** - the present value of the defined benefit schemes' liability is calculated using a discount rate determined by reference to high quality corporate bond yields. If the return on plan assets is below this rate, a deficit will be created;
- **Interest risk** - a decrease in the bond interest rate will increase the scheme liability but this will be partially offset by an increase in the return of the plan's debt investments;
- **Longevity risk** - the present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability; and
- **Salary risk** - the present value of the defined benefit scheme liability is calculated by reference to the future salaries of plan participants, as such, an increase in the salary of the plan participants will increase the plan's liability.

Notes to the financial statements cont.
for the year ended 31 March 2020

17. Pension schemes (cont.)

In summary, the four defined benefit pension schemes can be summarised, by entity, as follows:

Post employment benefits summary

	Year to 31 March 2020		
	LPP £'000	**LPPI £'000**	**Total £'000**
Net assets	25,190	5,961	31,151
Net liabilities	(42,498)	(9,946)	(52,444)
	(17,308)	(3,985)	(21,293)

	Year to 31 March 2019		
	LPP £'000	**LPPI £'000**	**Total £'000**
Net assets	24,472	3,843	28,315
Net liabilities	(39,051)	(6,258)	(45,309)
	(14,579)	(2,415)	(16,994)
Net movement on pension deficit	2,729	1,570	4,299
Consolidated statement of comprehensive income	(453)	(961)	(1,414)
IAS19 pension costs accrued for the year	2,276	609	2,885

17. Pension schemes (cont.)

London Pensions Fund Authority

The actuaries for LPFA are Barnett Waddingham.

LPP pension information

The normal contributions expected to be paid during the financial year ending 31 March 2020 are **£862,000** (2019: £743,000) for LPP.

A summary of the defined benefit pension schemes on the Group balance sheet is as follows:

	LPP 31 Mar 2020 £'000	LPP 31 Mar 2019 £'000
Retirement benefit assets	**13,159**	13,866
Retirement benefit obligations	**(24,579)**	(23,712)
Net retirement benefit deficit	**(11,420)**	(9,846)

Scheme assets – Changes in the fair value of scheme assets are as follows:

	LPP 31 Mar 2020 £'000	LPP 31 Mar 2019 £'000
Fair value of plan assets at beginning of year	13,866	11,002
Interest income on scheme assets – employer	343	309
Return on scheme assets less interest income	(395)	777
Other actuarial gains/(losses)	(881)	-
Administrative expenses and taxes	(18)	(14)
Employer contributions	752	855
Contributions by employees	446	498
Benefits paid	(954)	439
Fair value of plan assets at end of year	**13,159**	**13,866**

Analysis of assets – The major categories of scheme assets are as follows:

	LPP 31 Mar 2020 £'000	LPP 31 Mar 2019 £'000
Equity instruments and others	7,102	7,544
Target return portfolio	3,390	3,698
Infrastructure	959	835
Property	1,306	1,304
Cash and other	402	485
At 31 March	**13,159**	**13,866**

Notes to the financial statements cont.
for the year ended 31 March 2020

17. Pension schemes (cont.)

Scheme liabilities – Changes in the fair value of scheme liabilities are as follows:

	LPP 31 Mar 2020 £'000	LPP 31 Mar 2019 £'000
Benefit obligation at beginning of year	**23,712**	18,912
Current service cost – employer	**1,767**	2,170
Effect of changes in financial assumptions	**(1,292)**	1,205
Effect of demographic assumptions	**251**	(398)
Experience loss/(gain) on defined benefit obligation	**(119)**	-
Interest cost – employer	**576**	504
Past service costs	**192**	382
Benefits paid net of transfers in	**(954)**	439
Contributions by scheme participants	**446**	498
Benefit obligation at end of year	**24,579**	23,712

Amounts recognised in the income statement

	LPP Year to 31 Mar 2020 £'000	LPP Year to 31 Mar 2019 £'000
Amounts recognised in operating profit		
Current service cost	1,767	2,170
Post service cost	192	382
Administrative expenses and taxes	18	14
Recognised in arriving at operating profit	1,977	2,566
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities – employer	233	195
Total recognised in the Income statement	**2,210**	2,761

17. Pension schemes (cont.)

Amounts recognised in the statement of comprehensive income

	LPP Year to 31 Mar 2020 £'000	LPP Year to 31 Mar 2019 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	**(395)**	777
Other actuarial gains/(losses) on assets	**(881)**	-
Effect of changes in financial assumptions	**1,292**	(1,205)
Effect of changes in demographic assumptions	**(251)**	398
Effect of experience adjustments	**119**	-
Total pension cost recognised in the statement of comprehensive income	**(116)**	(30)

Principal actuarial assumptions - The principal actuarial assumptions at the balance sheet date are as follows:

	LPP 31 Mar 2020 %	LPP 31 Mar 2019 %
Discount rate	**2.4**	2.5
Future salary increases	**3.0**	3.7
Future pension increases (CPI)	**2.0**	2.2
Future pension increases (RPI)	**2.0**	3.2
Inflation assumption (CPI)	**2.0**	2.2
Inflation assumption (RPI)	**2.6**	3.2

Post retirement mortality assumptions

	LPP 31 Mar 2020 'years'	LPP 31 Mar 2019 'years'
Current UK pensioners at retirement age – male	**21.8**	20.6
Current UK pensioners at retirement age – female	**24.4**	23.4
Future UK pensioners at retirement age – male	**23.2**	22.1
Future UK pensioners at retirement age – female	**25.9**	25.0

Notes to the financial statements cont.
for the year ended 31 March 2020

17. Pension schemes (cont.)

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2020 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2020 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Assumption	Change in assumption %	Impact of assumption change of +0.1% in present value of scheme liabilities £'000	Impact of assumption change of (0.1%) in present value of scheme liabilities £'000
	Year to 31 March 2020		
LPP			
Discount rate: 2.4%	**0.1**	**23,879**	**25,300**
Inflation: 2% CPI	**0.1**	**25,192**	**23,985**
Rate of salary increase: 3%	**0.1**	**24,690**	**24,469**
	Year to 31 March 2019		
LPP			
Discount rate: 2.5%	0.1	23,317	23,409
Inflation: 2.2% CPI	0.1	24,416	22,307
Rate of salary increase: 3.7%	0.1	24,339	22,369

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 21.8 - 25.9 years, post retirement age, the change in present value of scheme liabilities would be an increase of **3.4%**.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

17. Pension schemes (cont.)

LPPI pension information

A summary of the defined benefit pension schemes on the Group balance sheet is as follows:

	LPPI 31 Mar 2020 £'000	LPPI 31 Mar 2019 £'000
Retirement benefit assets	**3,097**	1,366
Retirement benefit obligations	**(5,178)**	(2,221)
Net retirement benefit deficit	**(2,081)**	(855)

Scheme assets – Changes in the fair value of scheme assets are as follows:

	LPPI 31 Mar 2020 £'000	LPPI 31 Mar 2019 £'000
Fair value of plan assets at beginning of year	**1,366**	833
Interest income on scheme assets – employer	**43**	27
Return on scheme assets less interest income	**(49)**	68
Other actuarial gain	**991**	-
Administrative expenses and taxes	**(2)**	(1)
Employer contributions	**341**	272
Contributions by employees	**243**	167
Benefits paid	**164**	-
Fair value of plan assets at end of year	**3,097**	1,366

Analysis of assets – The major categories of scheme assets are as follows:

	LPPI 31 Mar 2020 £'000	LPPI 31 Mar 2019 £'000
Equity instruments and other	**1,672**	744
Target return portfolio	**798**	364
Infrastructure	**226**	82
Property	**307**	128
Cash and other	**94**	48
	3,097	1,366

Notes to the financial statements cont.
for the year ended 31 March 2020

17. Pension schemes (cont.)

Scheme liabilities – Changes in the fair value of scheme liabilities are as follows:

	LPP 31 Mar 2020 £'000	LPP 31 Mar 2019 £'000
Benefit obligation at beginning of year	**2,221**	1,364
Current service cost – employer	**775**	480
Effect of changes in financial assumptions	**(171)**	175
Effect of demographic assumptions	**91**	(36)
Experience loss/(gain) on defined benefit obligation	**1,829**	-
Interest cost – employer	**59**	38
Past service costs	**164**	-
Benefits paid net of transfers in	**243**	167
Contributions by scheme participants	**(33)**	33
Benefit obligation at end of year	**5,178**	2,221

Amounts recognised in the income statement

	LPP Year to 31 Mar 2020 £'000	LPP Year to 31 Mar 2019 £'000
Amounts recognised in operating profit		
Current service cost	775	480
Post service cost	(33)	33
Administrative expenses and taxes	2	1
Recognised in arriving at operating profit	744	514
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities – employer	16	11
Total recognised in the Income statement	**760**	**525**

17. Pension schemes (cont.)

Amounts recognised in the statement of comprehensive income

	LPP Year to 31 Mar 2020 £'000	LPP Year to 31 Mar 2019 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	**(49)**	68
Other actuarial gains/(losses) on assets	**991**	-
Effect of changes in financial assumptions	**171**	(175)
Effect of changes in demographic assumptions	**(91)**	36
Effect of experience adjustments	**(1,829)**	-
Total pension cost recognised in the statement of comprehensive income	**(807)**	(71)

Principal actuarial assumptions - The principal actuarial assumptions at the balance sheet date are as follows:

	LPP 31 Mar 2020 %	LPP 31 Mar 2019 %
Discount rate	**2.4**	2.5
Future salary increases	**3.0**	3.7
Future pension increases (CPI)	**2.0**	2.2
Future pension increases (RPI)	**2.6**	3.2
Inflation assumption (CPI)	**2.0**	2.2
Inflation assumption (RPI)	**2.6**	3.2

Post retirement mortality assumptions

	LPP 31 Mar 2020 'years'	LPP 31 Mar 2019 'years'
Current UK pensioners at retirement age – male	**23.0**	20.6
Current UK pensioners at retirement age – female	**24.7**	23.4
Future UK pensioners at retirement age – male	**24.3**	22.1
Future UK pensioners at retirement age – female	**26.2**	25.0

Notes to the financial statements cont.
for the year ended 31 March 2020

17. Pension schemes (cont.)

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2020 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2020 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Assumption	Change in assumption %	Impact of assumption change of +0.1% in present value of scheme liabilities £'000	Impact of assumption change of (0.1%) in present value of scheme liabilities £'000
	Year to 31 March 2020		
LPPI			
Discount rate: 2.4%	**0.1**	**5,019**	**5,343**
Inflation: 2% CPI	**0.1**	**5,343**	**5,018**
Rate of salary increase: 3%	**0.1**	**5,179**	**5,178**
	Year to 31 March 2019		
LPPI			
Discount rate: 2.8%	0.1	2,161	2,277
Inflation: 2.1% CPI	0.1	2,270	2,177
Rate of salary increase: 4.2%	0.1	2,283	2,163

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 23 - 26.2 years, post retirement age, the change in present value of scheme liabilities would be an increase of **3.4%**.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

17. Pension schemes (cont.)

Lancashire County Pension Fund

The actuaries for LCPF are Mercer.

LPP pension information - A summary of the defined benefit pension schemes on the Group balance sheet is as follows:

	LPPI 31 Mar 2020 £'000	LPPI 31 Mar 2019 £'000
Retirement benefit assets	**12,031**	10,606
Retirement benefit obligations	**(17,919)**	(15,339)
Net retirement benefit deficit	**(5,888)**	(4,733)

Scheme assets – Changes in the fair value of scheme assets are as follows:

	LPPI 31 Mar 2020 £'000	LPPI 31 Mar 2019 £'000
Fair value of plan assets at beginning of year	**10,606**	9,255
Interest income on scheme assets – employer	**276**	254
Return on scheme assets less interest income	**333**	842
Administrative expenses and taxes	**(23)**	(15)
Employer contributions	**466**	409
Contributions by employees	**246**	190
Benefits paid	**127**	(329)
Fair value of plan assets at end of year	**12,031**	10,606

Analysis of assets – The major categories of scheme assets are as follows:

	LPPI 31 Mar 2020 £'000	LPPI 31 Mar 2019 £'000
Equity instruments and other	**10,370**	9,069
Bonds	**301**	498
Property	**1,023**	986
Cash and other	**337**	53
	12,031	10,606

Notes to the financial statements cont.
for the year ended 31 March 2020

17. Pension schemes (cont.)

Scheme liabilities – Changes in the fair value of scheme liabilities are as follows:

	LPP 31 Mar 2020 £'000	LPP 31 Mar 2019 £'000
Benefit obligation at beginning of year	**15,339**	12,843
Current service cost – employer	**1,108**	813
Effect of changes in financial assumptions	**200**	1,054
Effect of demographic assumptions	**470**	-
Interest cost – employer	**388**	344
Benefits paid net of transfers in	**127**	(329)
Contributions by scheme participants	**246**	190
Curtailments	**-**	63
Past service costs	**41**	361
Benefit obligation at end of year	**17,919**	15,339

Amounts recognised in the income statement

	LPP Year to 31 Mar 2020 £'000	LPP Year to 31 Mar 2019 £'000
Amounts recognised in operating profit		
Current service cost	**1,108**	813
Post service cost	**41**	361
Curtailment	**-**	63
Administrative expenses and taxes	**23**	15
Recognised in arriving at operating profit	**1,172**	1,252
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities - employer	**388**	344
Interest cost on scheme assets - employer	**(276)**	(254)
Recognised in interest receivable and similar income	**112**	90
Total recognised in the Income statement	**1,284**	1,342

17. Pension schemes (cont.)

Amounts recognised in the statement of comprehensive income

	LPP Year to 31 Mar 2020 £'000	LPP Year to 31 Mar 2019 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	**333**	842
Changes in financial assumptions	**(200)**	(1,054)
Effect of experience adjustments	**(470)**	-
Total pension cost recognised in the statement of comprehensive income	**(337)**	(212)

Principal actuarial assumptions - The principal actuarial assumptions at the balance sheet date are as follows:

	LPP 31 Mar 2020 %	LPP 31 Mar 2019 %
Discount rate	**2.3**	2.5
Future salary increases	**3.6**	3.7
Future pension increases (CPI)	**2.2**	2.3
Future pension increases (RPI)	**2.8**	3.3
Inflation assumption (CPI)	**2.2**	2.2
Inflation assumption (RPI)	**2.8**	3.2

Post retirement mortality assumptions

	LPP 31 Mar 2020 'years'	LPP 31 Mar 2019 'years'
Current UK pensioners at retirement age – male	**21.9**	21.9
Current UK pensioners at retirement age – female	**24.5**	24.2
Future UK pensioners at retirement age – male	**22.7**	23.3
Future UK pensioners at retirement age – female	**25.8**	26.1

Notes to the financial statements cont.

for the year ended 31 March 2020

17. Pension schemes (cont.)

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2020 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2020 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Assumption	Change in assumption %	Impact of assumption change of +0.1% in present value of scheme liabilities £'000	Impact of assumption change of (0.1%) in present value of scheme liabilities £'000
		Year to 31 March 2020	
Discount rate: 2.3%	**0.1**	**17,487**	**18,362**
Inflation: 2.2% CPI	**0.1**	**18,362**	**17,487**
Rate of salary increase: 3.6%	**0.1**	**18,028**	**17,812**
		Year to 31 March 2019	
Discount rate: 2.5%	0.1	14,935	14,973
Inflation: 2.2% CPI	0.1	15,754	14,446
Rate of salary increase: 3.7%	0.1	15,477	14,306

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 21.9 - 25.8 the change in present value of scheme liabilities would be an increase of **2.5%**.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

17. Pension schemes (cont.)

Lancashire County Pension Fund

LPPI pension information - A summary of the defined benefit pension schemes on the Group balance sheet is as follows:

	LPPI 31 Mar 2020 £'000	LPPI 31 Mar 2019 £'000
Retirement benefit assets	**2,864**	2,477
Retirement benefit obligations	**(4,768)**	(4,037)
Net retirement benefit deficit	**(1,904)**	(1,560)

Scheme assets – Changes in the fair value of scheme assets are as follows:

	LPPI 31 Mar 2020 £'000	LPPI 31 Mar 2019 £'000
Fair value of plan assets at beginning of year	**2,477**	2,013
Interest income on scheme assets – employer	**64**	57
Return on scheme assets less interest income	**133**	191
Administrative expenses and taxes	**(6)**	(5)
Employer contributions	**115**	129
Contributions by employees	**81**	92
Fair value of plan assets at end of year	**2,864**	2,477

Analysis of assets – The major categories of scheme assets are as follows:

	LPPI 31 Mar 2020 £'000	LPPI 31 Mar 2019 £'000
Equity instruments and other	**2,469**	2,118
Bonds	**72**	117
Property	**243**	230
Cash and other	**80**	12
	2,864	2,477

Notes to the financial statements cont.
for the year ended 31 March 2020

17. Pension schemes (cont.)

Scheme liabilities – Changes in the fair value of scheme liabilities are as follows:

	LPP 31 Mar 2020 £'000	LPP 31 Mar 2019 £'000
Benefit obligation at beginning of year	**4,037**	3,226
Current service cost – employer	**261**	279
Effect of changes in financial assumptions	**44**	282
Effect of experience adjustments	**243**	-
Interest cost – employer	**102**	88
Contributions by scheme participants	**81**	92
Past service costs	**-**	70
Benefit obligation at end of year	**4,768**	4,037

Amounts recognised in the income statement

	LPP Year to 31 Mar 2020 £'000	LPP Year to 31 Mar 2019 £'000
Amounts recognised in operating profit		
Current service cost	**261**	279
Post service cost	**-**	70
Administrative expenses and taxes	**6**	5
Recognised in arriving at operating profit	**267**	354
Amounts recognised in interest receivable and similar income		
Interest cost on scheme liabilities - employer	**102**	88
Interest cost on scheme assets - employer	**(64)**	(57)
Recognised in interest receivable and similar income	**38**	31
Total recognised in the Income statement	**305**	385

17. Pension schemes (cont.)

Amounts recognised in the statement of comprehensive income

	LPP Year to 31 Mar 2020 £'000	LPP Year to 31 Mar 2019 £'000
Remeasurements recognised in the statement of comprehensive income		
Return on scheme assets less interest income	**133**	191
Changes in financial assumptions	**(44)**	(282)
Effect of experience adjustments	**(243)**	-
Total pension cost recognised in the statement of comprehensive income	**(154)**	(91)

Principal actuarial assumptions - The principal actuarial assumptions at the balance sheet date are as follows:

	LPP 31 Mar 2020 %	LPP 31 Mar 2019 %
Discount rate	**2.3**	2.5
Future salary increases	**3.6**	3.7
Future pension increases (CPI)	**2.2**	2.3
Future pension increases (RPI)	**2.8**	3.3
Inflation assumption (CPI)	**2.2**	2.2
Inflation assumption (RPI)	**2.8**	3.2

Post retirement mortality assumptions

	LPP 31 Mar 2020 'years'	LPP 31 Mar 2019 'years'
Current UK pensioners at retirement age – male	**21.9**	21.9
Current UK pensioners at retirement age – female	**24.5**	24.2
Future UK pensioners at retirement age – male	**22.7**	23.3
Future UK pensioners at retirement age – female	**25.8**	26.1

Notes to the financial statements cont.

for the year ended 31 March 2020

17. Pension schemes (cont.)

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality.

Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2020 where the defined benefit obligation is estimated using the Projected Unit Credit method. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2020 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

Assumption	Change in assumption %	Impact of assumption change of +0.1% in present value of scheme liabilities £'000	Impact of assumption change of (0.1%) in present value of scheme liabilities £'000
		Year to 31 March 2020	
Discount rate: 2.3%	**0.1**	**4,652**	**4,887**
Inflation: 2.2% CPI	**0.1**	**4,887**	**4,652**
Rate of salary increase: 3.6%	**0.1**	**4,800**	**4,737**
		Year to 31 March 2019	
Discount rate: 2.7%	0.1	3,932	4,134
Inflation: 2.1% CPI	0.1	4,130	3,952
Rate of salary increase: 3.6%	0.1	4,190	3,892

If the mortality rate were increased by one year to the post retirement range of assumptions applied for male and female, current and future pensioners from 21.9 - 25.8 the change in present value of scheme liabilities would be an increase of **2.5%**.

Management acknowledges that the method used of presuming that all other assumptions remaining constant has inherent limitation given that it is more likely for a combination of changes, but highlights the value of each individual risk and is therefore a suitable basis for providing this analysis.

18. Operating leases

The Group and the Company have no operating lease commitments at the period end.

19. Contingent liabilities and capital commitments

	Nominal value	**2020 Number**	2019 Number	**2020 £'000**	2019 £'000
Allotted, called up and fully paid:					
Ordinary Shares LCC - A	£1 each	**1**	1	**-**	-
Ordinary Shares LPFA - B	£1 each	**1**	1	**-**	-
Ordinary Shares LCC - X	£1 each	**12,500,000**	-	**12,500**	-
Ordinary Shares LPFA - X	£1 each	**12,500,000**	-	**12,500**	-
		25,000,002	2	**25,000**	-

During the year 25,000,000 £1 ordinary shares were issued to existing shareholders and were fully paid. These X shares have no voting, dividends and distributions rights.

Only A and B shares have full rights in the Company with respect to votiing, dividends and distributions.

20. Events after the reporting date

Local Pensions Partnership Administration Ltd (LPPA), a member of the Group, recommenced trading on 1 June 2020. LPPA issued 3,999,999 of £1 ordinary shares, to its parent LPP, which were fully paid on 27 May 2020, in order to finance future working capital requirements.

21. Contingent liabilities and capital commitments

The Group and the Company have no contingent liabilities at the year end.

The Group and the Company have no capital commitments at the year end.

22. Related party transactions

The Key Management Personnel emoluments paid by the Group total £5,269,957 for the year

The Directors of LPP had no transactions with the Company or its subsidiaries during the year other than service contracts and Directors' liability insurance. A summary of Directors' remuneration is disclosed in the notes to the accounts.

The Company is exempt under the terms of FRS 102 from disclosing related party transactions with entities that are 100% owned by LPP. Included within debtors is a balance owed by LPPI to LPP of £758,664

23. Controlling party

The Company is a joint venture and its ultimate parents and controlling parties are London Pensions Fund Authority and Lancashire County Council.

LPP
Local Pensions Partnership

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Greg Smith

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