

## **Pension Fund Committee**

Meeting to be held on Friday, 17 September 2021

Electoral Division affected: None;
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## **Lancashire County Pension Fund Annual Report 2020/21**

(Appendix 'A' refers)

Contact for further information:

Sean Greene, Head of Fund, Lancashire County Pension Fund, 01772 530877

Sean.Greene@lancashire.gov.uk

### **Executive Summary**

This report sets out the draft Lancashire County Pension Fund Annual Report for the year ended 31 March 2021 for approval by Committee. The publication deadline is 1 December 2021.

The Annual Report includes the statement of accounts which are included within the Lancashire County Council Statement of Accounts for the year ended 31 March 2021 and have a statutory approval date of 30 September 2021. The Lancashire County Council Statement of Accounts was approved by the Audit, Risk and Governance Committee at their meeting on 26 July 2021.

Also included is the Annual Report of the Lancashire Local Pension Board, included as section 'I' of Appendix 'A' to this report, which was approved by the Pension Fund Committee at its meeting on 18 June 2021.

### **Recommendation**

The Committee is asked to review the Annual Report at Appendix 'A' and, subject to any audit and asset pool adjustments agreed by the Head of Fund, approve the document for publication on or before 1 December 2021.

### **Background and Advice**

Regulations require each administering authority to prepare an Annual Report for the pension fund and publish it before the 1<sup>st</sup> December following the year end. The terms of reference of the Pension Fund Committee require it to approve the Annual Report for submission to Full Council. A copy of the Lancashire County Pension Fund Annual Report for the year ended 31 March 2021 is attached at Appendix 'A'.

The external auditors of the Fund, Grant Thornton, will provide their opinion on the accounts of LCC alongside opinion on the Annual Report of the Fund. The external audit opinion will focus on whether the information within the Annual Report is consistent with the audited financial statements included within the Lancashire County Council Statement of Accounts.

The content of the Annual Report is prescribed by Regulation 57 of the Local Government Pension Scheme Regulations 2013 (as amended). CIPFA have also published guidance on the production of the Annual Report which is available in the Pension Fund Library.

The Fund has complied with the mandatory elements of this statutory guidance and each year looks to improve the transparency of reporting within the Annual Report.

In addition, the Pension Fund accounts have been prepared in line with the CIPFA Code of Practice Local Authority Accounting.

The Annual Report comprises of the following main sections, some of which will be familiar to the Pension Fund Committee as indicated in the footnotes:

- Foreword by the Chair of the Pension Fund Committee
- Management and Financial Performance
- Governance of the Fund<sup>1</sup>
- Administration of the Fund
- Knowledge and Skills Framework
- Investment Policy and Performance
- Asset Pools
- Accounts of the Fund<sup>2</sup>
- Local Pension Board Annual Report<sup>3</sup>
- Actuarial Valuation<sup>4</sup>
- Appendices<sup>5</sup>

Key areas to note within the accounts are outlined below:

• **Contributions income £416.3m (2019/20 £177.0m)**

Total contribution income from employers and members at £416.3m. Following the actuarial valuation in 2019, the Fund gave some employers the option to pay their 3-year future service rate and deficit contributions up-front. A number of employers opted to do this and as a result the employer contributions from the County Council and scheduled bodies for the year ending 31 March 2021 include contributions for the 3 years to 31 March 2023, amounting to £262.9m. This had a significant impact on cash flow and reported income in that year. The Fund policy is to recognise contribution income in the period of receipt.

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<sup>1</sup> This contains the Governance Policy Statement which was finalised in 2021.

<sup>2</sup> This includes the Annual Governance Statement approved by the Committee in June 2021.

<sup>3</sup> This was approved by the Committee in June 2021.

<sup>4</sup> This refers to the Actuarial Valuation as at 31<sup>st</sup> March 2019.

<sup>5</sup> With the exception of Appendix 1, all statements and policies referenced within appendices have previously been considered by the Committee.

- **Withdrawals from dealing with members £309.1m (2019/20 £308.9m)**

Benefits and payments to and on account of leavers were broadly in line with the prior financial year.

- **Management expenses £116.4m (2019/20 £65.0m)**

Management expenses include administrative expenses, investment management expenses and oversight and governance costs.

- **Investment income £143.8m (2019/20 £206.1m)**

Income from pooled investments decreased compared to the prior year, most notably due to the economic impact of the pandemic.

- **Change in market value of investments £1,022.2m (2019/20 £1.4m)**

The significant increase in market value of investments compared to the prior year is due to market conditions – most notably the increase in value of global equity investments due to the unprecedented equity market rally that followed the market drawdown in March 2020.

- **Closing net assets of the Fund £9,605.3m (2019/20 £8,437.7m)**

An overall increase in the net assets of the Fund of £1,167.6m was predominantly due to the change in market value of investments referred to above.

Further sections of interest within the Annual Report for the Committee will include Foreword by the Chair of the Pension Fund Committee, Management and Financial Performance, Administration of the Fund, Investment Policy and Performance and Asset Pools.

The Scheme Advisory Board recommends that the Annual Report is also reviewed under the remit of the Local Pensions Board prior to completion and it is intended to present a copy of the Annual Report to the Board on the 19 October 2021.

Once the Annual Report has been approved, it will pass through the design process to ensure that the final Annual Report is a well designed document that engages with the audience.

## **Consultations**

Both the Local Pensions Partnership Administration Limited and Local Pensions Partnership Investment Limited were consulted on the reporting of administration and investment information.

Grant Thornton are in the process of reviewing the accounts of the Fund and will provide an opinion on both the accounts, and the consistency of the Annual Report with the accounts.

## **Implications:**

This item has the following implications, as indicated:

## **Risk management**

The Lancashire County Council Statement of Accounts for the year ended 31 March 2021, which includes the accounts of the Fund, have been approved by the Audit, Risk & Governance Committee on 26 July 2021 and a draft will be published in line with the statutory deadline of 30 September 2021.

The figures in the Asset Pool section 'G' are being reviewed further by Local Pensions Partnership Investment Limited.

The Annual Report of the Fund will be published on or before the statutory deadline of 1 December 2021. Availability of the report will be highlighted in the next newsletter to members.

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

Paper	Date	Contact/Tel
N/A	N/A	N/A

Reason for inclusion in Part II, if appropriate

Not Applicable