Contents

Appendices

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

Welcome to the 2020/21 Annual Report of the Lancashire County Pension Fund (LCPF).

I would like to start by thanking all the staff involved in managing LCPF during a very difficult year during which the Covid Pandemic has continued to create major problems. Staff are continuing to provide a professional service, in many cases working from home, and I am pleased to report that our funding level has remained in excess of 100% and we are well placed to meet our obligations to members.

Some of the highlights of the year are as follows:

Fund of the Year

Your Pension Fund was awarded the accolade of Local Government Pension Scheme Fund of the Year in December 2020 with particular reference to our work on Governance, Investments and Responsible Investment. I would like to congratulate all involved, our Pension Advisors, Local Pensions Partnership Limited (LPP), the Pension Team at Lancashire County Council (LCC) and the Pension Fund Committee and Local Pension Board members who have been part of managing the Pension Fund.

Membership – Overall there are now 177,799 members of the fund showing a small decline of 351 from the previous year. Within this membership we provide an administration service to over 300 active employers for whom we provide regular pension updates, training sessions and an effective overall administration support business achieving in excess of 99% of target performance levels.

Investments

Despite the worldwide turmoil in the Financial Markets, the fund achieved a return of 11.7% in the year with the total asset value rising to £9.6bn. Small changes were made to strategic asset allocations during the year so as to ensure a well-diversified portfolio, across different asset classes to achieve the best returns.

Pooling arrangements have worked well for LCPF with 100% of our assets under pooled management and over 92% of our assets in pooling vehicles, resulting in approximately £47m worth of savings since creating LPP for both of its shareholders, LCPF and London Pension Fund Authority. These savings have continually been re-invested into the fund to give greater returns.

Responsible Investment (RI)

The issue of RI continues to create headlines as the world battles issues including climate change. Under the LGPS regulations, LCC, as administering authority, has delegated RI to the Pension Fund Committee to ensure our approach is appropriate. We continue to work with the Local Authority Pension Funds Forum who undertake extensive work in this area and LPP have increased their resource in this area to support us by providing regular reports on our progress in this vital area.

I would encourage you all to read this report, there is extensive information provided on Investments, Responsible Investment and finance emphasising our main objective of being able to continue to pay your pensions as they become due.

County Councillor Eddie Pope
Chair of the Pension Fund Committee

B Management and financial performance – further contact details available in section 'K' of this annual report

Administering authority
Lancashire County Council

Pension Fund Committee
Lancashire County Council committee members
County Councillor J Burrows
County Councillor L Collinge
County Councillor G Dowding
County Councillor C Edwards
County Councillor K Ellard
County Councillor T Martin
County Councillor J Mein
County Councillor E Pope (Chair)
County Councillor A Riggott
County Councillor A Schofield (Deputy Chair)
County Councillor A Snowden
County Councillor T Ashton

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

Scheme administrators
Local Pensions Partnership Administration Limited

Head of Fund
A Leech
M King
S Greene

Chief Executive and Director of Resources
A Ridgwell

External auditor to the Fund
Grant Thornton LLP

Pooled investments manager
Local Pensions Partnership Investments Ltd

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

Actuary
Mercer

Lancashire Local Pension Board
W Bourne (Chair)
C Gibson
K Haigh
Y Moult
T Pounder
S Thompson
K Wallbank
M Salter (County Councillor)
D Parker

Custodian to the Fund
Northern Trust

Independent investment advisors
A Devitt
E Lambert

AVC providers
Prudential
Utmost Life and Pensions

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

Independent property valuer
Avison Young Partnership

Performance measurement
Northern Trust

Governance and research consultants
Pension and Investment Research Consultants

Bankers
Lloyds Bank plc
Natwest Bank plc
Svenska Handelsbanken

Financial performance of the Fund

The Fund asset value increased by £1,167.6m from £8,437.7m at 31 March 2020 to £9,605.3m as at 31 March 2021 and delivered a 11.7% return on investment assets over the twelve months, outperforming the actuarial benchmark (the rate at which the Fund's liabilities are assumed to grow year on year) by 7.9%.

Net cash flow, income and expenditure

Benefits payable and transfers out of the Fund exceed the value of contribution income and transfers in to the Fund on a regular basis, resulting in a net cash outflow which is funded from investment income, however, due to the option given to some employers to pay their 3 year future service contribution rate up-front, the Fund recorded a cash inflow in 20/21.

The Fund collects contributions by direct debit on a monthly basis and does not have a significant issue in respect of timeliness of receipt of contribution income. No interest on overdue contributions has been levied during the year.

A comparison of the key components of income and expenditure of the Fund over time is set out in the table below.

Fund Account	2020/21	2019/20	2018/19
	£m	£m	£m
Members contributions	64.5	61.4	58.7
Employers contributions	351.8	115.6	112.2
Contributions Income	**416.3**	**177**	**170.9**
Transfers in from other pension funds	10.8	17	11
Benefits Payable	(291.8)	(287.1)	(275.3)
Transfers out and other payments to leavers	(17.3)	(21.8)	(16.4)
Net (withdrawals)/additions from dealings with members	**118**	**(114.9)**	**(109.8)**
Fund administration Costs	(4.0)	(3.4)	(3.7)
Investment management costs	(111.3)	(60.4)	(71.7)
Oversight & governance costs	(1.1)	(1.2)	(0.9)
Net (outflow)/inflow before investments	**1.6**	**(179.9)**	**(186.1)**
Investment income	143.8	206.1	193.5
Change in market value of investments	1,022.2	1.4	781.5
Net increase/(decrease) in the Fund	**1,167.6**	**27.6**	**788.9**

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.

Fund administrative costs are paid to the Local Pensions Partnership Administration Limited and include core pension administration services on a cost-per-member basis together with additional work done on behalf of the Fund around employer risk.

The most significant element of investment management expenses is based upon the value of the investment portfolio, with charges calculated as a percentage of investment value. An increase in these costs would therefore be expected to follow an increase in portfolio value. As the Fund's assets increased during the reporting period, investment management expenses increased.

The allocation of funds to different types of asset class can also impact on the fees chargeable by investment managers since expected returns and risks differ across asset classes. Some of the Fund's mandates also include payment of a performance fee.

More information on investment management expenses and the impact of pooling can be found within section 'G' of this annual report.

The change in market value of investments as reported above includes market movements but also profits and losses on disposals and the impact of investment manager fees embedded within the market value of the investments under their management.

Non-investment assets and liabilities comprise contributions due from employers and members, unpaid benefits, and accrued expenses and sundry short-term debtors. More information can be found in notes 19 and 20 to the financial statements in section 'H' of this report.

Budgeting

A one-year budget is prepared for the Fund on an annual basis and both officers and the Pension Fund Committee closely monitor investment performance, contribution income and expenditure against the budget, with committee reporting on a quarterly basis. The most significant budget variance for the year to 31 March 2021 is an adverse investment income variance of £68m, this has been primarily due to the economic impact of the pandemic, which resulted in lower dividend payments to the Fund.

Actuarial valuation – 100% funding level

The last triennial valuation was carried out as at 31 March 2019 by the Fund's actuary, Mercer, resulting in a 100% funding level, an improvement on 90% reported following the previous valuation as at 31 March 2016. The 2019 valuation has set the contribution rates for employers within the Fund for three years commencing 1 April 2020 and a copy of the actuarial valuation report is included as section 'J' of this annual report.

C Governance of the Fund

Lancashire County Pension Fund Governance Policy Statement

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

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

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

The Pension Fund Committee has considered the governance arrangements relating to the administration and strategic management of Fund assets and liabilities and the requirement to complete a Governance Compliance Statement for all areas of governance of pension fund activities.

The Fund's Governance Compliance Statement is shown on the following page, and the Governance Policy Statement is included as Appendix 2 to this annual report.

LANCASHIRE COUNTY PENSION FUND GOVERNANCE COMPLIANCE STATEMENT - JANUARY 2021

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

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

Notes - Reasons for partial compliance

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

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

D Administration of the Fund

The Lancashire County Pension Fund is part of the Local Government Pension Scheme (LGPS).

The LGPS is established by statute and its purpose is to provide death and retirement benefits for all eligible employees.

The Fund covers the county of Lancashire, and consequently Lancashire County Council is the administering authority. The Fund provides pensions for numerous public sector employers as well as many other eligible employers admitted into the Fund.

Legislation requires funds to pool investments to seek to benefit from economies of scale. As such Local Pensions Partnership Investment Limited (LPPI) provides pooled investment services to the Lancashire County Pension Fund.

LPPI also manage all non-pooled investments for the Fund. Local Pensions Partnership Administration Limited (LPPA) provide all associated administration services.

The year 2020-21 has been a particularly challenging year due to the Covid 19 coronavirus pandemic. However, despite the challenging circumstances, we have managed to maintain excellent performance standards.

Response to Covid 19 coronavirus pandemic

The administration service has maintained 'business as usual' services throughout the pandemic with most employees working from home since late March 2020. The contact centre has remained operational throughout.

LPPA staff have now started to slowly return to their offices. A flexible working approach will be trialled over the short term to best meet operational and staff needs.

Performance against service level agreements has remained strong. Annual events such as pensions increase update, P60 communications and annual benefit statements were issued ahead of the statutory deadlines.

Q4 has proved to be more challenging with volumes of work increasing, particularly with regard to bereavement cases and, as bereavement calls and cases are prioritised, this has had a knock-on effect to other administrative tasks.

In response to the transition to home working, a planned improvement to the help desk telephony system was implemented early (in July 2020), providing enhanced call and email functionality alongside better management information. Emails were later replaced by a structured contact us form to improve the response times to members.

Face to face member engagement has been suspended and 'virtual' employer visits have been introduced. There has been a positive response to online employer events leading to increased activity levels. Members too have been invited to online events (where appropriate) to support a planned programme of communication activity. This proactive communication plan has focused on collecting personal contact information and ensuring members complete death nomination forms.

Guidance produced by the Local Government Association regarding the pandemic has been distributed to employer organisations and members where appropriate and a link to the Local Government Association employer coronavirus webinars is available on the LPPA website https://www.lppapensions.co.uk/ A new version of the website was launched in December 2020 focusing on simple and clear communications.

Other changes made in response to the pandemic have included acceptance of electronic copies of forms and documents. Additionally, mail has been centralised and outsourced in the absence of a staff presence in the Preston office.

LPPA has separated out from the wider LPP group. This means all LPPA staff are 100% focused on services (and supporting functions) directly linked to the administration of pensions for members.

Finally, after a full review of the core operating systems LPPA has taken the decision to switch from Heywoods (Altair) to Civica (Universal Pensions Management, UPM) and this will impact LCPF members late in 2022. An experienced project team has been recruited to deliver the project. UPM has potential for a more member centric and integrated solution for the future.

It is envisaged that the new UPM system will provide numerous benefits for the Fund. These include:

- Improved employer and member experience
- Improved administration functionality
- Simplified and efficient processes
- Better value

Review of the Year

The operating model for the administration service has three main elements:

- Member Services (including data quality and payroll)
- Engagement and Communications
- Helpdesk (formerly Contact Centre)

For the year 20/21, casework service performance metrics have been consistently achieved with an overall performance of 99% delivered in an exceptional year. The target performance is 95%+.

Additionally, LPPA monitor the performance of individual case types such as retirement and bereavement. All case types performed exceptionally well and, on an annual basis, above the 95% target.

	Q1	**Q2**	**Q3**	**Q4**	**Annual**
Performance against SLA	99%	99%	99%	98%	99%
Complaints	30	30	30	31	121

During the year to 44,137 individual calculations and enquiries were completed. This compares to 39,406 reported last year showing that whilst volumes of work were 12% higher during the year, SLAs continued to be delivered. The 44,137 calculations completed in 2020/21 were undertaken by the equivalent of 35 full time equivalent staff.

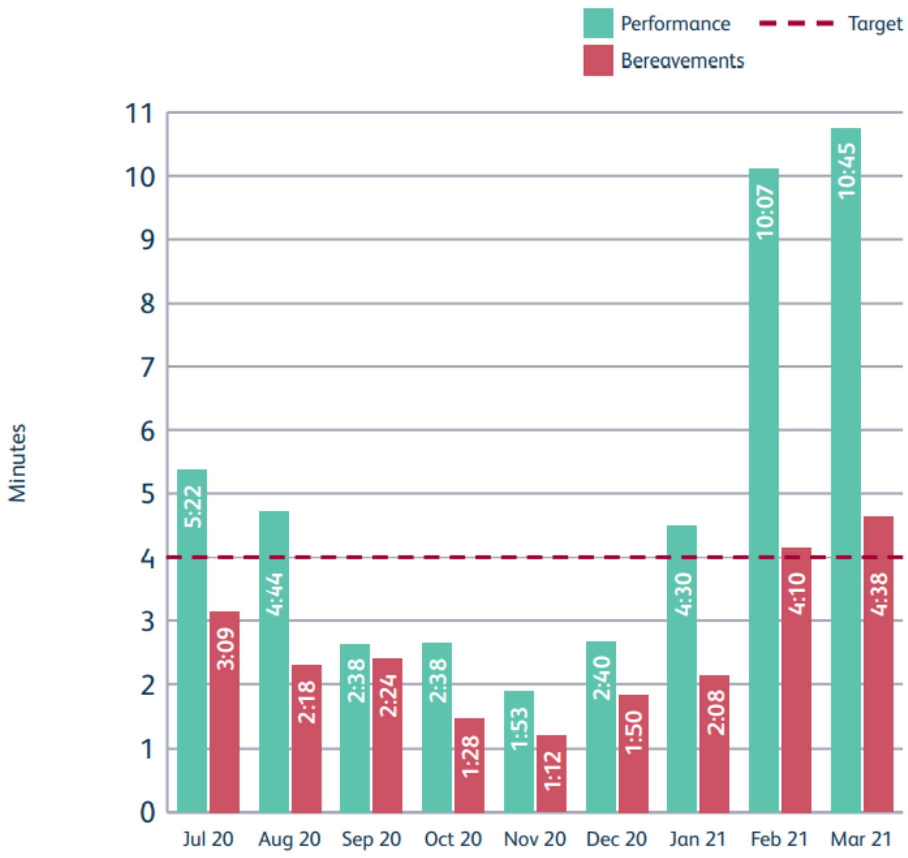
121 complaints were received, an average of 30 per quarter. This is a reduced volume of complaints from the previous year.

The helpdesk remained operational throughout the pandemic. However, a temporary telephony solution needed to be implemented between April and June 2020 to support a quick transition to homeworking.

Performance on call handling has been monitored, particularly average call wait time, abandoned rates and % of calls resolved. This data became available when the new telephone system was implemented in July 2020.

As shown on the graph below, average wait times have varied throughout the year. This is due to implementation of the new system (July) and increased bereavement call volumes (February and March).

Performance on the bereavement line has been strong due to LPPA prioritising such calls to support next of kin.



Satisfaction surveys have continued during the year to measure member satisfaction at key points in the member journey. A total of 1836 surveys were completed in the period. A summary of the satisfaction results is detailed below:

	Q1	Q2	Q3	Q4	Annual
Retirement	94.2%	87.5%	89.7%	95.3%	91.4%
Calls	88.8%*	93.5%	95.6%	94.6%	92.9%**

* Q1 is based on the group level satisfaction score (that is, the score for all clients of LPPA rather than LCPF specifically). From July 2020, satisfaction scores are specific to LCPF.

**Annual satisfaction rate includes Apr-Jul group level performance.

Satisfaction rates have consistently exceeded the LPPA target of 85%. Other surveys are undertaken on estimate, transfer and bereavement case types but volumes are quite small.

LPPA has continued to evolve the member experience by measuring and reporting on elapsed time to show how long processes are taking end to end. The aim of this piece of work has been to ensure the maximum number of pensioners receive their payments quickly and efficiently. This is reliant on employers and third parties (such as AVC providers) providing accurate and timely information, as well as LPPA processing casework on a timely basis. There have been known issues with sector wide significant delays at Prudential who are the AVC provider for LCPF. LPPA has also provided regular data on performance of employers to the Fund.

In connection with data quality, LPPA tracks the accuracy of both common and conditional data. These were 98.5% and 97.5% respectively at year end and both improved marginally across the year due to proactive data cleanse work undertaken by LPPA.

Common data is information which allows a member to be uniquely identified which includes information such as the members national insurance number, name sex and date of birth.

The conditional data is scheme specific data which includes, members status, salary records, details of pension benefits.

Membership and employers

The Fund is administered on behalf of over 300 organisations including local authorities, further and higher education colleges, voluntary and charitable organisations and private contractors undertaking a local authority function following outsourcing to the private sector. The Local Government Pension Scheme is open to 2 main types of employers, 'Scheduled Bodies' and 'Admitted Bodies'. Some employers are required to participate in the scheme (known as scheduled bodies) and some are admitted to the scheme following application for membership (known as admitted bodies).

Scheduled bodies listed in the LGPS regulations are employers which are required to enrol eligible members into the LGPS. The list includes but is not limited to:

- County and District Councils
- Combined Authorities
- Fire and Rescue Authorities
- Police and Crime Commissioner
- Chief Constables
- Further and Higher Educations
- Sixth Form Colleges
- Academies

Admitted bodies participate through a written contractual agreement and the majority of cases are established when outsourcing a service or function, where the new contractor wishes to provide continued LGPS membership.

Membership of the LGPS is automatic although employees are able to opt-out of membership if they choose. However, employees are normally re-enrolled every 3 years under the government's auto-enrolment regulations.

Overall fund membership shown below has remained largely static during the year.

Lancashire County Pension Fund	Membership at 31/03/2020	Membership at 31/03/2021
Number of Active Members	53,954	54,277
Number of Pensioners	51,171	52,406
Number of Deferred Members	73,025	71,116
Total Membership	**178,150**	**177,799**

LPPA processed 2,084 retirements for the year ending 31 March 2021. These retirements are made up of 980 members who retired under normal retirement. Of the remaining 1,104 members who retired early, 98 members retired on ill health grounds.

Performance

The Pension Fund Committee receives quarterly reports (alongside a year end summary report) on the administration of the Fund ensuring that best practice standards are achieved and to satisfy itself that the administration is being run on an efficient and effective basis. These reports have been significantly improved during the year.

In addition, LPPA provides regular data on the performance of employers within the Fund and LCPF utilise this data to assess compliance with key performance targets and monitor trends.

Specific service level standards and corresponding service level targets have been agreed between the Fund and LPPA. Extracts from the year end summary report for the year to 31 March 2021 is included as Appendix 3.

Customer Service

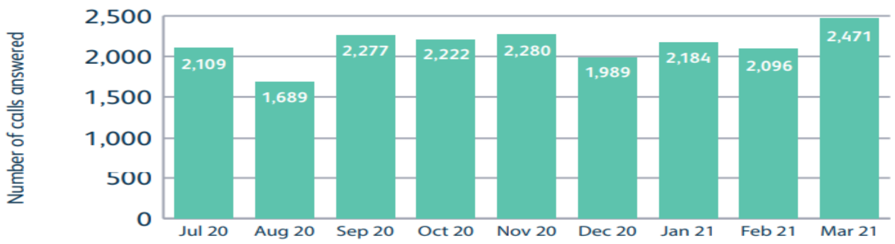
Each year LPPA's dedicated Employer Engagement team manages a series of visits, training events and support meetings with fund Employers to maintain and improve working relationships. In 2020/21, the team undertook more than 30 one-to-one support sessions with Employers, and over 300 employer representatives attended training sessions from those on offer throughout the year (these included Leaver Essentials, Ill Health and Absence and Assumed Pensionable Pay).

In addition, sessions are provided to scheme members. Throughout the year, and as a result of the ongoing coronavirus pandemic, these sessions were delivered remotely to Employers, with the team delivering Retirement Essentials sessions to 85 Members, and a further 57 Members attending Scheme Essentials presentations.

In previous years, a dedicated Employer forum had also been delivered to finance professionals within the scheme, however due to ongoing Covid19 restrictions this did not take place.

A dedicated helpdesk provides the first point of contact for members and employers. The helpdesk has a target to answer 90%+ of calls received. Between 1 April 2020 and 31 March 2021, this target was largely achieved. Due to the new telephony system launch (July) and bereavement volumes (February and March), the answered calls fell below this target. In total 19,317 calls were received in the period July 2020 – March 2021.

Annual call volumes are shown below:



Legislative Changes

During the year there were two sets of legislation that came into force, and many consultations which directly impacted on the LGPS.

- LGPS (Amendment) (No.2) Regulations 2020. This piece of legislation was laid on 27 August 2020 with an implementation date of 23 September 2020. The regulations introduced flexibilities around employer risk and are intended to allow Pension Funds to have the flexibility to react appropriately to the wide range of circumstances that may occur, particularly on the termination of a scheme employer.

  Lancashire County Pension Fund has taken on board these new flexibilities and recently updated their policies accordingly. As a result there are changes to the admission and termination policy to include options to spread termination payments and allowances for deferred debt agreements where an employer no longer has active members in the Fund but continues to operate as an employer in the Fund, in terms of continuing to pay off their pension liability.

  Additionally, the new regulations provide the Fund and employers with the ability to review employer contributions between valuations. The Fund and employers now have the following flexibilities:

  - The Fund may review the contributions of an employer where there has been a significant change to the liabilities of an employer.

  - The Fund may review the contributions of an employer where there has been a significant change in the employer's covenant.

- An employer may request a review of contributions from the Fund if they feel that either point above applies to them.

A new policy detailing the Fund's approach on reviewing employer contributions between valuations, including the circumstances under which a review may take place, and the methodology of that review is now in place.

- Exit Cap. The Restriction of Public Sector Pension Scheme Exit Payments Regulations 2020 came into effect on 4th November 2020 to legislate for the implementation of the £95,000 cap on public sector exit payments. The legislation was introduced without appropriate amendments being reflected in the LGPS regulations. The Government announced on the 12 February that they had 'disapplied' the exit cap, as it had unintended consequences. This has required the LPPA administration team to recalculate the pension benefits to put members who were made redundant over age 55 back to the same position that applied before 4 November 2020. However, the Government have stated that they still intend to introduce the exit cap at a later date. MHCLG plan to introduce further changes to exit payments and has confirmed that it will consult again on further reforms to exit payments before any changes are made.

- The McCloud consultation. A consultation on draft Regulations introducing amendments to the statutory underpin for the Local Government Pension Scheme (LGPS) in England and Wales was released on 16 July 2020. The proposals look to remedy the unlawful discrimination, identified by the court judgement on the McCloud case, which ruled the protection of older members was discriminatory when this was introduced following the reforms of the LGPS in April 2014. Effectively active members within ten years of their 2008 Scheme normal pension age on 31 March 2012 were granted transitional protection by means of a final salary underpin, i.e. a comparison of the benefits that could have been accrued under the previous final salary scheme. As a consequence, the draft regulations set out in the consultation will essentially remove the condition that requires a member to have been within ten years of their 2008 Scheme normal pension age on 1 April 2012 to be eligible for underpin protection. The Pension Fund is now awaiting a response from MHCLG providing direction on how the remedy will be implemented.

- Cost Cap. Legislation requires HM Treasury and the Scheme Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Earlier calculations for the 2016 process found that the cost "floor" had been breached, which meant that improvements to benefits or changes to member contributions would be required (with effect from 1 April 2019) to bring the cost of the LGPS back to the target level. However, the processes were paused pending the outcome of McCloud. The government has announced an update on the cost control mechanism as follows:

    - The cost control element of the 2016 valuations will now be completed using 'deferred choice underpin' (DCU) to establish the cost of implementing the McCloud remedy.
    - There will be no reduction to member benefits as a result of completing the 2016 valuation if the cost ceiling is breached.
    - If the cost floor is breached, this will be honoured by implementing increases in benefit accrual and/or reductions in member contributions from 1 April 2019.
    - Any change in employer contributions in the unfunded schemes triggered by the 2020 valuations will take effect from 2024 instead of 2023.

- Widowers Benefits. The Government has agreed that married men should get no lower benefits than same sex partners. It is expected that this will be included in the next set of scheme amendments. There is no further update on likely timescales, however the NHS have released a further consultation on how this could be built into their regulations, and the Teachers scheme have release amendment regulations. It is expected that a similar approach will be taken on the LGPS.

- Spring Budget. The Lifetime Allowance has been frozen at its current level (£1,073,100) until April 2026. Annual Allowance remained at £40,000 and the thresholds unchanged.

Online Service

'My Pension Online' is an online facility allowing members to view their details and securely update changes in personal details. As part of the review of the core operating systems mentioned above, this facility will be transitioned into the Civica software Universal Pensions Management (UPM) in 2022

Members who are registered can run various pension estimates assisting with planning for retirement. Members can also view their P60, payslips and annual benefit statement. LPPA publish letters and communications to the portal when administrative tasks are undertaken. Other benefits of the system include allowing members to view their nominated beneficiaries, access to a host of forms and guides and allows the administration service to communicate with registered members via email.

Currently 30% (deferred), 40% (active) and 48% (pensioner) members of members are registered.

Appeals

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

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

During the year to 31 March 2021 a total of 33 appeals have been received (24 Stage 1 and 9 Stage 2).

Charges and value for money

It is important that the costs and charges of running the Fund provide good value in relation to the benefits and services provided to members.

To ensure that this is the case, the cost per member is monitored as well as broader financial performance. The Pension Fund Committee is required to consider and approve the budget for the Local Pensions Partnership Limited (LPPL) and its subsidiaries, including administration functions and there is the opportunity to challenge anticipated costs. The shareholder agreement principles include a requirement for any decision made by LPPL to ensure long term value for money. Where a new service is carried out by the partnership then comparison should be made to wider market benchmarks.

The Pension Fund Committee monitors the performance of the pension's administration function – including contractual and non-contractual Key Performance Indicators - on a quarterly basis. Further detail on this is provided in Appendix 3 (Administration annual report).

In addition, benchmarking is regularly undertaken to compare the costs and services of LPPA against other pension administrators. The latest results indicate that LPPA is at a central point in terms of cost and services compared to its peers, with a total administration cost lower than that of its peers.

Other information

The Fund seeks to manage and recover, where appropriate, any pension or benefit overpayments made to members, most overpayments arise from late notification of a member's death. In addition, the Fund participates in the National Fraud Initiative and actively investigates all data matches found as a result of this process.

For further information relating to the administration of the scheme please refer to the Annual Administration Report, Communication Policy Statement and the Pensions Administration Strategy Statement included as Appendices 4, 5 and 6 to this annual report respectively.

E Knowledge & skills framework

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

CIPFA pensions finance knowledge and skills framework

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

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

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

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

Training approach

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

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

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

Pension Board, however senior officers attend the training sessions alongside the board and committee members.

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

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

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

Details of training provided internally and attended externally by members of the Pension Fund Committee (PFC) and Lancashire Local Pension Board (LLPB) during the year ended 31st March 2021 are detailed below.

Date	Subject	Held via/at Venue	Attendees	
			PFC	LLPB
24 June 2020	LGPS Local pension Board members annual event	Webinar	0	2
7 Jul 2020	Workshop on Asset safety and cyber security	Via Zoom	9	6
19 Aug 2020	CIPFA Implementation of McCloud workshop	Webinar	1	0
1 Sept 2020	Feedback from the Investment Panel following the review of the LCPF Funding Strategy Statement	Via Zoom	8	6
8 Sept 2020	Pension Trustee Circle - Virtual ESG Roundtable	Online conference	2	0
12/14 Oct 2020	PLSA Annual Conference	Online conference	2	0
13 Oct 2020	Presentation to Pension Board – Internal Audit assurance over LCPF	Via Zoom	1	9
3 Nov 2020	Workshop on the Responsible Investment Dashboard	Via Zoom	9	6
11 Nov 2020	PLSA Local Authority	Online conference	1	0
12 Nov 2020	LGPS Investors Focus on ESG, Responsible & Sustainable Investing Conference	Online conference	2	0
19 Nov 2020	Presentations to Pension Fund Committee members on Divestment.	Via Zoom	11	0
2 Dec 2020	Local Authority Pension Fund Forum Webinar Series 2020	Online event	1	0
12 Jan 2021	Workshop – Update from local Pensions Partnership Administration	Via Zoom	6	8

26 Jan 2021	LGA - Local Government Pension Scheme update	Webinar	2	0
28 Jan 2021	PFIF Virtual Forum seminar – Will 2021 be another extraordinary year? The Outlook Ahead: economic & strategic asset allocation opportunities/dangers	Online event	0	1
4th Feb 2021	CIPFA Responsible Investment for the LGPS	Webinar	2	1
18 Feb 2021	Workshop – Local Pensions Partnership 2021/22 budget	Via Zoom	9	7
9/11 Mar 2021	PLSA Investment Conference 2021	Online event	1	0
23 March 2021	Workshop – LPP Communications and demonstration of new LCPF website.	Via Zoom	10	6
23 March 2021	LGPS, climate change and building community wealth beyond the pandemic.	Online	1	0
			78	52

F Investment Policy and Performance

Performance

As a pension fund, the Lancashire County Pension Fund's ("the Fund") investment horizon is long-term. The investment strategy is outlined in the Investment Strategy Statement which was updated in 2021. The Fund's primary investment objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due. Accordingly, the Fund invests its assets to meet its liabilities over the long-term, and performance should be assessed against these objectives and over a commensurate period.

Over the longer-term (over a 3-year or 5-year horizon) the Fund's returns have been strong, exceeding both its actuarial benchmark (the rate at which the Fund's liabilities are assumed to grow year on year) and policy portfolio benchmark. Over the year ended 31 March 2021, the Fund delivered a +11.7% return on assets, which was above the actuarial benchmark. This is illustrated in the enclosed charts.

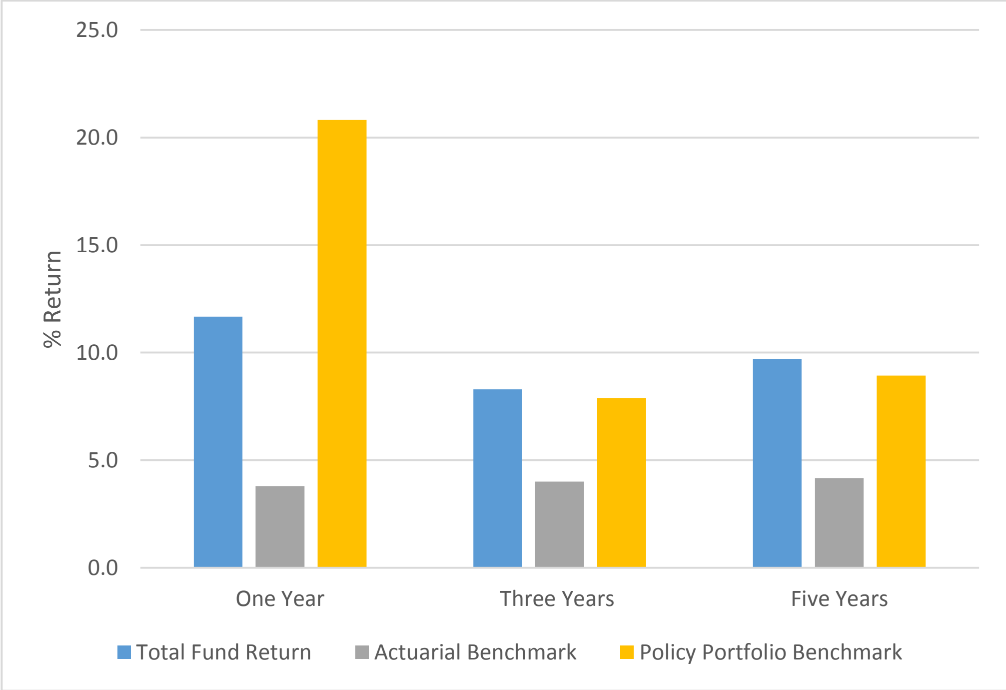
The value of the Fund's investment assets at 31 March 2021 was £9,599million, up from £8,321million at 31 March 2020. There were gains made across almost the entire portfolio, but public equity was by far the standout contributor with returns in excess of 25%.

Investment assets returns compared to benchmarks

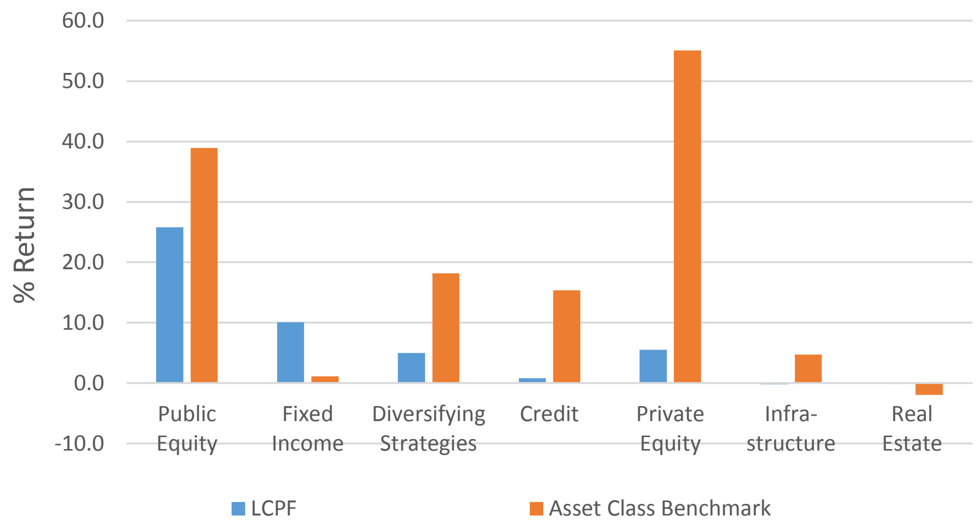
Return Metric	1 Year	3 Year*	5 Year*
Investment Assets Return	11.7%	8.3%	9.7%
Actuarial Benchmark	3.8%	4.0%	4.2%
Policy Portfolio Benchmark	20.8%	7.9%	8.9%

Asset returns are shown net of fees
* Annualised Returns

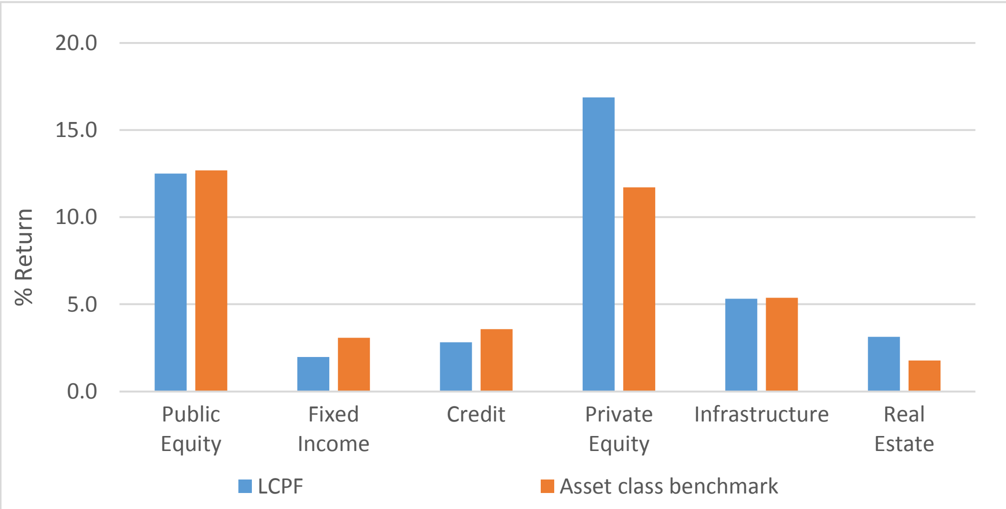
Total Fund performance at 31 March 2021



One-year Fund performance by asset class at 31 March 2021



Three-year Fund performance by asset class at 31 March 2021



Investment pooling

In 2016, the Fund appointed Local Pensions Partnership Investments Limited ("LPPI") to manage its assets. LPPI is a Financial Conduct Authority ("FCA") regulated investment company, which is wholly owned by Local Pensions Partnership Limited, a venture between Lancashire County Pension Fund, Lancashire County Council and London Pensions Fund Authority (LPFA). LPFA has also appointed LPPI to manage its assets, in addition to The Royal County of Berkshire Pension Fund ("RCBPF") which joined the pooling initiative in May 2018. LPPI has created seven pooled funds, across a range of asset classes, to manage clients' assets including public equities, fixed income, diversifying strategies, credit, infrastructure, private equity and real estate.

Further information regarding the Funds offered by LPPI including set-up, investment transition and ongoing investment management costs is available in section G, 'Asset Pooling' of this annual report.

Note 13 to the financial accounts, section H, differentiates between assets held within LPPI's funds and those assets which reside upon the Fund's balance sheet. LPPI oversee both segments.

Current and Strategic Asset allocation

Over the year the Fund implemented an updated investment strategy allocating slightly higher weights to Public equities, Credit and Cash with reductions made to Fixed income and Real estate. In addition to changes to the Fund's strategic asset allocation and accompanying tolerance ranges (shown in the table below), cash from the pension fund was invested into LPPI's Public Equity and Credit Funds with a view to benefitting from the long-term market recovery

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

The following table presents the Fund's actual asset allocation versus strategic target at the end of March 2021 & March 2020:

Asset Class	March 2021				March 2020			
	Assets (GBP Million)	Allocation (%)	Strategic Asset Allocation (%)	Range	Assets (GBP Million)	Allocation (%)	Strategic Asset Allocation (%)	Range
Public equities	4,507	47.0%	44.5%	40% - 50%	3,455	41.0%	42.5%	40% - 50%
Fixed income	354	3.7%	1.5%	0% - 10%	333	4.0%	2.5%	0% - 5%
Diversifying strategies	95	1.0%	0.0%	0% - 5%	90	1.1%	0.0%	0% - 5%
Credit	1,261	13.1%	17.0%	12.5% - 22.5%	1,098	13.0%	15.0%	10% - 25%
Infrastructure	1,128	11.7%	15.0%	10% - 20%	1,181	14.0%	15.0%	10% - 20%
Private equity	812	8.5%	5.0%	0% - 10%	778	9.2%	5.0%	0% - 10%
Real estate	991	10.3%	12.5%	7.5% - 17.5%	910	10.8%	15.0%	10% - 20%
Legacy shared ownership[1]	330	3.4%	3.0%	0% - 5%	331	3.9%	4.0%	0% - 5%
Cash	121	1.3%	1.5%	0% - 5%	253	3.0%	1.0%	0% - 5%
Total	**9,599[2]**	**100%**	**100%**		**8,429**	**100%**	**100%**	

[1] As reported in the Fund's 2019 Accounts, the Legacy shared ownership (Heylo Housing) resided within the Credit allocation. It has since been separated out into its own allocation grouped within Real Estate.

[2] This figure is investment assets held by the Fund. At other points in the Annual Report net asset value is quoted of £9,605.3m – this includes investment assets as well as current assets and liabilities

The allocation of the Fund's assets for the previous financial year has been added for comparison purposes. LPPI provides input to the Fund on its long-term strategic asset allocation (SAA), but the Fund retains autonomy in deciding how this is set. LPPI has discretion to manage the Fund's assets within the asset class ranges set as part of the SAA decision.

Economic Overview 2020/21

The performance of the Fund is largely determined by economic conditions and the movement in financial markets. The last 12 months has been impacted by the continuing COVID-19 pandemic and governments reactions to it. The Gross Domestic Product (GDP) growth and inflation (as well as real rates) are key macroeconomic variables that influence LPPI's investment market outlook. Data in the financial year for some of the major economies were:

GDP

GDP Growth (% Quarter on Quarter)			
	UK	**US**	**EU**
Q2 2020	-19.5%	-9.0%	-11.4%
Q3 2020	16.9%	7.5%	12.4%
Q4 2020	1.3%	1.1%	-0.6%
Q1 2021	-1.6%	1.6%	-0.3%

Inflation

Consumer Price Inflation (% Quarter on Quarter)			
	UK	**US**	**EU**
Q2 2020	-0.10%	-0.30%	0.50%
Q3 2020	0.40%	1.10%	-0.70%
Q4 2020	0.20%	0.50%	0.20%
Q1 2021	0.20%	1.31%	1.30%

Interest Rates

10-Year Nominal Government Bond Yields (quarterly change in brackets)			
	UK	US	Germany
Q2 2020	0.17% (-0.18%)	0.66% (-0.01%)	-0.46% (0.01%)
Q3 2020	0.23% (0.06%)	0.68% (0.02%)	-0.52% (-0.06%)
Q4 2020	0.19% (-0.04%)	0.91% (0.23%)	-0.57% (-0.05%)
Q1 2021	0.84% (0.65%)	1.74% (0.83%)	-0.29% (0.28%)

GDP contracted across major economies in Q1 2020, even though most government measures to stem the COVID-19 pandemic were enacted during the period. As the data above illustrates, Q2 2020 marked the worst quarter for activity in developed markets with notable differences between different regions. Since Q3 2020, GDP growth has found firmer footing, although further lockdown measures implemented in certain regions at the end of 2020 and the beginning of 2021 weighed heavily on activity in affected economies.

After the initial sell-off between February and March 2020 (when investors sold large volumes of assets in response to the emerging pandemic), investors quickly reacted to the “upside”, anticipating that the economic impact from COVID-19 would be relatively short lived. Riskier asset prices, such as those for Equities and High Yield bonds, have trended upwards since April 2020, bolstered by ample fiscal and monetary support globally. During the initial months of the pandemic there was an acceleration of long-term ongoing structural trends, namely increased demand for work-from-home systems and e-commerce. This led to significant gains in technology share prices with the U.S. tech-heavy large cap market benefiting the most among major markets. However, as most economies started scaling back their emergency measures (June 2020), cyclical stocks and “Value” shares (assumed to be more sensitive to a cyclical rebound), such as Energy and Financials, materially outperformed.

In Fixed Income markets, developed market government bond prices rose during the worst of the pandemic (because they were widely regarded as a “safe haven” by investors) and continued to perform strongly through to July 2020. Since then, rising inflation expectations fueled by pent-up demand and economies reopening have been a major headwind adversely impacting on their performance. Long-term U.S. sovereign yields got a further boost from the 2020 U.S. Presidential election results amid market anticipation of additional fiscal spending under the Biden administration. Global developed market sovereign yields followed U.S. yields higher in Q1 2021.

The Fund entered the COVID-19 crisis positioned conservatively in that there was no significant overweight in risk assets (compared to target weightings), including Public Equities, which saw the most pronounced falls in value. After the Equities drawdown in Q1 2021, LPPI added to the Fund’s equities allocation in March 2020 and further additions were made in March 2021 on the back of continued optimism. Halfway through the year, LPPI added to the Fund's Credit allocation, partly reducing an existing underweight position versus the Fund's target allocation. These allocations have demonstrated a short-term benefit through increases in value as the recovery gains momentum. However, the Fund invests over the long term and performance is evaluated in line with this thinking.

The Fund's portfolio continues to be well diversified across different asset classes, regions and sectors. This diversification is paramount in building robust portfolios, as is a good balance between public and private market assets exposure. Being able to accurately predict ongoing economic scenarios is exceedingly difficult, if not impossible. A well-diversified portfolio is the best preparation for the long-term future.

More detail on each of the asset classes is shown below.

Global Public Equities

Public equities are publicly traded company shares and are commonly viewed as one of the highest-returning liquid asset classes and represent the largest asset class exposure for the Fund. Within the Fund's Public Equities allocation, the majority resides with LPPI's Global Equity Fund (GEF) which combines an internally managed portfolio (50% of GEF) with a variety of external equity managers (50% of GEF) operating with complementary styles of investment selection. The GEF maintains an overall bias to high-quality companies (i.e. companies with more stable earnings, stronger balance sheets, and higher margins), however other styles are included to provide diversification.

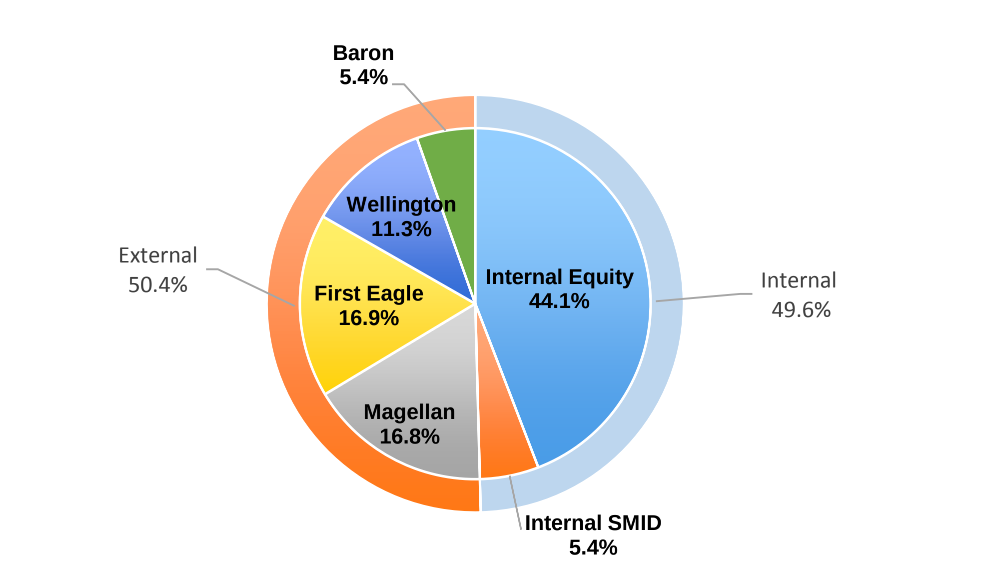
Following the unprecedented market drawdown in March 2020, the MSCI World Index rallied by 50% and as of 31st March 2021 it was 10% above the previous market peak prior to the onset of COVID-19. The unprecedented equity market rally can be broadly split into two distinct periods: the first being the strong yet narrowly led recovery and the second from investors reallocating capital into stocks that have a cyclical demand (i.e. not wanted by consumers in all stages of the economic cycle). In the latter, companies previously deemed to be most impacted by COVID-19 outperformed their peers. These cyclical businesses with slower growth and lower profit margins are typically ones which the Fund is generally underweight to, favouring instead high-quality companies and a bias towards Consumer Staples stocks.

The GEF generated positive absolute returns in both periods and delivered a gain of +25.8% over the year but lagged the wider equity market due to its high-quality bias and more defensive style managers. Such positioning tends to outperform in challenging market environments (demonstrated during the market drawdown in Q1 2020), at the expense of forgoing some upside in rallying periods (especially when the market is led by a handful of sectors with a cyclical bias as was the case later in 2020). Given the Fund's positioning and broad diversification the overall underperformance of the Fund during these periods of pronounced market recovery is unsurprising.

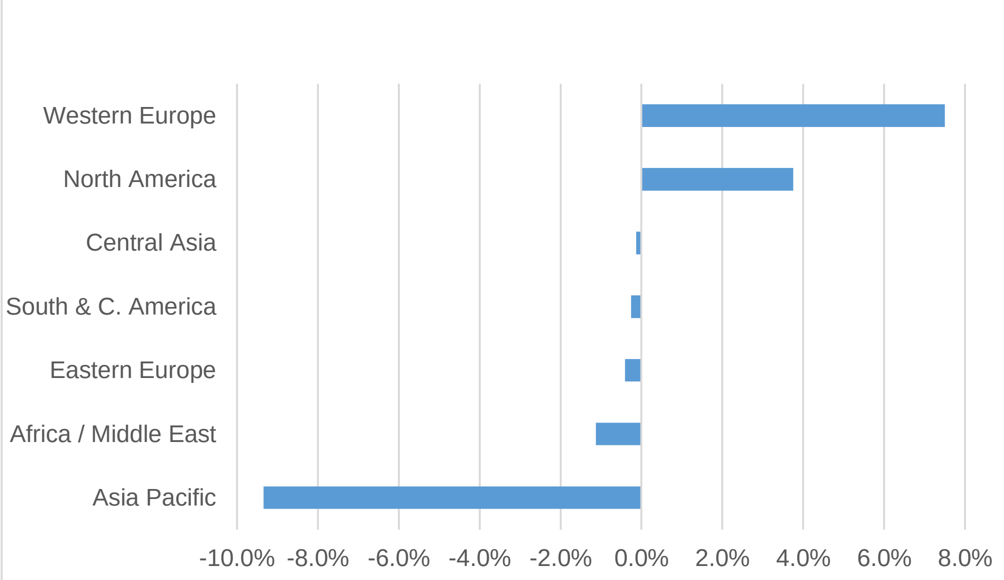
The GEF continues to exhibit a low turnover of holdings and a stable roster of external managers, reflecting a long-term investment horizon (in-line with the timeframe of the Fund's liabilities). However, over the reporting period, the internally managed small / mid cap mandate was increased in size to a target weight of 5% of the GEF and is reflective of its success to date.

Further information on LCPF Public Equities is provided in the chats below.

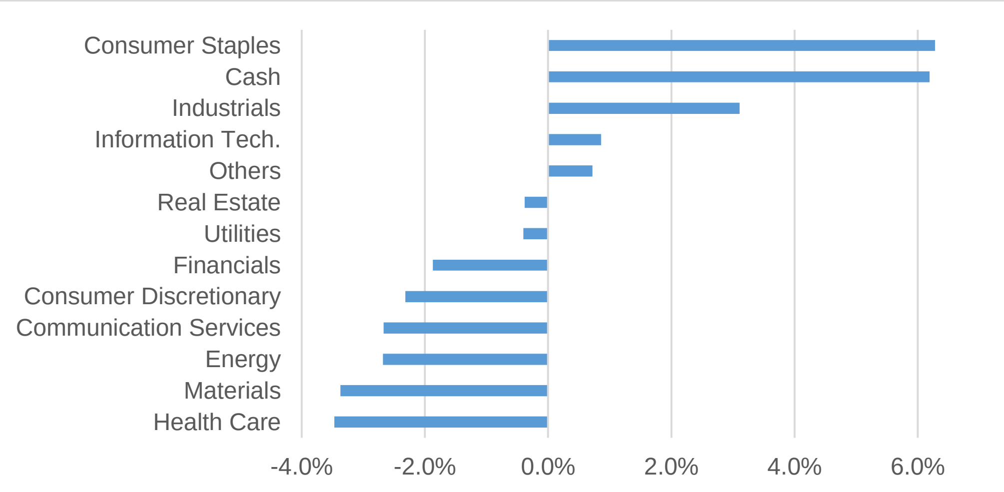
LCPF Public Equities – manager composition as at 31 March 2021



LCPF Public Equities – regional weights v MSCI ACWI as at 31 March 2021



LCPF Public equities – sector weights v MSCI ACWI as at 31 March 2021



Fixed Income

Fixed income broadly refers to those types of assets that pay investors fixed interest or dividend payments until a maturity date, including government and company lending. LPPI's Fixed Income Fund (FIF) investment strategy continues to consist of two complementary managers, both are credit-focused with a bias towards higher-quality investment grade debt.

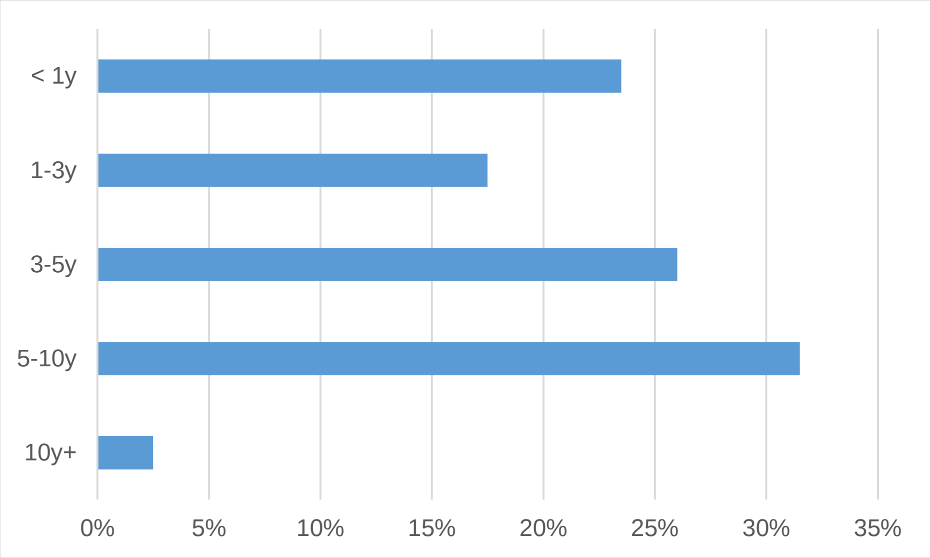
The twelve months to 31st March 2021 were dominated by the theme of recovery from the pandemic – reflected in the strong rebound of capital markets, supported by unprecedented stimulus from central banks and other authorities. Against this backdrop both risk (equities and credit) and safe-haven (government bonds) assets performed well in 2020, experiencing a pronounced rebound up until July, from the market lows seen at the end of March 2020, and rising more steadily until the end of the year.

The FIF benefited from the credit market recovery primarily due to its exposure to corporate bonds across both the investment grade and high yield debt markets. Spreads (the difference in yields between less-risky government bonds and riskier bonds) on a range of credits and securitised products declined back towards levels prior to the onset of the pandemic (responding to a rise in price).

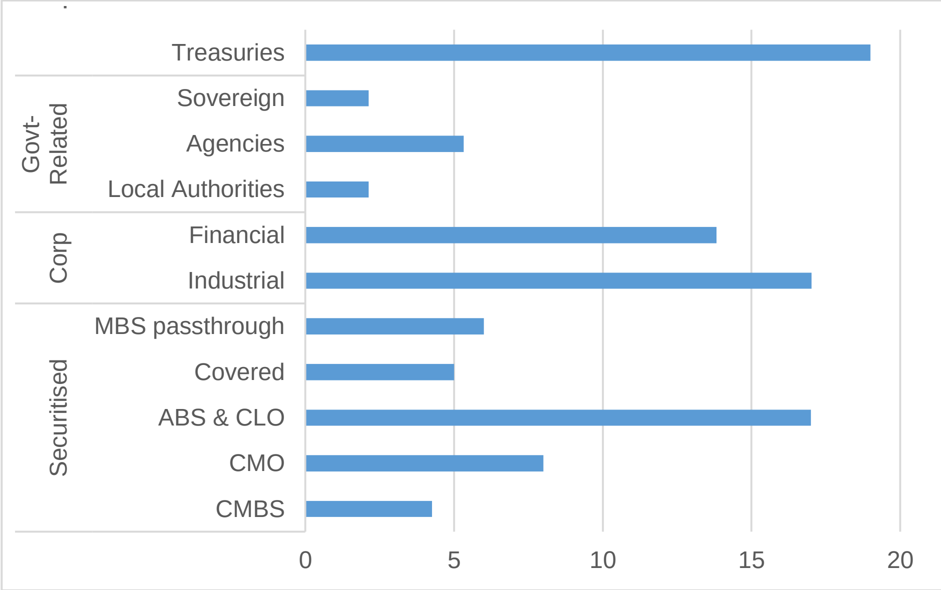
Over the reporting period, the FIF returned +10.0% against the benchmark return of +1.1%. Both managers generated strong returns with performance led by the +11.4% return of Wellington. The FIF's low duration / interest rate risk exposure was advantageous as yields moved sharply higher over 2021, which would have otherwise detracted from performance (yields and prices move in opposite directions).

On the following page are three charts, exhibiting the FIF's aggregate positioning as at 31st March 2021. Please note that individual exposures may not total 100% due to derivative contract positions (these are primarily used by the FIF to express views on the direction of a bond's price).

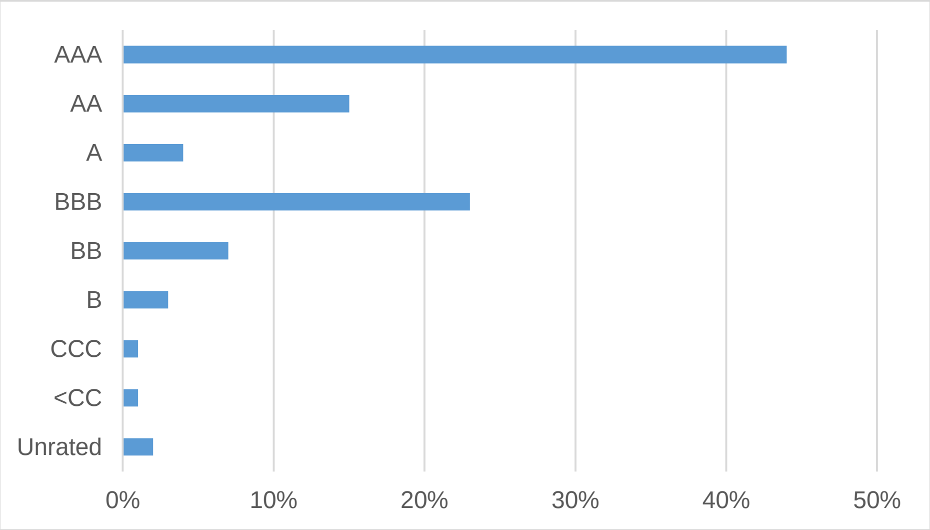
LCPF Fixed Income – holdings maturity as at 31 March 2021



LCPF Fixed Income – holdings sector exposure as at 31 March 2021



LCPF Fixed Income – holdings by credit rating as at 31 March 2021



Private Equity

Private equity refers to owning part of a company whose stock is not listed on a public exchange. Compared to public equity, private equity offers a higher return and risk profile. This comes from generally investing in smaller companies with higher leverage and hence higher growth expectations. Private equity also has lower liquidity – a 10-year fund life is common – which is also compensated through typically higher returns. Private equity investments are held through a variety of closed-ended limited partnerships and managed by a diverse collection of managers who, in turn, cover a variety of strategies and geographic areas. The Fund's exposure to Private Equity is being gradually reduced in line with the Fund's long-term strategy.

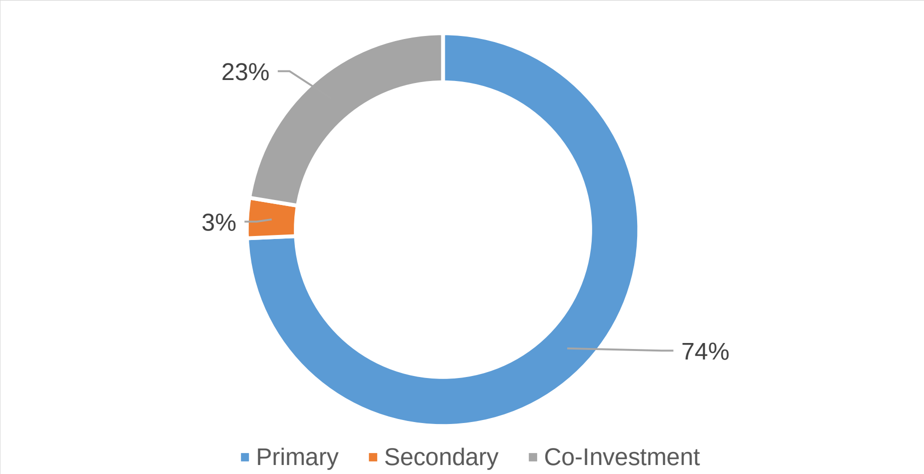
With long-term investment periods, performance is generally best viewed over equally long horizons. Supported by a well-diversified allocation to many top-quartile performing managers, the Fund's Private Equity portfolio has generated double-digit returns since inception and exceeded its benchmark return.

Over the shorter one-year horizon, the Fund's private equity portfolio posted a gain of +5.5% with a number of underlying managers posting returns in excess of 30%. Performance, however, lagged its public equity benchmark. Due to the nature of Private Equity investments, the process of valuing them takes much longer than for a public equity. This delay impacts the extent of the recovery reflected in the performance of the asset class within this report (i.e. the one-year Private Equity performance figure includes the market fall in Q1 2020). Public equity benchmarks are refreshed far more regularly.

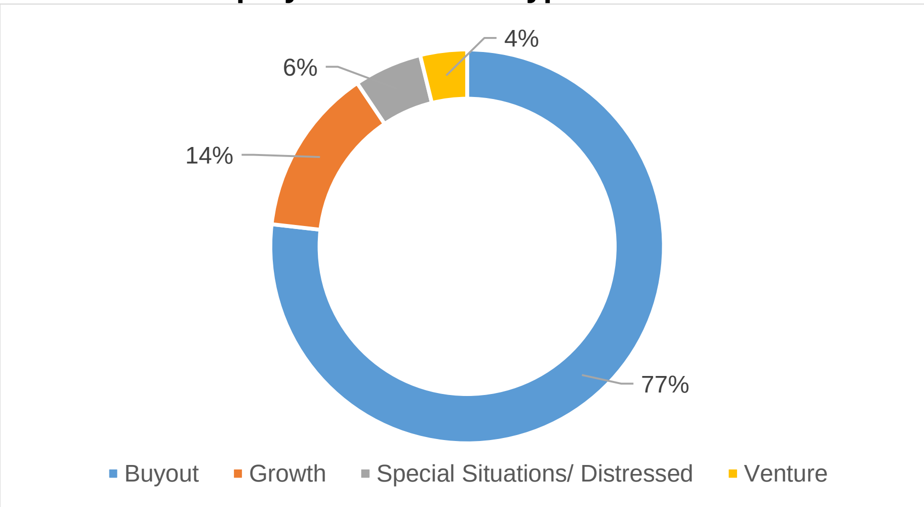
While COVID-19's impact on private equity valuations was muted, the same could not be said for completed transactions, which shrank considerably relative to prior years. Meanwhile, the committed capital yet to be deployed continues to increase and has grown by 22% since December 2019 in North America and Europe, reflecting a very competitive market environment with elevated pricing and scarcer opportunities. Against this backdrop, the Fund's capital continues to be prudently deployed while also reducing the overall rate of commitment to new private equity funds in line with the Fund's strategic asset allocation. This has been gradually achieved in a carefully, managed approach that ensures diversification of opportunity and manager relationships are maintained.

Further information on LCPF Private Equities is provided in the charts below.

LCPF Private equity – investment strategy breakdown as at 31 March 2021[3]



LCPF Private equity – investment type breakdown as at 31 March 2021



[3] **Primary**: Denotes investments made directly within a newly launched company or fund. **Secondary:** Denotes investment made within existing private equity opportunities, companies or funds. **Co-investment:** Denotes investing alongside other investors in the same opportunity.

Real Estate

Real estate plays a strategically important role within the Fund's overall investment portfolio, both because of its diversification benefits as well as the rental income generated that is used to fund member benefits without the need to liquidate other investments.
The majority of the Fund's Real Estate portfolio is invested in the LPPI Real Estate Fund ('REF') and during the financial year further on-balance sheet real estate investment (i.e. investments held by the Fund outside of the REF) were transitioned into the REF. The REF consists of a portfolio of directly held properties managed by Knight Frank Investment Management and a collection of external managers. The Fund has retained direct ownership of – outside of the REF - its National and County portfolio managed by Knight Frank.

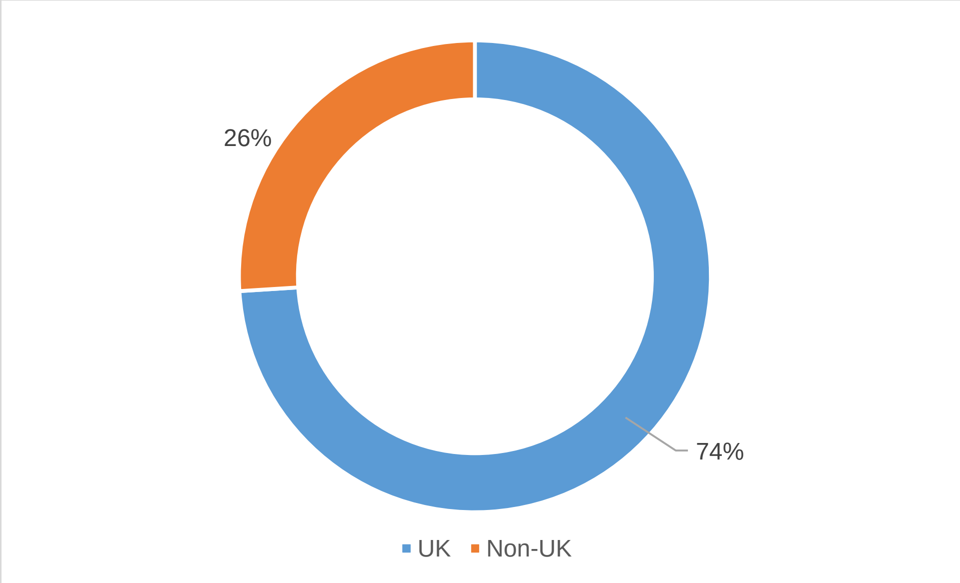
Given the long-term nature of real estate investments, performance is best assessed over longer time horizons. Over three-year and five-year periods, the Fund's real estate portfolio has produced strong absolute and relative performance. Against a challenging market environment due to lockdowns and lower rents received, the Fund's overall portfolio returned of -0.1% in the twelve months to 31st March 2021 (outperforming the benchmark return of -2.0%). The REF returned -0.7% over the same period while the Fund's Local and National property portfolios returned +2.1% and +4.1% respectively.

At a sector level, the REF has a positive bias to the Office and Industrial sectors and relative underweight positioning in retail properties compared to the MSCI UK Quarterly Property Index benchmark, which has helped to protect the portfolio against capital loss over the year. Areas within the Retail sector (high street stores and shopping centres) have underperformed due to sector challenges, as online shopping grows, which has been exacerbated by the effects of the pandemic. In contrast, Industrial and Residential assets continue to perform well, benefiting from ongoing shifts in consumer habits to online shopping and favourable demographic trends.

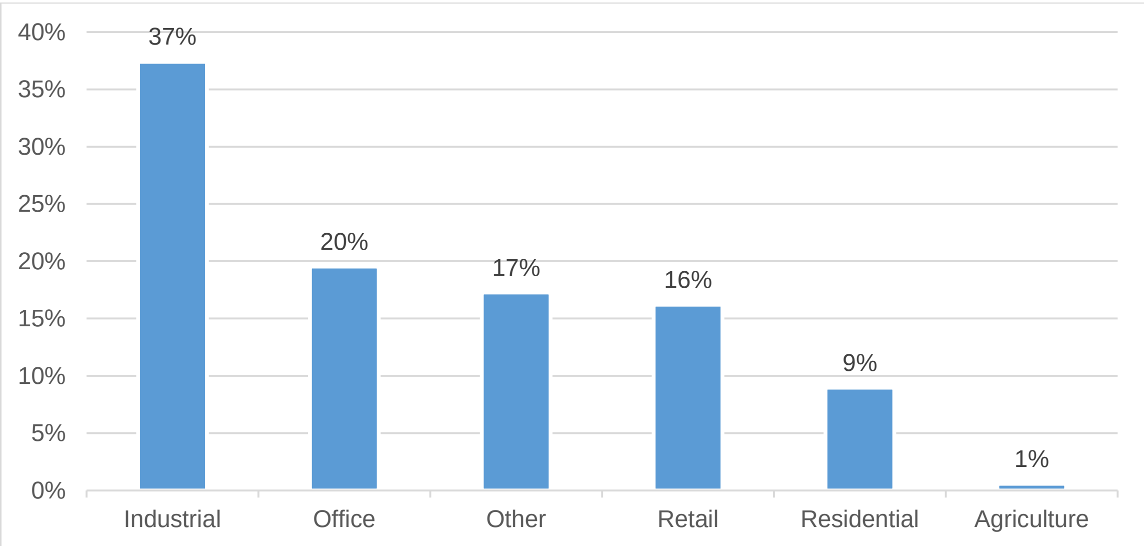
Global rent and service charge collection rates continue to be suppressed due to the pandemic's impact and particularly in the UK where a moratorium on pursuing commercial rent arrears was implemented by the UK Government. Despite the challenging environment, the direct UK portfolio within the REF saw rent collection rates outperform the wider market demonstrating the quality of assets and supportive asset management initiatives; i.e. reducing rents in exchange for a longer lease.

Further information on LCPF Real Estate is provided in the charts below.

LCPF Real Estate – geographical breakdown as at 31 March 2021



LCPF Real Estate – sector breakdown as at 31 March 2021



Infrastructure

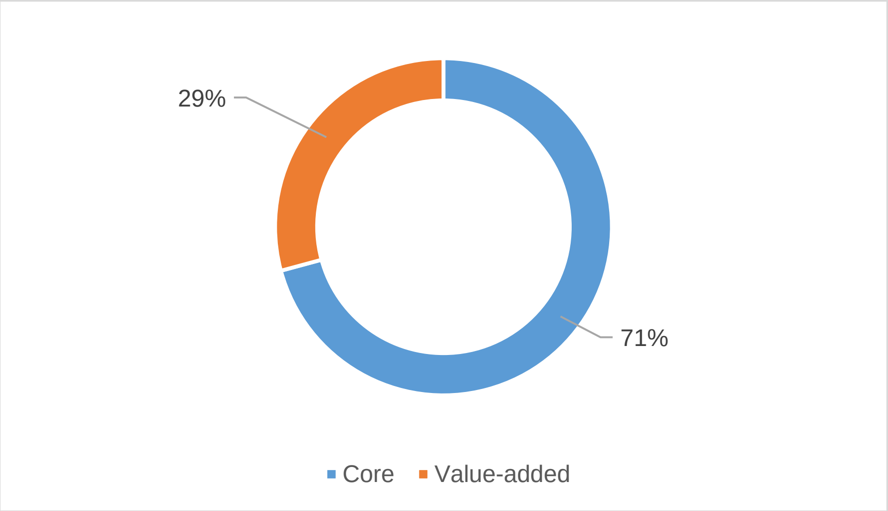
Examples of infrastructure assets are energy generation (gas, electricity and renewable), transport and health care / hospitals. Infrastructure typically offers long-term returns that are aligned to the Fund's investment objectives whilst also providing portfolio diversification and broadly resilient cashflows with a degree of inflation linkage. The majority of the Fund's infrastructure exposure is through LPPI's Global Infrastructure Fund ("GIF"). This comprises allocations to a variety of global infrastructure funds, and direct investment projects.

A key component of the GIF is GLIL, an infrastructure platform designed to fully align the interests of a number of pension fund investors within Local Government who wish to benefit from the very long-term investment opportunities in infrastructure investing. Through GLIL, the Fund now owns interests in various core infrastructure assets in the UK, including investments in wind-powered electricity generation, water assets, rail rolling stock and ports.

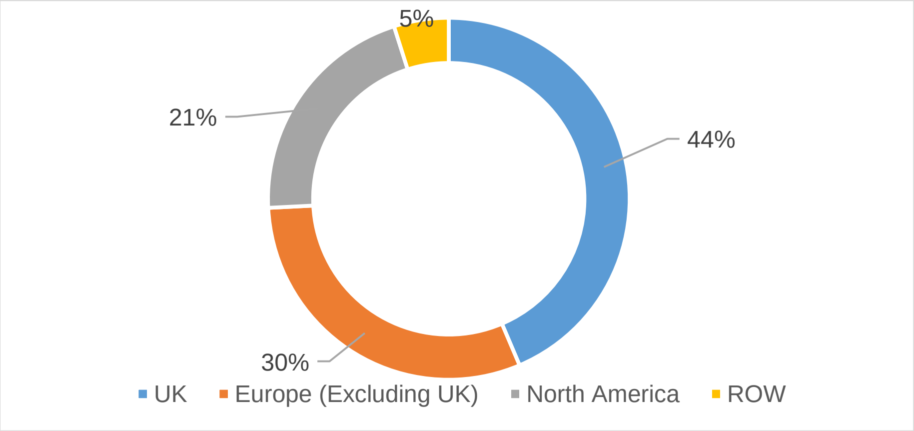
The Fund's infrastructure portfolio delivered a marginal loss (-0.2%) over the twelve-month period. The GIF positive return of +2.3% was offset by losses generated by the Fund's on-balance sheet energy-related investments which were adversely impacted by the fall in oil prices over the period. The modest gain for the GIF reflects the defensive nature of many of the assets held throughout a challenging year.

Capital continued to be deployed by the GIF over the year with c.£270m being directed into new investments. Most recently there have been co-investments alongside one of the GIF's fund managers (covering road transport and digital infrastructure assets), as well as the addition of holdings in UK rail transport through an investment in the Intercity Express Programme East. The latter was established to replace the UK's ageing fleet of intercity trains, providing a new generation of highly reliable and efficient trains for the East Coast Main Line.

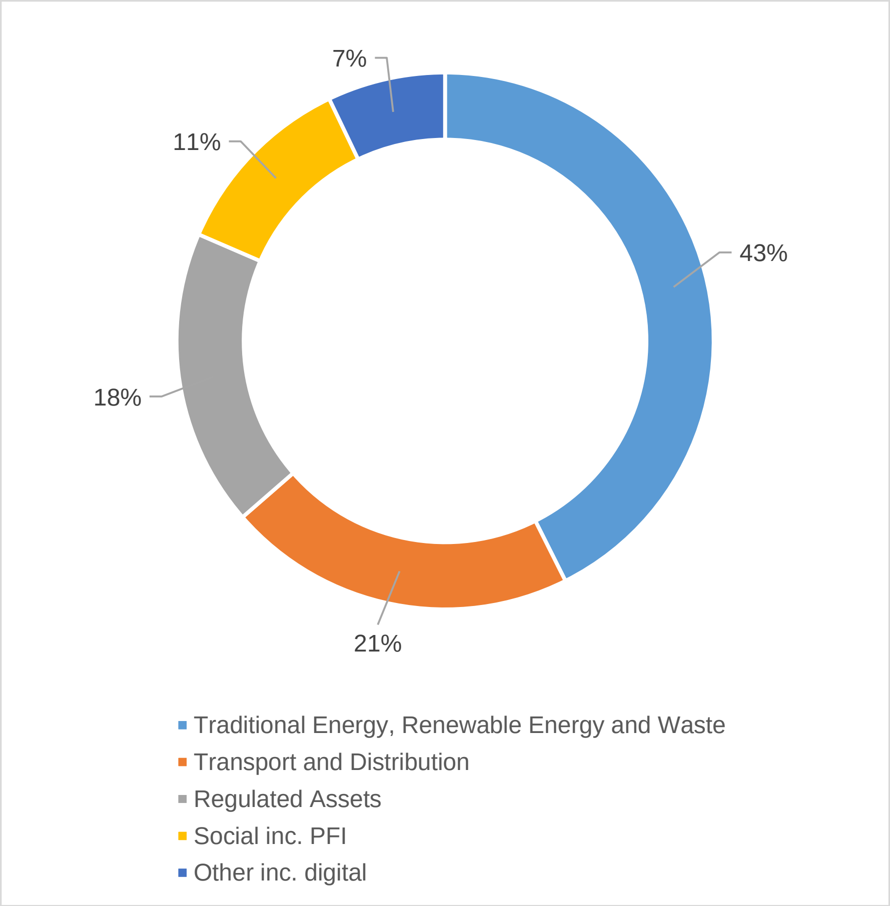
LCPF Infrastructure – strategy breakdown as at 31 March 2021[4]



LCPF Infrastructure – geographical breakdown as at 31 March 2021



LCPF Infrastructure – sector breakdown as at 31 March 2021



[4] **Core**: assets / strategies that have long-term stable cash flows and have low operational or development risk. **Value Added**: Assets / strategies that require enhancements in order to increase demand for the asset and its revenue generation.

Credit

Credit as an asset class refers to company lending and accepting the debt of issuing companies with a view to benefiting from favourable repayment strategies. Examples include private lending to companies, bonds issued by emerging market governments / companies and loans underpinned by real estate assets. LPPI's Global Credit Fund (GCF) comprises the majority of the Fund's credit exposure. The GCF invests in a range of credit-linked assets globally across the spectrum of credit qualities. Credit exposure is predominantly in illiquid investments which are typically held to maturity. The income generated from the GCF is a material source of cash that can be used to meet benefit payments.

The Fund's Credit portfolio returned 0.8% in the year to 31st March 2021 with the GCF' return of 3.9% over the same period being mostly offset by losses posted by a few of the Fund's on-balance sheet credit investments. The credit portfolio's performance lagged the benchmark return of 15.4%, principally due to the lag in quarterly valuations.

As a result of last year's market drawdown caused by the COVID crisis, there were an abundance of opportunities at attractive pricing. The GCF took advantage of the market dislocation with faster deployment of capital into investments made at depressed prices. Among the underlying strategies within the GCF, the allocation to Diversified Credit strategies outperformed. Dorchester Capital and Napier Park (managers deploying capital across a range of public and private market opportunities), which were both added to the portfolio towards the beginning of the financial year, have been standout performers. Albacore – a direct lending manager – was able to source opportunities at attractive pricing and made strong gains over the period. However, the GCF's exposure to Distressed and Special Situations managers detracted from returns. The Distressed strategies allocation was previously one of the larger components of the GCF but has reduced in size since 2019 due to the GCF's reorientation towards higher quality credits as well as debt that is secured against assets – both of which have performed well.

Aside from individual manager performance, sterling's appreciation against the US Dollar slightly offset gains made by the GCF. Over the year, LPPI approved plans to partially remove the impact of currency fluctuations through a hedging programme which will be completed by mid-2021. On a related note, the GCF reduced its exposure to interest rate risk amid government bond yields reaching near historic low levels. The GCF transferred its liquid diversified credit strategy to an equivalent fund which has minimal sensitivity to movements in interest rates, thereby reducing risk within the portfolio. Moreover, the GCF is also positioned to benefit from potentially higher interest rates through its exposure to floating rate debt.

LCPF Credit – investment type breakdown as at 31 March 2021

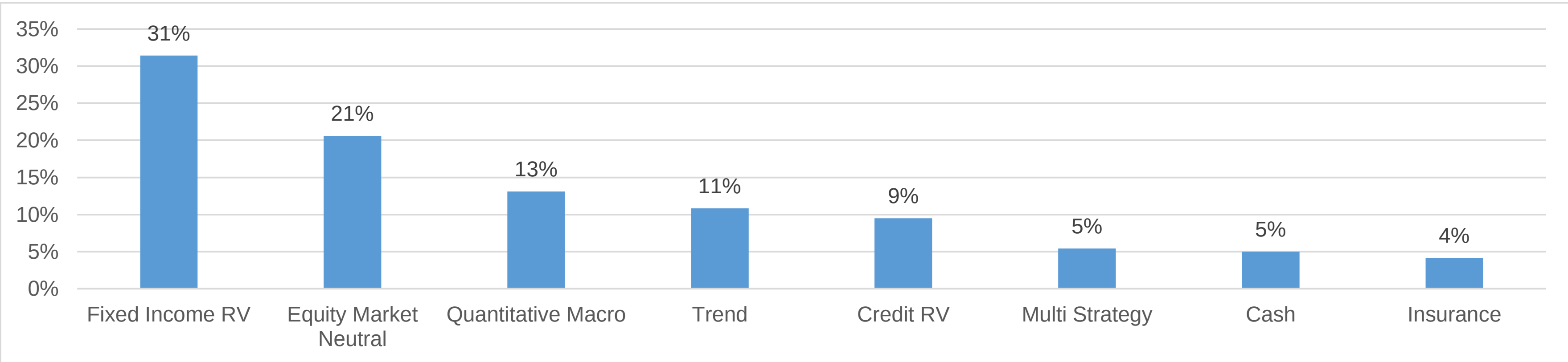
Diversifying Strategies

The entirety of the Fund's diversifying strategies exposure is through the LPPI Diversifying Strategies Fund (DSF). The DSF seeks to generate a diversifying source of return to complement the Fund's funding objective, whilst maintaining a low correlation to Public Equities (especially in times of market stress). The DSF follows a diverse, multi-strategy approach employing a range of relative value, risk premia and directional investment approaches in traditional markets, alongside alternative markets like insurance.

In the year to 31st March 2021, the DSF returned 5.0%, lagging the benchmark return of 18.2%. With a mandate to deliver a complementary source of return, the DSF has a lower exposure to equity markets generally but also relative to its benchmark. As public equity markets rallied strongly over the year the DSF did not participate to the same extent in the market recovery, although it did post a positive return. Over the year, the DSF's allocation to Relative Value managers (strategies that seek to benefit from the relative movement in prices of related securities) contributed most to performance with particularly strong returns from the Credit Relative Value manager which was also added to over the period. One of the Fund's Macro-based managers particularly underperformed with outsized losses dragging on performance.

There were no significant changes to the DSF over the year.

LCPF Diversifying Strategies – strategy type breakdown as at 31 March 2021



Responsible investment Approach

LCPF is committed to the long-term responsible investment (RI) of retirement savings on behalf of Fund members.

Our RI practices support the delivery of the sustainable returns we need to pay pensions through a focus on identifying and understanding investment risks to improve risk-adjusted returns over the long term.

The Fund's assets are managed under pooled investment arrangements. Day to day decision-making around the appointment of asset managers, the selection of investment products, and the exercise of ownership responsibilities is delegated to LPPI. The Fund has set an overall investment strategy and is also involved in investor collaborations that engage with companies, regulators and interest groups on issues that matter to the Fund, but investment selection and ongoing stewardship activities (such as shareholder voting) are managed centrally by LPPI on behalf of the whole partnership. LPPI are monitored by the Fund and held to account for delivering our investment strategy and implementing our RI policy commitments.

Ensuring Transparency

The Fund aims to be as transparent as possible about the approach to RI and the activities which flow from it.

Consideration of RI begins at a strategic level with decisions about which asset classes the Fund will invest in. Whatever the asset class or the sector, it is a clear requirement for the Fund's asset managers to evaluate material influences which could affect the future value of investments by incorporating environmental, social and governance (ESG) considerations into their analysis. Our approach to RI including its commitment to ESG integration is set out in the Fund's Investment Strategy Statement (ISS) which is included as Appendix 7 to this annual report.

A detailed review of the Fund’s approach to RI was undertaken during 2018 and an updated RI policy adopted in November 2018. The policy comprehensively sets out the Fund's values, beliefs, approach, and priorities and is a companion document to the Investment Strategy Statement. The policy is included as Appendix 9 to this annual report. The Fund is due to review the RI Policy in 2021.

Our RI policy articulates the thinking that shapes the Fund's approach, its outcome in terms of identified priorities, and the standards agreed with Local Pensions Partnership Investments as our provider of investment management services. The policy reflects a commitment to fulfilling the responsibilities held by LCPF as an institutional asset owner and steward of the retirement savings of fund members and their beneficiaries.

Responsible investment priorities

Our RI Policy identifies corporate governance and climate change as specific priorities for us as a responsible asset owner.

We recognise that the quality of leadership and broader corporate governance strongly influences how well positioned investee companies are to accommodate and thrive under multiple stimuli (economic, social, political, and environmental). On our behalf, our investment managers select, and focus stewardship efforts on promoting well managed and sustainable companies. This involves monitoring and engaging companies to encourage positive behaviours such as fair and just employment practices and transparent disclosure on corporate activities.

Our investee companies have faced significant challenges connected to the global pandemic during 2020-21. We believe RI (an approach which routinely incorporates the integration of material ESG considerations) has contributed to our portfolio's resilience to the disruption and dislocations Covid-19 has caused. Well managed organisations with effective corporate governance systems generally have a greater capacity for creative problem-solving and operational agility which helps them maintain competitive edge.

COVID-19 has emphasised the importance of people (as consumers, as community, and as critical workforce) and highlighted broader inequalities and imbalances which stifle sustainable progress. LPPI has been actively advocating for a just recovery from COVID-19 focussed on creating quality employment and building a more sustainable, inclusive, and resilient economy for the future. Calling on governments to ensure fiscal stimulus and Covid-19 recovery programmes to address wider social issues is aligned with our core purpose to invest for strong risk-adjusted returns over the long-term.

LCPF recognises climate change as a systemic risk and a long-term investment concern posing material risks across all asset classes with the potential for loss of value including via stranded assets. Understanding and managing the risks faced from climate change is a core priority. We are working with LPPI to gain a better understanding of the risks our portfolio faces and to ensure climate change considerations feature within investment decision-making.

Our objective is to secure the investment returns needed to pay pension benefits and this involves considering whether current and prospective investments face value risk from climate change and the stages of the shift towards a more environmentally sustainable global economy.

Applying high standards

We use two main external benchmarks to ensure that we are applying best practice – the UK Stewardship Code and Principles for Responsible Investment.

The UK Stewardship Code sets clear standards for effective stewardship[5] by asset owners. The Financial Reporting Council defines stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable

[5] The PRI defines stewardship as "the use of influence by institutional investors to maximise overall long-term value including the value of common economic, social and environmental assets, on which returns and clients' and beneficiaries' interests depend."

benefits for the economy, the environment and society. Both LCPF and LPPI, are signatories to the UK Stewardship Code 2012 and ranked Tier 1 (highest) by the Financial Reporting Council (FRC) for arrangements ensuring the effective stewardship of our investment portfolio.

A revised UK Stewardship Code (2020) has replaced the 2012 Code for reporting from January 2021. The 2020 code implements requirements under the Shareholder Rights Directive II and sets a higher bar and broader scope for stewardship activities. The Funds alignment with the new standard will predominantly come through LPPI's activities and reporting against the 2020 Code on stewardship activities for the partnership. LPPI is due to report under the new Code for the first time in late 2021.

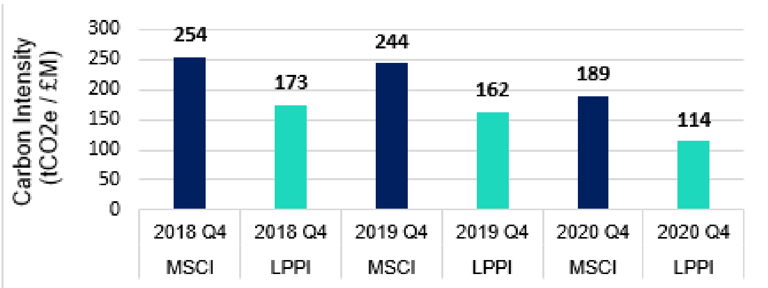
The Principles for Responsible Investment (PRI) are a global standard for responsible investment. Our portfolio is managed under arrangements which comply with the 6 PRI principles, to which LPPI is a signatory. LPPI has submitted detailed reporting to the PRI annually since becoming a PRI signatory (most recently in April 2021) and Transparency Reports are accessible from the PRI website describing arrangements in place and giving detailed examples of good practice.

LPP's website is a broader source of information on RI arrangements in place and shares various examples of stewardship activities, including an Annual Report on Responsible Investment.

The Pension Fund Committee receives quarterly RI reporting covering the scope of stewardship and engagement activities underway which enables us to monitor ongoing stewardship and active ownership practices. From the beginning of 2020 LPPI's RI reporting began to incorporate a quarterly RI Dashboard presenting headline information and metrics on a range of RI matters including shareholder voting and engagement.

The carbon footprint of the GEF is measured annually. At 31 December 2020 carbon intensity was well below that of the Fund's benchmark (MSCI ACWI) and had declined compared with the same measure in 2019. The graph below shows the trend using a revenue measure (gross carbon emissions divided by total revenues for companies in the LPPI Global Equities Fund) for scope 1 and 2 emissions.

Global Equities Fund Weighted Average Portfolio Carbon Intensity
Scope 1 and 2 Emissions (tC02e/£m Revenue)



Data source : Urgentem

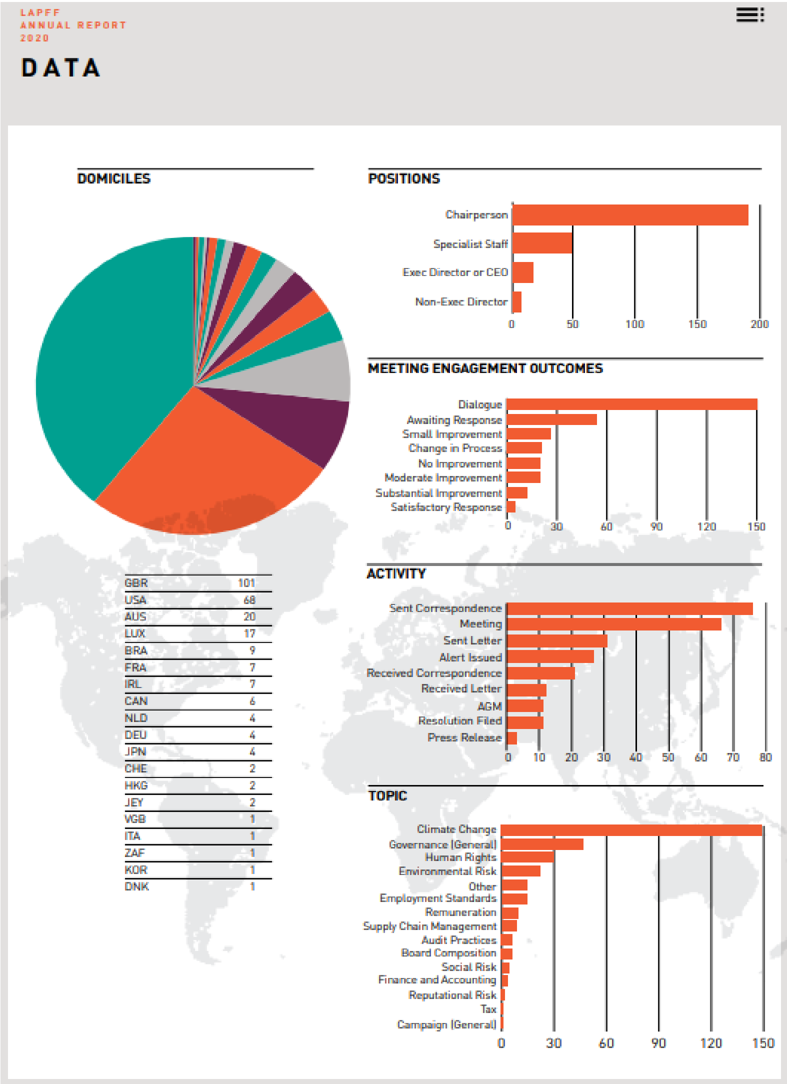
Collaboration

The Fund prioritises working in partnership with like-minded investors to share information and ideas and build influence. We favour collaborative partnerships that build a collective and clear ownership voice capable of gaining the attention of companies. One of our key partners is the Local Authority Pension Fund Forum (LAPFF).

LAPFF's mission is to promote the highest standards of corporate governance and corporate responsibility to protect the long-term value of local authority pension funds. A work programme on behalf 80 collaborating LGPS funds includes engaging directly with company chairs and boards on priority issues of collective interest. The Fund is an active LAPFF member. The Chair of the Pension Fund Committee is a member of the LAPFF Executive Committee, and we attend and participate in the AGM and Annual Conference as well as attending the Forum's programme of quarterly business meetings. Our active partnership with other LGPS pension funds via LAPFF is aimed at collectively setting high standards, advocating for progressive policy, and holding investee companies to account as part of safeguarding the value of the portfolio.

Over the last 12 months, the Fund was represented by LAPFF across the range of activities which are briefly summarised in the tables below (taken from LAPFF's Annual Report 2020).

Local Authority Pension Fund Forum – Annual engagement statistics 2020:



For more information on LAPFF and its activities please visit http://www.lapfforum.org/

Responsible Investment Examples

Examples of Stewardship Activity

Policy Advocacy on Coronavirus Response

During the pandemic, LPPI has taken active steps to publicly communicate a clear and responsible stance on Covid 19 focussed on safeguarding employees and prioritising resilience and recovery.

Advocacy supportive of a sustainable recovery from Covid-19 has included:

- Signing an Investor Statement on Coronavirus Response which encouraged management teams and boards of directors to support and protect workers.

- Signing a letter to the Prime Minister conveying strong support for a recovery plan from the UK Government which builds a more sustainable, inclusive, and resilient UK economy for the future

- Signing an open letter to EU leaders urging planning for a sustainable recovery from COVID-19 which
    - prioritises human relief and job creation without locking in high carbon pathways.
    - supports the Paris Agreement and addresses climate risk by prioritising climate resiliency and net zero emissions within economic solutions.

Positive Social Outcomes

Our investment portfolio includes numerous examples of assets which provide infrastructure, services and products that are delivering positive social outcomes.

For example, our Real Estate Portfolio includes investments in residential and commercial property in the UK and ex-UK which provide premises to businesses (commerce and logistics), housing for residents and students, and specialist accommodation including residential healthcare.

Examples of direct investment

Our direct investments in Real Estate include a County Portfolio which exclusively invests in the County of Lancashire bringing new infrastructure, jobs, and economic benefits to the North West. Some examples of investments within the County portfolio, are below.

Student Accommodation
St Leonards House, Lancaster

Redevelopment of disused listed building, former factory of renowned furniture manufacturer Waring & Gillow, into 180-bed student accommodation, situated in Lancaster city centre. There are circa 13k students studying at the University of Lancaster, 66.4% are from the UK, 9.7% are from other EU countries, and 23.9% are from non-EU countries.

Supermarket
Booths, Lytham St Annes

Part of the redevelopment of a former Department for Work and Pensions site, the building opened as a Booths store in 2015. The site (38,000 sq. ft) was acquired for the County Portfolio in May 2020 and houses a North-west company which provides employment, supports local businesses, supplies regional produce, and directly serves the local community.

Our Real Estate investment activity includes assessing the sustainability of buildings by considering their construction standards, energy efficiency, and likelihood of flood risk. We also take the opportunity to generate renewable energy through the installation of solar panels where buildings are compatible.

50 direct commercial properties in the UK (industrial, office, and retail). Tenant businesses provide goods, services, and employment opportunities.

High Standards for sustainablity

- Minimum standards for construction and refurbishment (BREEAM very good or excellent) (Building Research Establishment Environmental Assessment Method)
- A flood risk threshold below 0.1% (a 1 in 1000 chance of flooding each year as assessed by the Environment Agency).
- Properties are assessed for their suitability for the installation of photovoltaic panels.
- A rolling program of works to increase the Energy Performance Ratings of buildings to a minimum of EPC B by 2030.

18 sites have roof mounted solar PV installations currently

1,196,500
A generation capacity (at peak) (kW)

1,075,384
Energy generated annually (kWh)

Sufficient to power
371
UK households for a year.

Shareholder Voting

The right to vote at company meetings offers shareholders a direct route for communicating support to publicly listed companies and for urging action or improvement where this is warranted. LPPI exercises the right to vote shares held by the GEF centrally, and publishes headline information and granular voting reports quarterly on the LPP website.

In the 12-months from April 2020 to March 2021 LPPI voted at 574 company meetings on 6,762 separate resolutions as follows:

Against	Theme	For
249	Election of Directors (and related proposals)	3,584
112	Non-Salary Compensation	594
1	Anti-takeover (and related proposals)	52
9	Mergers, acquisitions, and reorganisations	124
66	Capitalisation	476
65	Routine business	1,227
70	Shareholder proposals	133
572	**Total**	6,190

During the financial year ended 31 March 2021, LPPI voted

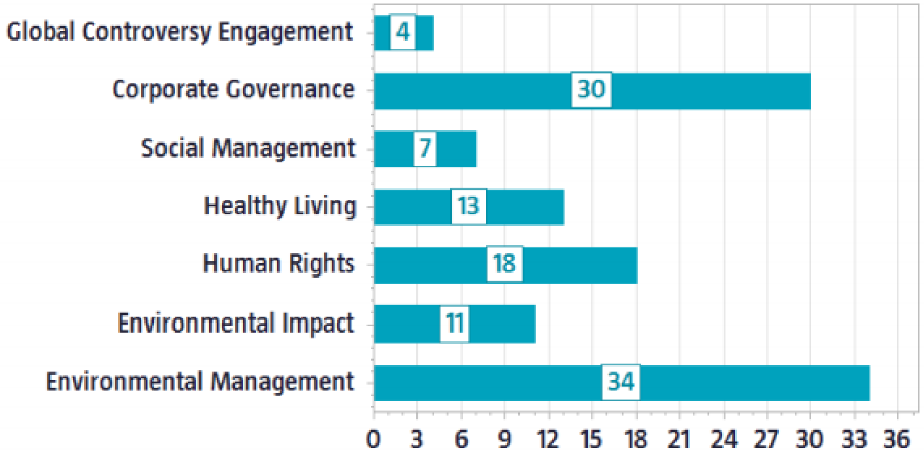
- against 15% of management resolutions and in support on 44% of shareholder proposals on remuneration,
- in support of 89% of shareholder proposals on human rights issues
- in support of 50% of shareholder proposals related to gender and/or racial diversity (requesting clear targets or specific information to be reported)
- in support of 100% of shareholder proposals on the health impact of products (e.g. sugar, antibiotics)
- in support of 100% of shareholder proposals on climate change where the majority of proposals sought greater information on how companies are managing risk.

Examples of Shareholder engagement

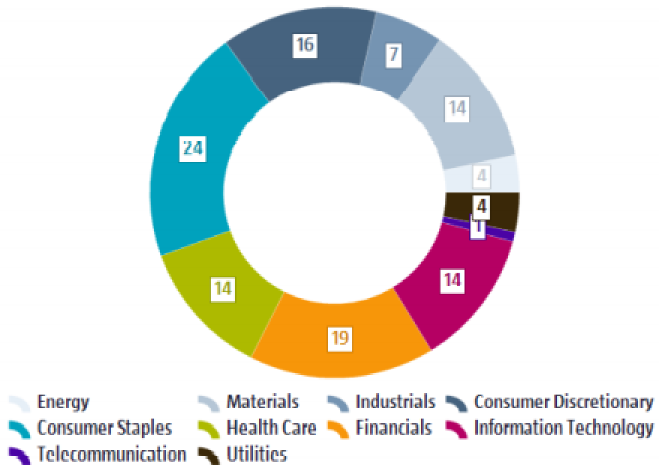
To increase the resources focussed on engaging with and influencing public companies (listed equities and corporate fixed income) LPPI appointed an engagement services partner – Robeco - at the beginning of 2020. Robeco undertake direct engagement with investee companies as part of a planned programme of thematic engagements targeting material environmental, social and governance issues via a dialogue with company representatives which seeks progress against identified engagement outcomes. The Robeco Active Ownership Team's expertise and established processes have supplemented engagement activity by LPPI's internal investment team bringing broader capabilities and a global reach.

The metrics below summarise activity in 2020/21 where 117 engagement cases undertaken by Robeco involved 440 engagement activities. Covid-19 placed practical constraints on meeting directly with companies in 2020-21 and required virtual methods to support the commencement and continuation of dialogue on priority themes.

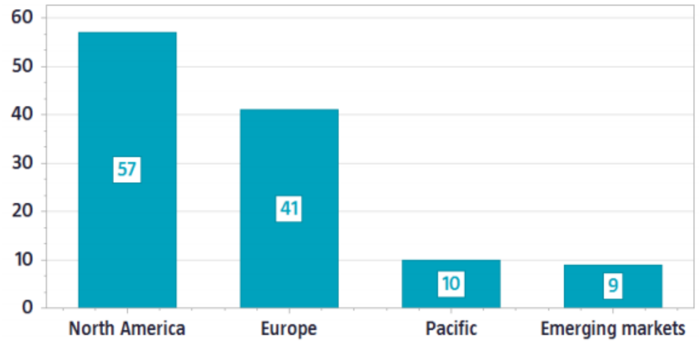
Activity by Focus Topic



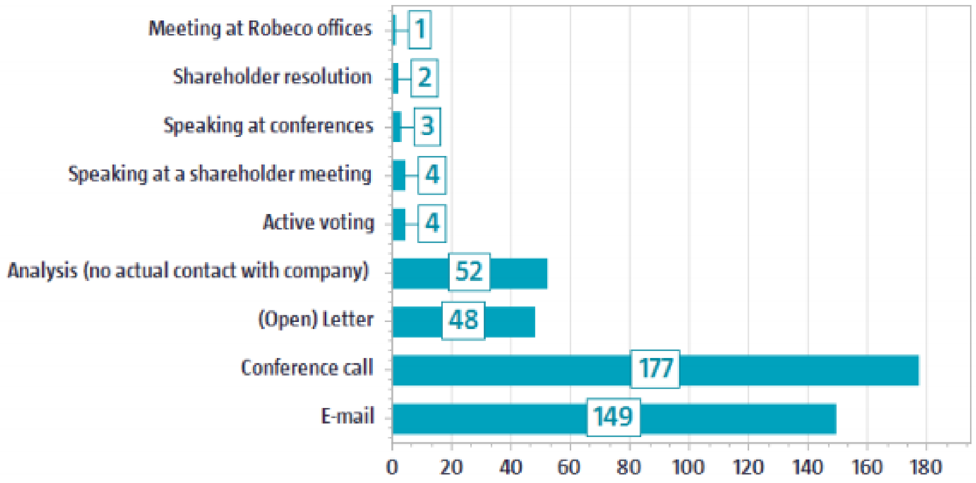
Activity by Sector



Activity by Region



Activity by Method



G Asset pools

The below table shows the costs to LCPF of setting up both the pooling company, Local Pension Partnership Investments Ltd (LPPI), as well as the individual pooling vehicles.

Pool set up and investment transition costs by year

	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m
Set up costs							
Legal	–	0.1	0.1	0.3	–	0.3	–
Professional fees	–	0.1	0.1	0.3	–	0.1	–
Other support costs	–	–	–	0.1	–	0.4	–
Total	**–**	**0.2**	**0.2**	**0.7**	**–**	**0.8**	**–**
Transition costs	**–**	**–**	**2.0**	**0.3**	**–**	**–**	**–**

Pool set up and investment transition costs by type of expense

	Current Year Direct £'m	Indirect £'m	Total £'m	Cumulative £'m
Set up costs				
Legal	–	–	–	0.8
Professional fees	–	–	–	0.6
Other support costs	–	–	–	0.5
Total set up costs	–	**–**	–	**1.9**
Transition costs	–	–	–	**2.3**

Total expected costs and savings

The table below compares the fee savings realised from the inception of pooling versus the preceding year, 2015-16. The savings are based on grossed up fees in accordance with the revised CIPFA guidance issued in 2016, whereas previously fees may have been lower as they may have been netted off against the change in market value. This is consistent with current recommended practice.

Total expected costs and savings

	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m
Set up costs	–	0.2	0.2	0.7	–	0.8	–
Transition costs	–	–	2	0.3	–	–	–
Fee savings	–	–	(0.6)	0.4	(9.1)	(8.1)	(12.1)
Net savings realised	**–**	**0.2**	**1.6**	**1.4**	**(9.1)**	**(7.3)**	**(12.1)**

Ongoing investment management costs 2020/21

Investment expenses are shown broken down into their constituent categories and split between those resulting from investments held in the pooled vehicles and those held on the balance sheet of the Fund.

The following table summarises investment management costs for 2020/21. It has been compiled from cost transparency templates completed by each of the Fund's investment managers. The investment expenses are split between those held within LPPI investment pooling vehicles and those non-pooled assets held directly by the Fund.

	LPPI pooled assets			Non pooled assets			Fund total
	Direct £'m	Indirect £'m	Total £'m	Direct £'m	Indirect £'m	Total £'m	£'m
Management fees	46.4	–	46.4	5.2	–	5.2	51.6
Performance	62.9	–	62.9	5.7	–	5.7	68.6
Transaction costs	3.0	0.5	3.5	2.7	–	2.7	6.2
Custody	–	–	–	0.1	–	0.1	0.1
Administration	–	7.6	7.6	–	2.1	2.1	9.7
Borrowing and arrangement fees	–	1.1	1.1	–	–	–	1.1
Distribution, comms and client service	–	0	0	–	–	–	0
Governance, Regulation and Compliance	–	6.3	6.3	–	0.6	0.6	6.9
Property expenses	–	2.8	2.8	–	4.5	4.5	7.3
Total	**112.3**	**18.3**	**130.6**	**13.7**	**7.2**	**20.9**	**151.5**

The Fund's assets have increased in value during the year and the benefits of asset pooling have contributed to further savings in investment management fees. Direct costs across both LPPI pooled and non-pooled assets, which includes performance fees and transaction costs, are higher compared to the previous year, with an increase in performance fees of £51.1m, triggered by investment out-performance.

Understanding the relationship between costs, risks and return associated with the pension fund portfolio

A significant part of LCPF's portfolio is invested in alternative / private market asset classes such as real estate, infrastructure and private equity. These asset classes are unable to be managed passively due to their lack of liquidity and active management (undertaking operational improvements, for example) is a key driver of returns. In exchange for a greater involvement within the investment selection and management process, costs can exceed those typically seen within public market investments

Whether an asset falls within the public or private market classification, active management typically requires additional research, diligence, and systems amongst other considerations to facilitate stronger returns. This additional investment in resource should translate through to better long-term risk-adjusted returns. Strong asset performance over the last few years, generated through actively managed assets, has been identified as the principal driver for the improvement in LCPF’s funding position at the latest triennial valuation review.

LPPI’s Investment Committee oversees all investment managers and weighs up the benefits of deploying capital across different asset classes to optimally balance capital growth and capital preservation whilst seeking to provide the best value for LCPF’s members.

H Accounts of the Fund

Responsibilities for the Statement of Accounts

The responsibilities of the administering authority

The administering authority is required:

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

The responsibilities of the Section 151 Officer to the Pension Fund

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

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

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

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

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

The Statement of Accounts relate to the financial year ended 31 March 2021 and include the Fund Account and the Statement of Net Assets which are prepared in accordance with standard accounting practice as outlined in the notes to the accounts of the Pension Fund.

Angie Ridgwell

Section 151 Officer

Lancashire County Pension Fund

Introduction

The Lancashire County Pension Fund (the "Fund") is a Pension Fund within the Local Government Pension Scheme (LGPS) which is a funded pension scheme created under the terms of the Superannuation Act 1972. Lancashire County Council is the body appointed under statute to act as the Administering Authority for the Fund. While the Fund is technically not a separate legal entity it does have its own specific governance arrangements and controls which sit within Lancashire County Council's overall governance framework. Ensuring that the Fund has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority (Lancashire County Council).

At 31 March 2021 the Lancashire County Pension Fund provides a means of pension saving and retirement security for 177,843 members across 313 organisations with active members and a range of other organisations with only deferred or pensioner members.

The Pension Fund's Responsibilities

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

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

The Fund has adopted its own Governance Policy Statement in line with the relevant regulations concerning the governance of funds within the LGPS. This statement has regard to relevant standards such as the Myners' principles. The Governance Policy Statement – which was updated in January 2021 - is available through the following link appendix-a.pdf (lancashirecountypensionfund.org.uk)

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

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

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

The Purpose of the Governance Framework

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

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

This statement reports on the annual review of the governance framework by officers which confirms that the framework has been in place within the Pension Fund for the year ended 31 March 2021.

The Fund's Governance Framework

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

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

The Fund has clear objectives as outlined in the funding strategy statement and other strategy documents. It has an established planning process focussed around the triennial actuarial review. The Fund has a communication strategy which keeps both Members and employing bodies informed on funding position, strategy and other developments. This is supported by the role of the Local Pension Board.

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

The Pension Fund Committee is responsible for establishing the strategic objectives of the Fund through a rolling three-year Strategic Plan and for monitoring the progress on the delivery of the strategic objectives. In addition, periodic reviews of strategy statements and policies are undertaken.

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

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

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

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

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

The administration service is undertaken by Local Pensions Partnership Administration Limited (LPPA), which is a subsidiary of LPPL. As part of its responsibility for the governance of the Fund the Pension Fund Committee is responsible for overseeing the administration function. To do this the Committee receives a quarterly update report on the performance/activities of LPPA and the Head of Fund meets with representatives of LPPA on a quarterly basis.

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

Appropriate guidance documents and constitutional documents provide the basis on which the management of the Fund is undertaken. The Terms of Reference of the Pension Fund Committee are set out in Article 7 of the Constitution of the County Council and include matters reserved to Full Council, Employment Committee and Officers (Head of Fund, Director of Corporate Services and the Section 151 Officer). The Investment Panel and the Lancashire Local Pension Board have separate Terms of Reference which are also set out in Article 7 of the Constitution. This information is also communicated in the LCPF Governance Policy Statement. In addition, agreements are in place covering the provision of services by LPPL and its subsidiaries.

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

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

Review of the effectiveness of the Fund's decision-making framework including delegation arrangements.

The Pension Fund Committee reviews governance arrangements, decides on pension functions to be delegated to officers and appoints suitable advisors to the Investment Panel. The interaction between the Pension Fund Committee and the Investment Panel meets the needs of the Fund in terms of effective delivery of the Investment Strategy. This is reflected in specific reporting arrangements in relation to investment activity.

In addition, the Pension Fund Committee conducts an annual appraisal, with the purpose of reviewing and improving its efficiency and effectiveness.

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

At the top level these requirements are set out in the Governance Policy Statement and within the county council's Constitution. These are reviewed on a regular basis.

The management of risk is central to the Fund's activities and the Fund has continued to develop and update its risk register. The risk register is broken down into the following key risk areas:

- Investment and Funding Risk – all financial risks associated with the Fund, including risks associated with managing scheme assets and pension liabilities;
- Member risk – all risks which may impact on the high levels of service the Fund members receive;
- Operational risk – risks which could negatively impact the smooth and effective running of all aspects of Fund operations and governance;
- Transition risk – temporary risks arising from changes in the management of investments or service delivery;
- Emerging risk.

The Coronavirus global pandemic presents a major risk to the Fund. Therefore, in addition to the main risk register, the Fund continues to operate a risk register solely dedicated to Covid-19.

The risk register is reviewed quarterly to ensure that each risk is effectively managed or reduced and is regularly reported to the Pension Fund Committee and the Local Pension Board.

Fulfilling the core functions of an Audit Committee

The functions of an audit committee for the Fund are performed by Lancashire County Council's Audit, Risk and Governance Committee.

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

The various LGPS Regulations (covering both the structure and benefits payable by the Fund and the investment of funds) and the Pension Regulator Code of Practice, are key from an operational point of view.

Compliance with the Regulations is ensured by a dedicated in-house team that identify changes to regulations and monitor change using the risk register. LPPA has a Risk & Compliance function to ensure all administration activities comply with the Code of Practice and public sector pensions legislation and use a pension's administration system specifically designed for the LGPS. In addition, the Pension Fund Committee and Local Pension Board have specific roles regarding compliance activities.

The Fund's investments are managed in line with the relevant regulations with independent assurance in relation to compliance provided by either the Fund's or LPPL's custodian. Local Pensions Partnership Investment Limited (LPPI) - the investment arm of LPPL - is a Financial Conduct Authority (FCA) registered company and therefore has to follow strict rules over compliance and has a compliance team which is independent from the investment management function.

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

Assurance provided by internal audit

Assurance over the Pension Fund is available to the Council from its own Internal Audit Service, and work undertaken by Deloitte for the Local Pension Partnership Limited (LPPL).

Audit work	Assurance
Assurance provided by the county council's Internal Audit Service over the work of the Lancashire County Pension Fund Service	
Recovery of overpayments	Limited
Accounting through the council's general ledger	Substantial
Assurance provided by Local Pensions Partnership Limited own internal auditors (Note that Deloitte disclaims any liability to the county council)	
LPPA	
Benefits administration calculations	Effective
Benefits administration: quality assurance and on hold process review	Effective with scope for improvement
Data quality	Effective

Audit work	Assurance
LPPI	
Investment valuations – Phase 1	Ineffective; but all high-risk actions have subsequently been closed
Investments portfolio monitoring	Effective with scope for improvement
Senior manager certification regime (SMCR)	Effective with scope for improvement
Cyber security follow-up	All actions arising have been closed

Whistle blowing and receiving and investigating complaints from the public

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

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

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

The Training Policy of the Lancashire County Pension Fund sets out the approach to support the learning/development needs of individuals with responsibility for the strategic direction, governance and oversight of the Fund through their membership of the Pension Fund Committee or the Lancashire Local Pension Board.

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

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

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

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

- Member communications – such as Annual Benefit Statement for active members and newsletters for active, deferred and pensioner members;
- Engagement events – including workshops, conferences and guidance materials provided to employers;
- Fund website - provides information about investments and governance arrangements, as well as all relevant fund publications;
- Member website and portal - which contains transactional capability for members and employers;
- An annual "brief" for Finance Directors of employer organisations providing information on the performance of the Fund and an update on specific issues of interest, such as the triennial valuation;
- The publication of committee papers, minutes and various annual reports and policy documents on the internet.

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

The Fund itself has a number of partnerships, which are largely in the form of jointly procured contracts for the provision of services for which suitable governance arrangements are in place. The main arrangement which involves the pension fund is LPPL. For all arrangements where there is a relationship between the Fund and another organisation the Fund seeks to spell out clearly the expectations and requirements on each party, whether in contractual form where appropriate or through a form of "service level agreement" where a contract is not appropriate.

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

Review of Effectiveness

The Pension Fund Committee is responsible for conducting, an annual review of the effectiveness of its governance framework. This is informed by the work of the Head of the Pension Fund, the Head of Internal Audit's annual report, and also reports of the external auditor.

The key planned activities of the Fund during 2020/21 were:

- Monitor the impact of Covid19 with the continued development and monitoring of a separate risk register;
- Review and propose any necessary changes to the Investment Strategy Statement following the triennial actuarial review;
- A high level review of LPPL including the consideration of feedback from the balanced scorecard review;
- To assess the work undertaken by LPPA on employer risk. This work is being brought in-house from 1 April 2021.

Actions Planned for 2021/22

The following specific actions are proposed for during 2021/22:

- To develop an employer risk framework and effective in-house employer risk services;
- Planning and preparation work for the 2022 valuation, including engagement with employers;
- Review the governance arrangements of the Fund in light of the implementation of a single code of practice and expected governance response to the Good Governance Project by the Scheme Advisory Board;
- Implementation of the regulations following the McCloud judgement in line with statutory deadlines;
- To undertake a Service Based Review of LPP and its subsidiaries.

Conclusion

Overall, the Pension Fund Committee has the appropriate systems and processes in place to ensure good governance is maintained over the Lancashire County Pension Fund.

Signed

……………………………………

County Councillor Eddie Pope
Chair of the Pension Fund Committee

………………………………………..

Sean Greene
Head of Fund
Lancashire County Pension Fund

Date: …………………………………

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

Opinion

The pension fund financial statements of Lancashire County Pension Fund (the 'pension fund') administered by Lancashire County Council (the "Authority") for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2021 included in the Authority's Statement of Accounts (the "Statement of Accounts").

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 and applicable law.

Pension Fund Annual Report – Pension fund financial statements

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

The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated **[XX November 2021]**.

Chief Executive and Director of Resources responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Chief Executive and Director of Resources of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

Auditor's responsibility

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

Use of our report

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

[Signature]

Paul Dossett, Key Audit Partner

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

London

[Date]

Lancashire County Pension Fund

Fund account for year ended 31 March 2021

2019/20		Note	2020/21
£m	**Dealing with members, employers and others directly involved in the Fund**		**£m**
177.0	Contributions*	6	416.3
17.0	Transfers in from other pension funds	7	10.8
194.0	**Additions from dealings with members**		**427.1**
(287.1)	Benefits	8	(291.8)
(21.8)	Payments to and on account of leavers	9	(17.3)
(308.9)	**Withdrawals from dealing with members**		**(309.1)**
(114.9)	**Net (withdrawals)/additions from dealings with members**		**118.0**
(65.0)	Management expenses	10	(116.4)
(179.9)	**Net (withdrawals)/additions including fund management expenses**		**1.6**
	Returns on investments		
206.1	Investment income	11	143.8
1.4	Profit and losses on disposal of investments and changes in the value of investments	13	1,022.2
207.5	**Net return on investments**		**1,166.0**
27.6	**Net increase in the net assets available for benefits during the year**		**1,167.6**
8,410.1	**Opening net assets of the scheme**		**8,437.7**
8,437.7	**Closing net assets of the scheme**		**9,605.3**

* Contributions for the year ended 31 March 2021 include employer contributions of £178.4m paid up-front in respect of the years ending 31 March 2022 and 31 March 2023.

Net assets statement as at 31 March 2021

31 March 2020		Note	31 March 2021
£m			**£m**
8,320.6	Investment assets	13	9,490.9
108.8	Cash deposits	13	108.4
8,429.4	**Total net investments**		**9,599.3**
15.0	Current assets	19	12.6
(6.7)	Current liabilities	20	(6.6)
8,437.7	**Net assets of the fund available to fund benefits at the end of the reporting period**		**9,605.3**

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

This statement of accounts is that upon which the auditor should enter his certificate and opinion. It presents fairly the position of the Lancashire County Pension Fund as at 31 March 2021 and its income and expenditure for the year then ended.

Notes to the financial statements

Note 1 - Pension Fund operations and membership

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

Contribution income of £416.3m together with transfers in of £10.8m funded the payment of £309.1m in respect of benefits and transfers out. The resulted in a net cash inflow from transactions with members for the year ended 31 March 2021.

The following description of the Fund is a summary only. For more detail, reference should be made to the Lancashire County Pension Fund Annual Report 2020/21 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

General

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

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

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

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

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

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

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

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

The investments of the Fund are managed by the Local Pensions Partnership Investment (LPPI) Limited, a joint venture owned by Lancashire County Council, Lancashire County Council as the administering authority and the London Pension Fund Authority (LPFA). Local Pensions Partnership Administration (LPPA) Limited manages the administration functions on behalf of the two partner authorities.

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

Membership

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

Organisations participating in the Lancashire County Pension Fund include:

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

Membership of the Fund, as at 31 March 2021 is detailed in the following table:

31 March 2020	Lancashire County Pension Fund	31 March 2021
313	Number of employers with active members[1]	313
140	Number of ceased employers (no active members but some outstanding liabilities)	139
	Number of active scheme members[2]	
25,614	County Council	25,594
28,340	Other employers	28,683
53,954	**Total**	**54,277**
	Number of pensioners	
25,497	County Council	26,093
25,674	Other employers	26,313
51,171	**Total**	**52,406**
	Number of deferred pensioners[2]	
36,753	County Council	35,697
36,272	Other employers	35,419
73,025	**Total**	**71,116**
178,150	**Total membership**	**177,799**

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

[2] March 2020 membership numbers have been adjusted to transfer 2,985 pending leavers as at that date from active membership category to deferred membership category. An adjustment of 3,157 pending leavers has been made at 31 March 2021.

Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made by active members of the Fund in accordance with the LGPS (Amendment) Regulations 2018 and range from 5.5 % to 12.5% of pensionable pay for the financial year ending 31 March 2021. Employer contributions are set based on triennial actuarial funding valuations. The contributions in 2020/21 are based on the valuation at 31 March 2019. The latest valuation was at 31 March 2019 for the three years commencing 1 April 2020.

Employer contribution rates for 2020/21 range from 0.0 % to 30.3 % of pensionable pay, with a primary rate of 17.4%, and are dependent on the assumptions applied by the actuary when carrying out the valuation. Examples of variables which may differ between employers are demographic assumptions regarding the age profile and life expectancy of employees, probability of dependant's pensions becoming payable and the likelihood of ill health retirements.

Benefits

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

The scheme benefits are summarised in the following table.

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

Note 2 - Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the financial year and its position as at 31 March 2021. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in United Kingdom 2020/21* which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

The accounts have been prepared on a going concern basis.

Accounting standards issued but not yet adopted

Under the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21,* the Fund is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2021 but not yet adopted by the Code. There are no such accounting changes to be disclosed for 2020/21.

Note 3 - Accounting policies

Fund account - revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Member contributions are made in accordance with the LGPS (Amendment) Regulations 2018 using common percentage rates for all schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate certified by the Fund actuary, in the payroll period to which they relate. Some employers exercise an option to pay future service rate contributions earlier than the due date, up to a period of 3 years in advance. These early contributions are recognised in the Fund account on receipt.

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

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

Transfers to and from other schemes

Transfers in and out relate to members who have either joined or left the scheme.

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

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

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

Investment income

Interest income

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

Income from pooled funds

Income (distributions) from pooled funds are recognised at the date of issue. It is the policy of the Fund to reinvest distributions on the LPPI Global Equities

Net income from properties

Rental income from leases on properties owned by the Fund is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Property expenditure is recognised on an accruals basis and is deducted from rental income to report net income from properties.

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

Distributions from pooled property funds are recognised on receipt within pooled property income.

Movement in the net market value of investments

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

Fund account – expense items

Benefits payable

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

Taxation

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

Management expenses

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

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

Administrative expenses

Administrative expenses consist of the following:

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

All administrative expenses are accounted for on an accruals basis.

Oversight and governance costs

Oversight and governance expenses include the following costs:

- Investment advisory services (strategic allocation, manager monitoring etc.);
- Independent advisors to the pension fund;
- Operation and support of the pension fund committee (i.e. those charged with governance of the pension fund), local pensions board, or any other oversight body;
- Governance and voting services;
- Costs of compliance with statutory or non-statutory internal or external reporting (annual reports and accounts, etc.);
- Legal, actuarial and tax advisory services;
- Non-custodian accountancy and banking services; and
- Internal and external audit.

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

Investment management expenses

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

External investment manager and custodian fees are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of investments under their management and therefore increase or reduce as the value of these investments change.

A number of the fee mandates in place include an element that is performance related.

Where an investment manager's fee note has not been received by the net assets statement date, an estimate based upon the market value of their mandate as at the end of the year is used for the inclusion in the Fund account. In 2020/21, 12.1m of fees is based on such estimates (2019/20: £8.3).

Net assets statement

Financial assets

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purpose of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016). More details can be found at note 16.

Freehold and leasehold properties

The Fund's property portfolio includes directly owned properties which are leased commercially to various tenants. The risks and rewards of ownership of these properties remain with the Fund and therefore the properties are retained on the net asset statement at fair value.

The properties were valued at open market value at 31 March 2021 by independent property valuers Avison Young in accordance with the Royal Institute of Chartered Surveyors' Valuation Global Standards 2017 (the Red Book).

Foreign currency transactions

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

Loans and receivables

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

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

Cash and cash equivalents

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

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

Financial liabilities

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

Actuarial present value of promised retirement benefits

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

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

Additional voluntary contributions

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

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

Note 4 - Critical judgements in applying accounting policies

Pension Fund liability

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

Unquoted private equity, long term credit and infrastructure investments

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

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

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

The items in the net assets statement at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming year are set out in the following table.

Item	Uncertainties	Impact if actual results differ from assumptions
Private equity and infrastructure investments	Private equity and infrastructure investments are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines or equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The market value of private equity and infrastructure investments in the financial statements totals £1,884.7m (2019/20: £1,958.6m). Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.
Long-term credit investments	Long-term credit investments are valued as the Fund's percentage share of the independently audited Net Asset Value of each individual strategy as provided by the relevant manager. In some cases, the underlying investments will be classified as level 3 investments, defined in note 16 as those investments for which valuation involves at least one input which is not based on observable market data.	The market value of long-term credit investments in the financial statements totals £1,261.6m (2019/20: £1,098.3m excluding investment in loans secured on real assets). Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.
Indirect core property investments	Indirect properties are valued at the current open market value as defined by the RICS Appraisal and Valuation Standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Indirect property investments in the financial statements total £831.7m (2019/20: £799.6m). Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.

Non-core property investments	The non-core property investment comprises a 100% share in the real estate investment trust (REIT), HH No.1 Ltd. This investment is classified as real estate but the Fund holds an interest in the trust rather than the underlying investments which are shared ownership housing assets. The fair value is derived from the value of the REIT and is dependent upon future looking assumptions.	The Fund has an investment in shared ownership housing, classified as non-core property, and valued at £330.5m.
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex assumptions relating to relating to future experience. The main assumptions would be the discount rate used relative to assumed inflation (essentially the assumed rate of return on pension fund assets), the rate at which salaries are projected to increase, changes in retirement ages and future mortality rates. A firm of consulting actuaries (Mercer) is engaged to provide the authority with expert advice about the assumptions to be applied. Areas of uncertainty highlighted by the actuary include Guaranteed Minimum Pension (GMP) equalisation, the impact of COVID19 and the court of appeal ruling on the Sergeant and McCloud cases. Further information can be found in note 24 to these accounts.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.25% reduction in the discount rate assumption would increase the value of the liabilities by approximately £600m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £130m and a 1-year increase in assumed life expectancy would increase the liabilities by approximately £350m.
Direct property valuations	The valuation of directly held properties is carried out by independent valuers, Avison Young on an individual property basis rather than as a portfolio, by qualified surveyors and in accordance with the RICS Professional Standards, Global and UK, RICS Valuation – Professional Standards – 2017.	Investment properties held directly by the Fund are valued at £159.7m (2019/20: £110.2m). The market value of £159.7m at 31 March 2021 comprises property situated within the county boundary of Lancashire (£114.7m) and properties located in Wales (£7.2m) and Scotland (£37.8m).

Note 6 - Contributions receivable

2019/20		2020/21
£m	**By category**	**£m**
61.4	Members	64.5
	Employers:	
101.5	Normal contributions[1]	327.4
11.2	Deficit recovery contributions[1]	18.0
2.9	Augmentation contributions [2]	6.4
115.6	Total employers' contributions	351.8
177.0	**Total contributions receivable**	**416.3**
	By type of employer	
58.3	County Council [1]	175.8
98.2	Scheduled bodies [1]	220.5
20.5	Admitted bodies	20.0
177.0		**416.3**

[1] Following the actuarial valuation in 2019, the Fund gave some employers the option of paying their 3-year future service rate and deficit contributions up front. A number of employers opted to do this and as a result the normal and deficit recovery contribution from the County Council and scheduled bodies for the year ended 31 March 2021 include £178.4m received in advance.

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

Within the employee contributions figure for 2020/21, £0.4m is voluntary and additional regular contributions (2019/20: £0.3m).

Note 7 - Transfers in from other pension funds

2019/20		2020/21
£m		**£m**
17.0	Individual transfers in from other schemes	10.8
17.0		**10.8**

Note 8 - Benefits payable

2019/20		2020/21
£m	**By category**	**£m**
239.3	Pensions	246.9
42.0	Commutation and lump sum retirement benefits	37.6
5.8	Lump sum death benefits	7.3
287.1	**Total benefits payable**	**291.8**
	By type of employer	
121.1	County Council	120.8
144.0	Scheduled bodies	147.0
22.0	Admitted bodies	24.0
287.1		**291.8**

Note 9 - Payments to and on account of leavers

2019/20		2020/21
£m		**£m**
1.3	Refunds to members leaving service	0.8
20.5	Individual transfers	16.5
21.8		**17.3**

Note 10 - Management expenses

2019/20		2020/21
£m		**£m**
3.4	Fund administrative costs	4.0
60.4	Investment management expenses[1]	111.3
1.2	Oversight and governance costs [2]	1.1
65.0		**116.4**

[1] The movement in investment management expenses was predominantly due to the increase in the value of the Fund's assets.

[2] Oversight and governance costs above include external audit fees which amounted to £77,060 (2019/20: £31,310).

Investment management expenses

31st March 2021

	Total	Management Fees	Performance Related fees[2]	Transaction Costs[1]
	£m	£m	£m	£m
Pooled Investments	108.7	49.6	55.9	3.2
Pooled property investments	1.9	1.9	-	0.0
Private Equity	0.0	0.0		
Property	0.7	0.2	0.5	
Cash Deposits	-			
	111.2	**51.6**	**56.4**	**3.2**
Custody Fees	0.1			
	111.3			

31st March 2020

	Total	Management Fees	Performance Related fees[2]	Transaction Costs[1]
	£m	**£m**	**£m**	**£m**
Pooled Investments	58.3	38.5	17.5	2.3
Pooled property investments	1.1	1.1	0.0	(0.0)
Private Equity	0.0	0.0	(0.0)	0
Property	0.9	0.9	-	-
	60.3	**40.5**	**17.5**	**2.3**
Custody Fees	0.1			
	60.4			

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

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

Note 11 - Investment income

2019/20		2020/21
£m		**£m**
2.4	Fixed interest securities	0.4
179.5	Pooled investment vehicles	120.3
8.6	Pooled property investments	15.1
15.5[1]	Net rents from properties	8.1
0.1	Interest on cash deposits	(0.1)
206.1	**Total investment income**	**143.8**

[1]The reduction in rental income since last year is due to the transition of a significant number of directly held properties into the Local Pensions Partnership Real Estate Fund with effect from 1 October 2019. Income from the real estate fund is included within pooled investment income from the date of transition.

Note 12 - Property income

2019/20		2020/21
£m		**£m**
22.1	Rental income	9.9
(6.6)	Direct operating expenses	(1.8)
15.5	**Net income**	**8.1**

Note 13 - Reconciliation of movements in investments

	Market value as at 1 April 2020	Purchases at cost	Sales proceeds	Change in market value	Market value as at 31 March 2021
	£m	**£m**	**£m**	**£m**	**£m**
Fixed interest securities	142.5	210.2	(313.3)	5.1	44.5
Index linked securities	-	2,079.3	(2,079.3)	(0.0)	0.0
Pooled investment vehicles	6,913.5	508.3	(413.1)	1,048.0	8,056.7
Pooled property investments	1,130.1	59.6	(1.9)	(26.1)	1,161.8
Private equity	12.5	-	-	-	12.5
Direct property	110.2	54.3	**-**	(4.8)	159.7
	8,308.8	**2,911.8**	**(2,807.6)**	**1,022.2**	**9,435.1**
Cash deposits	108.8				108.4
Loan Investments	3.0				55.0
Investment accruals	8.8				0.8
Net investment assets	**8,429.4**				**9,599.3**

	Market value as at 1 April 2019	Purchases at cost	Sales proceeds	Change in value during the year [1]	Market value as at 31 March 2020
	£m	£m	£m	£m	£m
Fixed interest securities	110.7	585.5	(546.3)	(7.4)	142.5
Index linked securities	283.6	-	-	(283.6)	-
Pooled investment vehicles	7,043.2	483.1	(522.4)	(90.4)	6,913.5
Pooled property investments	124.0	49.1	(14.1)	971.1	1,130.1
Private equity	-	12.5	-	-	12.5
Direct property	761.9	11.0	(23.6)	(639.1)	110.2
	8,323.4	**1,141.2**	**(1,106.4)**	**(49.4)**	**8,308.8**
Cash deposits	67.1				108.8
Loan investments	-				3.0
Investment income due	3.9				8.8
Net investment assets	**8,394.4**				**8,429.4**

[1] £1.4 m on the face of the Fund account includes the change in market value of investments disclosed above (£49.4m), plus profits and losses on disposals and changes in the market value of investments held within the pools. The change in value of direct property above includes £641.3m market value of properties transitioned to the LPPI Real Estate Fund during the year which is included as an increase in market value within pooled property investments above. The change in value of index linked securities (£283.6m) reflects the restructuring of the investment in shared ownership housing which is now reflected within pooled property investments.

Investments analysed by fund manager

31 March 2020			31 March 2021	
£m	% of net investment assets		£m	% of net investment assets
Private equity investments				
750.0	8.9%	LPPI Private Equity Fund	773.8	8.1%
Private equity investments managed outside of LPPI Private Equity Fund				
15.1	0.2%	Trilantic Capital Partners	12.4	0.1%
12.5	0.1%	Local Pensions Partnership Limited	12.5	0.1%
777.6	**9.2%**	**Total private equity investments**	**798.7**	**8.3%**
Long term credit investments				
947.4	11.3%	LPPI Credit Investments	1,167.9	12.2%
Credit investments managed outside of LPPI Credit Investments Fund				
61.2	0.7%	CRC	48.3	0.5%
51.7	0.6%	Neuberger Berman	22.5	0.2%
26.7	0.3%	Pimco Bravo	14.5	0.2%
7.6	0.1%	EQT	5.6	0.1%
3.7	-	Hayfin	2.8	-
1,098.3	**13.0%**	**Total long term credit investments**	**1261.6**	**13.1%**
Fixed income investments				
332.8	3.9%	LPPI Fixed Income Fund	309.6	3.2%
Liquid credit investments managed outside of LPPI Fixed Income Fund				
254.3	3.0%	LPPI internal and LCC Treasury Management	208.0	2.2%
587.1	**6.9%**	**Total fixed income investments**	**517.6**	**5.4%**

Global equity investments				
3,454.7	41.0%	LPPI Global Equities Fund	4,506.5	46.9%
3,454.7	**41.0%**	**Total global equity investments**	**4506.5**	**46.9%**
Infrastructure investments				
958.1	11.4%	LPPI Global Infrastructure Fund	940.5	9.8%
Infrastructure investments managed outside of LPPI Global Infrastructure Fund				
108.3	1.3%	Arclight Energy	68.7	0.7%
65.7	0.8%	Icon Infrastructure Partners	59.8	0.6%
27.7	0.3%	Highstar Capital	17.0	0.2%
-	-	Pike Petroleum Holdings LLC	7.9	0.1%
-	-	Eastern Generation Holdings LLC	3.2	-
21.2	0.3%	Capital Dynamics Red Rose	1.5	-
222.9	**2.7%**		**158.1**	**1.6%**
1,181.0	**14.1%**	**Total infrastructure investments**	**1098.6**	**11.4%**
Diversifying strategy investments				
90.3	1.1%	LPPI Diversifying Strategies Fund	94.8	1.0%
90.3	**1.1%**	**Total diversifying strategies investments**	**94.8**	**1.0%**
Property investments				
Directly held properties				
110.2	1.3%	Knight Frank	159.7	1.7%
Pooled property funds				
Core property				
799.7	9.5%	LPPI Real Estate Fund	831.3	8.7%
Non-core property				
330.5	3.9%	HH No.1 Limited	330.5	3.4%
1240.4	**14.7%**	**Total property investments**	**1321.5**	**13.8%**
8,429.4	**100.0%**	**Net investment assets**	**9,599.3**	**100.0%**

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

31 March 2020			31 March 2021	
£m	% of total fund		£m	% of total fund
3,454.7	41.0%	LPPI Global Equities Fund	4,506.5	46.9%
958.1	11.4%	LPPI Global Infrastructure Fund	1,167.1	12.2%
947.4	11.3%	LPPI Credit Investments	940.5	9.8%
799.7	9.5%	LPPI Real Estate Fund	831.3	8.7%
750.0	8.9%	LPPI Private Equity Fund	774.2	8.1%

Fixed interest securities

31 March 2020		31 March 2021
£m		£m
64.2	UK corporate bonds quoted	18.3
-	Overseas public sector	-
78.3	Overseas corporate bonds/supernational bonds quoted	26.1
142.5		**44.4**

Pooled investment vehicles

31 March 2020		31 March 2021
£m	**UK funds:**	**£m**
323.8	Fixed income funds	309.6
150.4	Private equity	164.5
979.3	Infrastructure	942.0
951.4	Long term credit investments	1,170.7
1,130.1	Property funds	1,161.8
90.3	Diversifying strategies	94.8
	Overseas funds:	
139.6	Fixed income funds	85.3
614.7	Private equity	621.9
201.7	Infrastructure	156.6
7.6	Long term credit investments	5.6
3,454.7	Equity funds[1]	4,506.5
8,043.6		**9,219.3**

[1]The LPPI Global Equities Fund includes UK equities.

Direct property investments

31 March 2020		31 March 2021
£m		**£m**
96.0	UK – freehold	128.4
14.2	UK – long leasehold	31.3
110.2		**159.7**

Property holdings

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

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

31 March 2020		31 March 2021
£m		£m
761.9	**Opening balance**	**110.2**
	Additions:	
0.5	• Purchases	52.8
3.8	• New construction	1.3
6.7	• Subsequent expenditure	0.3
(23.6)	Disposals	-
(641.3)	Transition to LPPI Real Estate Fund	-
2.2	Net increase in market value	(4.8)
110.2	**Closing balance**	**159.7**

Leases

All directly held investment properties are leased to tenants. There are no investment properties held by the Fund used for purposes other than to generate rental income.

Residual asset risk

The independent valuation of the direct property portfolio considers the level of committed tenancies amongst other variables. Lessees do not have an option to purchase the properties at the expiry of their lease period and all rental contracts include market review clauses in the event that the lessee exercises an option to renew. Rental income is contractually secured against a wide range of tenants who in turn operate in a range of market sectors. Income generally reviewed to market rent five yearly, and there is also an element of the portfolio income that is indexed or has fixed uplifts (generally being in the range

of 2-4% per annum). The portfolio features a number of vacant properties for which the future income depends on the terms agreed by tenants, and the investment manager is working with property managers to fill these voids. As at 31 March 2021, the Fund has the following future minimum lease payments due from tenants.

2019/20		2020/21
£m		**£m**
0.3	Leases expiring within one year	0.6
1.8	Leases expiring between one and five years	17.8
36.7	Leases expiring later than five years	62.9
38.8	**Total future minimum lease payments receivable under existing non-cancellable leases**	**81.3**

The increase in total future minimum lease payments is largely due to the acquisition of three properties in 2020/21 with long term leases in place with existing clients, as well as the reduced credit loss allowance.

The above disclosures have been reduced by a credit loss allowance of 2.5% (2019/20: 7.5%) per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This adjustment is based on experience of rents outstanding 28 days after the due date. The credit loss allowance has decreased since the previous year as a result of market conditions, the allowance last year was unusually high because of the effects of restrictions associated with the Covid-19 pandemic and the effect on tenants' businesses – for example, requests for rent cancellations or deferments.

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

Cash deposits

31 March 2020		31 March 2021
£m		**£m**
89.6	Sterling	69.1
19.2	Foreign currency	39.3
108.8		**108.4**

Note 14 - Financial instruments classification

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

31 March 2021

	Fair value through profit or loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	44.5		
Loan investments		55.0	
Pooled investment vehicles	8,056.7		
Pooled property investments	1,161.8		
Directly held private equity	12.5		
Cash deposits		108.4	
Investment accruals	0.8		
Debtors		12.6	
Total financial assets	**9,276.2**	**176.0**	
Financial liabilities			
Creditors			6.6
Total financial liabilities			**6.6**

31 March 2020

	Fair value through profit or loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	142.5		
Loan investments		3.0	
Pooled investment vehicles	6,913.5		
Pooled property investments	1,130.1		
Directly held private equity	12.5		
Cash deposits		108.8	
Investment accruals	8.8		
Debtors		15.0	
Total financial assets	**8,207.4**	**126.8**	
Financial liabilities			
Creditors			6.7
Total financial liabilities			**6.7**

Note 15 - Net gains and losses on financial instruments

The net gain on financial assets at fair value through profit and loss was £1,022.2m (2019/20: £1.4m gain after adjusting for directly owned property)

Note 16 - Financial instruments – fair value hierarchy

Valuation of financial instruments carried at fair value

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

Level 1

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

Level 2

Level 2 investments are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

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

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

Fair value hierarchy

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into level 1 to 3 based on the level of which the fair value is observable.

31 March 2021

	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£m	£m	£m	£m
Financial assets at fair value through profit and loss	4,842.3	849.6	3,584.4	9,276.2
Loans and receivables	98.2	65.1		163.4
Non-financial assets at fair value through profit and loss (property holdings)		159.7		159.7
Net investment assets	**4,940.5**	**1,074.4**	**3,584.4**	**9,599.3**

31 March 2020

	Quoted market price Level 1	Using observable inputs Level 2	With significant unobservable inputs Level 3	Total
	£m	£m	£m	£m
Financial assets at fair value through profit and loss	3,786.5	949.8	3,471.1	8,207.4
Loans and receivables	35.5	76.3	-	111.8
Non-financial assets at fair value through profit and loss (property holdings)	-	110.2	-	110.2
Net investment assets	**3,822.0**	**1,136.3**	**3,471.1**	**8,429.4**

Basis of valuation

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

Sensitivity of assets valued at level 3

Having consulted with the Fund's independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

Description of asset	Assessed valuation range[1]	Value at 31 March 2021	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Private equity funds	13.5%	798.8	906.2	691.3
Infrastructure funds	5.2%	1,098.6	1,155.5	1,041.7
Long term credit	5.2%	1,176.4	1,237.3	1,115.4
Fixed income funds	5.2%	85.3	89.7	80.9
Non-core property funds	2.0%	330.5	337.0	324.0
Diversifying strategies	5.2%	94.8	99.7	89.9
Level 3 investments		**3,584.4**		

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

Reconciliation of fair value measurements within level 3

	Fixed income funds	Private equity funds	Infrastructure funds	Long term credit funds	Property funds	Diversifying strategies	Total level 3 investments
	£m	£m	£m	£m	£m	£m	£m
Market value 1 April 2020	**139.6**	**777.6**	**1,180.1**	**953.0**	**330.5**	**90.3**	**3,471.1**
Purchases during the year and derivative payments	0.1	102.0	20.6	180.0	0.0	0.0	302.7
Sales during the year and derivative receipts	(32.6)	(237.6)	(43.1)	(16.0)	0.0	(2.4)	(331.7)
Unrealised gains / (losses)	(30.2)	69.2	(68.5)	59.4	0.0	6.9	36.7
Realised gains	8.4	87.7	9.5	0.1	0.0	0.0	105.7
Market value 31 March 2021	**85.3**	**798.8**	**1,098.6**	**1,176.4**	**330.5**	**94.8**	**3,584.4**

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

Risk and risk management

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

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

Market risk

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

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

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

Other price risk

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

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

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

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risks are reasonably possible for the 2020/21 reporting period.

Asset type	Potential market movements (+/-)
Total bonds (including index linked)	5.4%
Total equities	13.5%
Alternatives	5.2%
Total property	2.0%

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

Asset type	31 March 2021	Potential market movements (+/-)	Potential value on increase	Potential value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total equities	5,305.2	13.5	6,018.8	4,591.7
Alternatives	2,764.6	5.2	2,907.8	2,621.4
Total property	1,321.5	2.0	1,347.6	1,295.3
Total bonds (including index linked)	44.5	5.4	47.0	42.1
Total assets available to pay benefits	**9,435.8**		**10,028.4**	**8,843.3**

Asset type	31 March 2020	Potential market movements (+/-)	Potential value on increase	Potential value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total equities	4,232.3	11.7%	4,728.8	3,735.8
Alternatives	2,702.3	5.1%	2,839.9	2,564.7
Total property	1,240.4	3.8%	1,287.6	1,193.2
Total bonds (including index linked)	145.6	6.3%	154.8	136.4
Total assets available to pay benefits	**8,308.8**		**9,011.1**	**7,630.1**

Interest rate risk

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

The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors. The Fund's direct exposure to interest rate movements as at 31 March 2020 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

31 March 2020	Asset type	31 March 2021
£m		£m
108.8	Cash and cash equivalents	108.4
108.8	**Total**	**108.4**

Interest rate risk - sensitivity analysis

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

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

		Impact of	
	31 March 2021	**1% increase**	**1% decrease**
Asset type	**£m**	**£m**	**£m**
Cash and cash equivalents	108.4	1.1	1.1
Total change in assets available		**1.1**	**(1.1)**

		Impact of	
	31 March 2020	**1% increase**	**1% decrease**
Asset type	**£m**	**£m**	**£m**
Cash and cash equivalents	108.8	1.1	(1.1)
Total change in assets available		**1.1**	**(1.1)**

Currency risk

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

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

The following table summarises the Fund's currency exposure as at 31 March 2021 and as at the previous year end.

31 March 2020	Currency exposure – asset type	31 March 2021
£m		£m
4,068.5	Overseas equities	5,128.3
348.9	Overseas alternatives	247.6
78.3	Overseas bonds (including index linked)	26.2
4,495.7	**Total overseas assets**	**5,402.1**

Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 6.1%. A 6.1 % fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant (2019/20: 7.2%).

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

Currency exposure - asset type	Asset value at 31 March 2021	Potential market movement +/- 6.1%	Value on increase	Value on decrease
	£m	£m	£m	£m
Overseas equities	5,128.3	311.7	5,440.1	4,816.7
Overseas alternatives	247.6	15.0	262.5	232.5
Overseas bonds (including index linked)	26.2	1.6	27.8	24.6
Total assets available to pay benefits	**5,402.1**	**328.3**	**5,730.4**	**5,073.8**

Currency exposure - asset type	Asset value at 31 March 2020	Potential market movement +/- 7.2%	Value on increase	Value on decrease
	£m	**£m**	**£m**	**£m**
Overseas equities	4,068.5	294.0	4,362.5	3,774.5
Overseas alternatives	348.9	25.2	374.1	323.7
Overseas bonds (including index linked)	78.3	5.7	84.0	72.6
Total assets available to pay benefits	**4,495.7**	**324.9**	**4,820.6**	**4,170.8**

Credit risk

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

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

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

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

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

The Fund's cash holding under its treasury management arrangements at 31 March 2021 was £108.4m (31 March 2020: £108.8m) and was held with the following institutions:

31 March 2020	Summary	Rating	31 March 2021
£m			£m
	Bank deposit accounts		
33.1	Northern Trust	A2	72.0
75.7	Svenska Handelsbanken	AA2	-
0.0	Natwest	A1	36.0
	Cash float with property manager		
-	Barclays Bank Plc	A1	0.4
108.8	**Total**		**108.4**

Liquidity risk

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

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

The Fund has financial liabilities of £6.6m at 31 March 2021, all of which is due within one year.

Note 18 - Additional voluntary contributions (AVC)

Members participating in AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year. A summary of the information provided by Utmost Life and Pensions and Prudential is shown below. (This summary has not been subject to Audit and the Pension Fund relies on the individual contributors to check deductions made on their behalf are accurately reflected in the statements provided by the AVC providers). The figures relate to the financial year 1 April 2019 to 31 March 2020 for Prudential and are the latest available to the Fund due to delays in the production of the annual benefits statement by the AVC provider and 1 September 2019 to 31 August 2020 for Utmost Life and Pensions and are not included in the Pension Fund accounts, in accordance with *Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.*

	Utmost Life and Pensions	Prudential	Total
	£m	£m	£m
Value at start of the year	**0.6**	**29.0**	**29.6**
Income (incl. contributions, bonuses, interest and transfers in)	-	6.5	6.5
Expenditure (incl. benefits, transfers out and change in market value)	-	(4.2)	4.2
Value at the end of the year	**0.6**	**31.3**	**31.9**

Note 19 - Current assets

31 March 2020		31 March 2021
£m		£m
9.0	Contributions due – employers	7.0
5.2	Contributions due – members	5.4
0.8	Sundry debtors	0.2
15.0		**12.6**

Note 20 – Current liabilities

31 March 2020		31 March 2021
£m		£m
0.8	Unpaid benefits	0.5
5.9	Accrued expenses	6.1
6.7		**6.6**

Note 21 - Contractual commitments

As at 31 March 2021 the commitments relating to outstanding call payments due to unquoted limited partnership funds held in the private equity and infrastructure part of the portfolio totalled £657.1m (2020: £409.3m). The amounts 'called' by these funds are irregular in both size and timing and commitments to these partnerships are drawn down over a number of years. The term of a fund investment is typically 10 years. Realisation of these investments in the form of distributions normally occurs in the second half of the Fund life, when portfolio companies have built value and can be sold.

Commitments to outstanding call payments for credit strategies stood at £79.9m (2020: £93.7m). The majority of these amounts are expected to be called over the coming two years and relate to various different investments including direct lending and distressed credit opportunities which are expected to begin repaying capital after 5 years. In order to maintain a steady level of investment in the long term, the Fund will enter into further commitments to fund this type of strategy over the coming years.

There are no outstanding commitments on direct property development contracts relating to properties under construction held in the direct property part of the portfolio (2020: £0m).

There are no outstanding commitments in relation to the Pooled real estate fund (2020: £0m)

Note 22 - Related party transactions

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

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

Lancashire County Council

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

The Council incurred costs of £0.8m (2019/20: £0.6m) in relation to the administration of the Fund. This includes a proportion of relevant officers' salaries in respect of time allocated to pension and investment issues. The Council was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of the members of the Pension Fund and contributed £149.8m to the Fund in 2020/21. A prepayment of contributions for the 3-year period starting 1st April 2020 totalling £120.5m, of which, £40.1m relates to 2020/21. Total employer contributions from the Council in 2019/20 amounted to £33.2m. All monies owing to and due from the Fund were paid in year.

Lancashire County Council is a shareholder in the Local Pensions Partnership (LPP), having an ownership in the company equal to that of the London Pension Fund Authority. LPP manages the investment and administration functions of the Fund and the Fund makes regular payments to LPP to cover investment management charges, scheme administration expenses, employer risk services and liability modelling. Payments made for the year to 31 March 2021 amount to £5.2m (2019/20: £5.4m).

The Fund has a private equity investment of £12.5m in the Local Pensions Partnership as at 31 March 2021.

Employers within the Fund

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 6 and in respect of March 2020 payroll, are included within current assets in note 19.

Pension Fund Committee, Pensions Board and Senior Officers.

The Pension Fund Committee, Pensions Board members and senior officers of the Pension Fund were asked to complete a related party declaration for 2020/21 regarding membership of, and transactions with such persons or their related parties. No related party transactions were identified during the year to 31 March 2021.

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

Note 23 - Key management personnel

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

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

2020/21

	Employment period	Salary[1]	Employer Pension contributions[1]	Total including pension contributions[1]
		£	£	£
Head of Fund[2]	01/04/20 – 20/10/20 & 01/03/21 – 31/03/21	38,956	6,622	45,578
Director of Finance	01/04/20 – 31/03/21	2,232	352	2,585
Chief Executive and Director of Resources	01/04/20 – 31/03/21	4,443	-	4,443

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

[2] The position of HoF was covered on an interim basis by an agency member of staff from 20/10/21 – 01/03/21

2019/20

	Employment period	Salary[1]	Employer Pension contributions[1]	Total including pension contributions[1]
		£	£	£
Head of Fund	01/04/19 – 31/03/20	57,801	8,728	66,529
Director of Finance	01/04/19 – 31/03/20	2,148	305	2,453
Chief Executive and Director of Resources	01/04/19 – 31/03/20	4,326	-	4,326

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

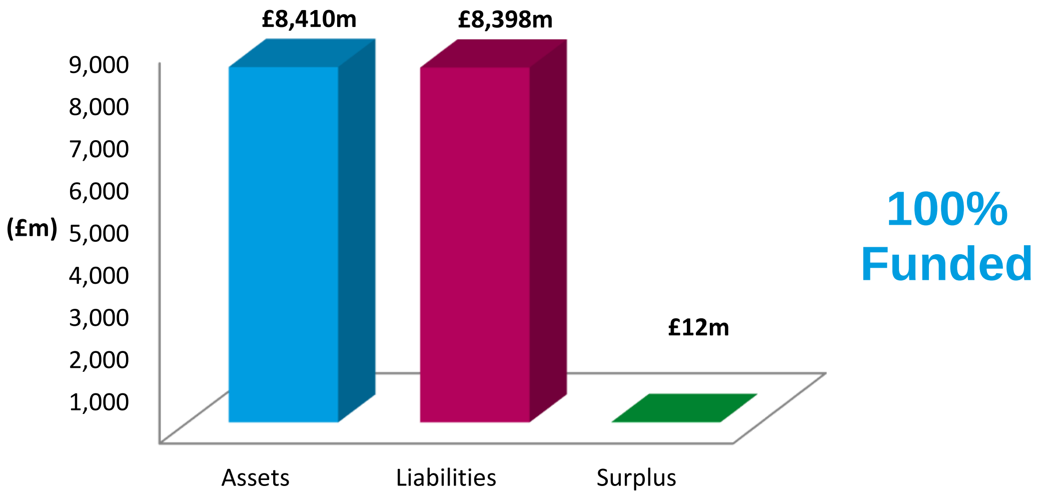
Note 24 - Funding arrangements

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2021 - STATEMENT BY THE CONSULTING ACTUARY

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

An actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £8,410 million represented 100% of the Fund's past service liabilities of £8,398 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £12 million.



The valuation also showed that a Primary contribution rate of 17.4% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 16 years, and the total initial recovery payment (the “Secondary rate” for 2020-2023) is an addition of approximately £2m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

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

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

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

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	3.8% per annum	4.55% per annum
Rate of pay increases (long term)	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

The McCloud Judgment

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014. In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include a specific allowance for the estimated cost of the McCloud judgment (although there is a margin within the assumptions that may be used to absorb costs arising). At the overall Fund level we estimate that the cost of the judgment is an increase in past service liabilities of broadly £68 million and an increase in the Primary Contribution rate of 1.0% of Pensionable Pay per annum.

Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 and 2021 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be updated as a general rule but the Administering Authority is consulting on updates to the Funding Statretegy Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2021 (the 31 March 2020 assumptions are included for comparison):

	31 March 2020	31 March 2021
Rate of return on investments (discount rate)	2.4% per annum	2.1% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.1% per annum	2.7% per annum
Rate of pay increases	3.6% per annum	4.2% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.8% per annum

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4%). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7%. Both of these factors served to increase the liabilities over the year. The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £11,052 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£262 million and allowing for net benefits accrued/paid over the period also increased the liabilities by c£105 million (this includes any increase in liabilities arising as a result of early retirements). There was also an increase in liabilities of £1,707 million due to "actuarial losses" (i.e. the effects of the *changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).*

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £13,126 million.

GMP Indexation

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

Leanne Johnston
Fellow of the Institute and
Faculty of Actuaries

Mark Wilson
Fellow of the Institute and
Faculty of Actuaries

Mercer Limited
May 2021

I Lancashire Local Pension Board

Lancashire Local Pension Board – Annual Report 2020/21

The Lancashire County Pension Fund's Local Pension Board (the Board) has been up and running for nearly six years. As a reminder to readers, our legal duty is to assist the Pension Fund Committee (the Committee) and we are not an executive body. Because Board members explicitly represent either employers or scheme members, we also have a representative role in the governance structure of the Fund.

After six years, the Board has established an effective way of using its members' expertise to add value to the Committee's work. We create an annual Work Plan to ensure that we cover all the activities we should and that our workflow is aligned with that of the Committee. The core of our work is to review the reports and compliance assurances which support the Fund's activities and comment on them to the Committee. If we believe something requires particular attention, we may make a formal recommendation which requires a response.

We are always aware that our role is to assist the Committee and a good relationship between the two bodies is absolutely essential. I meet with County Councillor Pope (Chair of the Committee) regularly and participated in as many Committee meetings during the year as I was able to. We also regularly welcome County Councillor Pope to meetings of the Board, and I can confidently assert that the two bodies work closely together.

This year has been extraordinary because of the various restrictions imposed as a result of the Covid-19 pandemic. At an operational level the Fund, and to a large extent the Local Pensions Partnership (LPP) staff who provide the bulk of services to the Fund, have worked from home. Our focus this year has therefore been on monitoring the maintenance of service levels to employers and members. I discuss this in more depth later on.

Membership of the Pension Board

The Board has nine members: four Employer representatives, four Scheme Member representatives and I act as the Independent Chair. Members serve a maximum eight-year term, except for the Chair whose period of office is four years. Apart from the Chair, none of the Board members are remunerated other than for expenses incurred in attending meetings or training.

During the year, there were two changes to the membership of the Board. County Councillor Matthew Salter replaced County Councillor Peter Britcliffe as one of Lancashire County Council (LCC) representatives and after the meeting in January 2021 Keith Wallbank, a Scheme Member representative, resigned. Following advertisement and interviews, this vacancy is to be filled by Kevin Ellard, who will attend his first meeting in July 2021 following formal approval of the appointment by full Council. I would like to thank Peter and Keith for their time on the Board.

The Board had to cancel its April 2020 meeting because County Council policies imposed under the pandemic restrictions did not at that time allow meetings either in person or by webinar. Instead reports for information that would have been discussed at the meeting, including our regular activities, matters considered by the Committee and an update on administration and investments during the pandemic, were circulated to all members by email.

All four meetings in the period covered by this report were held by webinar and we have in place a process for making decisions electronically where that is required. Like many other organisations, we have found that virtual meetings are not as satisfactory as face to face but it has been possible for us to fulfil our duties. They have, however, made it easier for Fund Officers or other presenters to attend our meetings to support the reports on the agenda. We hope to be able to return to in-person meetings in July 2021.

The Board has a budget to cover both its expenses and to allow it to commission reports if required. During the year the cost of running the Board came to £8,649.15.

Attendance of Board members at meetings.

Each year the Board agrees a programme of four meetings, the first being in July followed by meetings in October, January and April so that each Board meeting follows a meeting of the Pension Fund Committee. Details of individual members' attendance at Board meetings together with in year changes to the membership of the Board, are set out below.

Name	Representing	14th July 2020	13th October 2020	19th January 2021	20th April 2021
W Bourne	Independent Chair	✓	✓	✓	✓
County Councillor M Salter	Employer rep – LCC	✓	✓	✓	✓
T Pounder	Employer rep - LCC	✓	Apologies	✓	✓
S Thompson	Employer – Unitary, City, Borough, Police & Fire	✓	✓	✓	Apologies
C Gibson	Employer rep - Others	✓	✓	✓	✓
K Haigh	Scheme Member rep	✓	✓	✓	✓
Y Moult	Scheme Member rep	✓	✓	Apologies	✓
D Parker	Scheme Member rep	✓	✓	✓	✓
K Wallbank	Scheme Member rep	✓	✓	✓	Resigned

Changes to the membership of the Board

County Councillor M Salter replaced County Councillor P Britcliffe as an employer representative (Lancashire County Council) on the Board in June 2020. Subject to approval by full council Mr K Ellard will fill the vacancy for a scheme member representative on the Board following the resignation of Mr K Wallbank on the 20th January 2021

Training

The Board is under a legal obligation to ensure its members maintain their levels of knowledge and understanding through regular training. We conduct a gap analysis of training needs once a year as part of our own annual efficiency review, which becomes an agenda item at our next meeting. Internal training workshops during this year were conducted by webinar in conjunction with the Committee, with recordings being made available for those unable to attend. This appeared to increase participation levels considerably and in future the majority of Fund training is likely to be done in this way. Board members will still have opportunities to attend external training events during the year and are expected to complete the online training modules from The Pension Regulator's Public Service toolkit.

Internal training workshops

July 2020 - Asset safety and cyber security.
September 2020 - Feedback from the Investment Panel following review of the LCPF Funding Strategy Statement
November 2020 - The new responsible investment Dashboard report for Pension Fund Committee.
January 2021 - Update from Local Pensions Partnership Administration.
February 2021 - Local Pensions Partnership Budget.
March 2021 - Local Pensions Partnership Communications and the new LCPF website.

Note - The Board also received a presentation in advance of the meeting on the 13th October 2020 regarding internal audit assurance over the Lancashire County Pension Fund.

The table below shows the number of internal/external training events which individual Board members have attended during the period 1st April 2020 to 31st March 2021.

Name	Internal events	External Events
W Bourne	6	1
County Councillor M Salter	6	0
T Pounder	5	0
S Thompson	5	0
C Gibson	3	1
K Haigh	7	0

Y Moult	6	0
K Wallbank	3	0
D Parker	8	1

Note – the number of external events held during 2020 was significantly reduced due to the Covid-19 pandemic though some events were held remotely.

Further information about the Board, including minutes and public papers, can be viewed on the Lancashire Pension Fund website at the following link - lancashirecountypensionfund.org.uk

Activities

The year was dominated by the challenges presented to all pension funds by the Covid-19 pandemic. The Local Pension Partnership (LPP) responded admirably to the national imposition of working from home. While there was some impact in the initial months as processes were re-organised, their administration team were quick to adapt to the new working environment. The Board received regular updates at meetings and between them in the early days.

The separation of LPP's administration and investment functions into two units, Local Pensions Partnership Administration (LPPA) and Local Pensions Partnership Investments (LPPI), has led to some changes. The Board is supportive of the decision to create two more focused entities under the Local Pensions Partnership (LPP) and believes it will benefit the Fund through more efficient service provision on both sides. However, we will remain alert to the need to assure ourselves that the Fund receives value for money from the new arrangements.

Regardless of the consequences of the pandemic, the core of the Board's work remains one of oversight. At every meeting, we look at any breaches of the regulations and consider the Key Performance Indicators agreed with LPP as indicators or performance levels. I mentioned last year that we were looking for a full review of these and during the year LPPA developed considerably more detailed Key Performance Indicators which have improved our ability to monitor and comment on the data. This should help us understand how effectively the Fund is delivering its services to members and thereby assist the PFC in the crucial role of monitoring LPPA's performance properly.

Over the year, in our scrutinising role alongside the Committee, we reviewed the Fund's Responsible Investment Policy, compliance with the Stewardship Code and The Pension Regulator's Code of Practice, the Risk Framework, the Governance Statement, and the Admissions and Terminations policy. The wide range of expertise among Board members as well as their experience as users, either employers or members of the Fund, means the Board is well placed to provide useful and relevant feedback to the Committee.

We have spent significant time on the Internal Audit function. Our concern here, which I have mentioned in previous reports, is that the assurance statements we receive from LPP (in future LLPA and LPPI) depend on their internal control processes and functions operating correctly. We are not able to see the detail of LPP's own internal audit reports and the scope of the County Councils internal audit of the Fund's operations does not cover LPPA, where the bulk of the work is done. In the absence of any independent verification the Board can only place partial reliance on LPP's assurance statements. We therefore proposed the commissioning of an external report to provide us with independent assurance on LPP's internal controls. At the time of writing an initial update on progress is expected to be presented to the Board in April 2021.

One of the Board's formal objectives is to assist the Committee in ensuring the Fund is managed efficiently and effectively. As part of this we review changes to the risk register at every meeting and have offered some suggestions on the format so that it is able to provide timely pointers where the Committee should focus its attention. This is still a work in progress, but I believe it will, in due course, form another part of the continuous improvement in the Fund's governance.

A lot of regulatory change is expected in the next year. The Pensions Regulator is reviewing the Code of Practice 14 which the Local Government Pension Scheme falls under and has launched a consultation on its proposal to combine it with nine other codes covering pension funds. The Ministry for Housing, Communities and Local Government is also expected to publish new guidance on maintaining investment strategy statements, including further requirements on pooling in 2021. The recommendations made in the Scheme Advisory Board's Good Governance project are likely to be implemented in separate new statutory guidance. Finally, new legislation is expected to increase the requirements to disclose pension funds' exposure to climate change risks.

The Board's role will be to act as a second pair of eyes to help the Committee ensure the Fund is compliant with these changes as they become legal or regulatory requirements.

Under the Board's Terms of Reference, I am required to make a statement in respect of my annual review of the Board's effectiveness. I conducted this in January 2021, and the recommendations I made were relatively minor as reported to the Board in April 2021. I believe the Board operates effectively and efficiently and is able to fulfil its legal and regulatory requirements fully.

I would like once again to finish by thanking the officers at the County Council who support us in our duties, and in particular to thank Abbi Leech (Head of Fund) who left the Council towards the end of 2020 , Michelle King who took over as Interim Head of Fund and welcome Sean Greene who has recently been appointed to the role. As part of the annual review I speak individually to each Board member and I can record full agreement that in a year which was more challenging than most we have been ably and effectively supported by the whole team. I am again delighted to recognise that publicly in this report.

William Bourne
Independent Chair of the Lancashire Local Pension Board

June 2021

J Actuarial Valuation

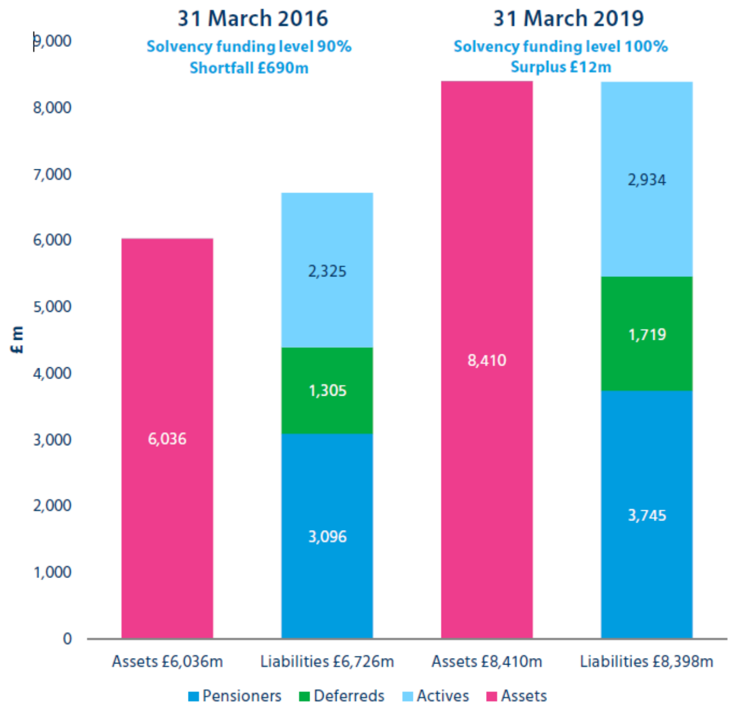
An actuarial valuation of the Fund is carried out every three years by the Fund's actuary Mercer. The most recent valuation carried out was at 31 March 2019 which determines contribution rates effective from 1 April 2020 to 31 March 2023.

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

The FSS specifies an average period for achieving full funding of 13 years. The FSS sets out the circumstances in which this may vary from one employer to another Where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put into place which requires additional contributions to correct the shortfall.

The valuation (effective from 1 April 2020) revealed a funding level of 100% and an average employer's contribution rate of 17.4% plus a deficit contribution in 2020/21 of £3m.

The chart below, taken from the certified actuarial valuation as at 31 March 2019, compares the assets and liabilities of the Fund at 31 March 2019. Figures are also shown for the last valuation as at 31 March 2016 for comparison.



The employer contributions for 2020/21 are based on the 2019 valuation and the recommended employer contributions for the period 1 April 2020 to 31 March 2023 are set out in the Schedule to the Rates and Adjustments in the actuarial valuation report.

The projected unit method of valuation was used for the valuation and is in common use for funding pension funds in the United Kingdom. The valuation results depend on financial and demographic assumptions and these are detailed in full in the Actuarial Valuation and at Appendix 1 of the Funding Strategy Statement. https://lancashirecountypensionfund.org.uk/publications/The actuarial valuation report as at 31 March 2019 has been included as Appendix 8 to this annual report.

K Contacts

Fund website
https://lancashirecountypensionfund.org.uk/

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Svenska Handelsbanken
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AVC providers

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Walton Street
Aylesbury
Buckinghamshire HP21 7QW

L Glossary

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

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

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

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

Actuarial valuation
An investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits.

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

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

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

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

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

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

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

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

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

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

Bid price
The price a buyer pays for a stock.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Diversifying Strategies
Diversifying Strategies seeks to generate a diversifying, liquid source of return to compliment traditional asset allocation in client portfolios. The pool seeks to achieve this through exposure to a variety of approaches in traditional markets, alongside alternative investment opportunities. The

pool aims to provide returns that have a low correlation to equities – particularly in times of market stress.

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

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

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

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

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

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

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

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

Index/Indices
These are used for comparison purposes – as a benchmark – and references throughout the Annual Report to various benchmarks are contextual to the asset class being discussed. For example, the MSCI World Index is used as a benchmark for private equities.

Index-linked securities
Investments in stock where the interest payments and the final redemption proceeds are linked to the retail price index. Such stocks provide protection against inflation.

Infrastructure
The public facilities and services needed to support residential development, including highways, bridges, schools and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

Investment management expenses
All expenses relating to managing the Fund's investments.

Investment strategy
Investor's long-term distribution of assets among various asset classes taking into consideration, goals of the Fund, attitude to risk and timescale.

Liabilities
Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pension liabilities are the pension benefits and payments that are due to be paid when someone retires.

LPP – Local Pensions Partnership
The Local Pensions Partnership (LPP) is a collaboration between two successful LGPS funds – Lancashire County Pension Fund and London Pensions Fund Authority, with the goals of creating:

- A best-in-class, end-to-end pensions services organisation for public sector funds; LPP currently provide pensions administration services to 13 funds, including LGPS, fire and police schemes.
- An FCA-regulated structure for asset pooling.
- An organisation focused on managing assets and liabilities (risk) together in order to improve long-term fund performance, stabilise contributions and reduce deficits.
- A partnership which is open to other LGPS and public sector funds to join as owner shareholders or as investors only in LPP’s pool.

Market value
The price at which an investment can be bought or sold at a given date.

Myners review
Review carried out by Paul Myners on behalf of the Chancellor of the UK government. The review published in March 2001, investigated the challenges facing institutional investment decision making.

Over the counter (OTC)
A security traded in some context other than on a formal exchange. The phrase "over the counter" can be used to refer to stocks that trade via a dealer network as opposed to on a centralised exchange. It also refers to debt securities and other financial instruments such as derivatives, which are traded through a dealer network.

Past service liability
The value, in present day terms, of the benefits accrued by members up to the valuation date. Calculated on the basis of a set of assumptions agreed between the administering authority and the actuary.

Pension boards
The role of each board is to help ensure each scheme complies with governance and administration requirements. They may have additional duties, if scheme or other regulations so specify.

Pension boards need to have an equal number of employer representatives and member representatives. They may also have other types of members, such as independent experts. All pension board members have a duty to act in accordance with scheme regulations and other governing documents.

Pooled investment vehicles
Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Private equity
Shares in un-quoted companies.

Property
All buildings and land that the Fund owns, including pooled property funds.

Quantitative easing
The introduction of new money into the money supply by a central bank. The central bank increases the money supply and buys government bonds.

Related party
A person or organisation which has influence over another person or organisation.

Responsible investment
An approach to investment which recognises that the consideration of environmental, social and governance factors forms an important part of the evaluation of the future risks and opportunities facing investee companies. Responsible Investors seek to understand the influences that are likely to impact the performance of investments during their period of ownership in order to assess the balance of risks relative to returns.

Pension funds invest the retirement savings of scheme members in order to fund the benefits they are entitled to receive in the future. There is an underlying fiduciary duty to protect the financial interests of scheme beneficiaries which is exercised through the approach to investment and the evaluation of risks and opportunities as part of investment stewardship.

Scheduled bodies
Organisations which are listed in parts 1 and 2 of schedule 2 to the LGPS Regulations 2013. These bodies automatically have the right to offer LGPS membership to eligible employees.

Organisations listed in part 1 are required to enrol eligible employees into the LGPS. This list includes but is not limited to: County and District Councils, Combined Authorities, Fire and Rescue Authorities, Police and Crime Commissioners, Chief Constables, Further and Higher Education Corporations, Sixth Form Colleges and Academies.

If an organisation is listed in part 2 it can choose to offer membership to all or some employees. This list includes, but is not limited to: Parish Councils, subsidiaries of County or District Councils, Other precepting authorities not listed in Part 1.

Service level agreement
A commitment between a service provider (for example LPP) and a client (for example, the Fund) that defines exactly which services will be provided and the level or standard expected for those services.

Stock lending
The act of loaning securities to another investor in return for a fee. When a security is loaned the ownership is also transferred to the borrower.

Transfer values
The value of a pension scheme members benefits available to buy benefits in another scheme.

Triennial actuarial valuation
Every three years the actuary formally reviews the assets and liabilities of the Lancashire LGPS scheme and produces a report on the scheme's financial position.

Venture capital
Investment in a company that is at a relatively early stage of development and is not listed on a stock exchange.

50:50 scheme
In the LGPS, active members are given an option to accrue a lower benefit in return for paying a lower level of contribution.

Appendices

Appendix 1

Scheme employers with active members at 31 March 2021

	Contributions Received 2020/21*		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit ('£000)
Total Active Employers	**327,904**	**64,435**	**17,961**
County Council	**148,997**	**25,969**	**-**
Lancashire C.C excl schools	120,398	16,288	-
Lancashire C.C Schools	25,581	8,638	-
Archbishop Temple	90	33	-
Ashton Community Science College	143	52	-
Baines High School	119	40	-
Balshaws CE High School	106	37	-
Barrowford Primary School	74	24	-
Brownedge St Marys	112	39	-
Cardinal Allen	143	51	-
Delph Side	54	18	-
Haslingden High School	242	85	-
Hillside Specialist School	137	47	-
Hollins Technology College	156	54	-
Hutton Church of England Grammar School	104	36	-
John Cross	24	8	-
Lea Endowed CE Primary	26	9	-
Leyland St James CE Primary	41	14	-
Moor Park High	116	42	-
Morecambe Road School	157	53	-
Mount Carmel	147	53	-
New Longton All Saints CE PS	34	12	-
Ormskirk School	161	56	-
Peel Park	145	48	-
Rhyddings School Accrington	104	38	-
St Andrews CE Primary School	79	27	-
St Richards RC Primary School	37	13	-
The Loyne Specialist School	195	66	-
Walton Le Dale	106	38	-
West End Primary School	38	13	-
Westgate Primary School	128	42	-
Scheduled Bodies (173)	**164,893**	**32,780**	**17,332**
Blackburn With Darwen B.C.	33,121	4,334	5,175
Audley County Infant	1	25	-
Avondale County Primary	1	33	-
Brookhouse Primary School	-	11	-

	Contributions Received 2020/21*		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit ('£000)
Holy Trinity CE Primary	-	14	-
Longshaw County Infant	-	20	-
Longshaw County Junior	-	24	-
St Barnabas & St Pauls CEP	-	31	-
St James CE Primary School	-	20	-
St Michael with St John CE Primary School	-	18	-
Turncroft Nursery	3	9	-
Blackpool B.C exc Schools	31,112	4,111	2,477
Blackpool B.C Schools	-	449	-
Burnley B.C	1,080	408	293
Chorley Borough Council	1,330	546	1,299
Fylde Borough Council	3,071	409	423
Hyndburn B.C.	1,462	457	-
Lancaster City Council	8,234	1,183	225
Pendle B C	2,824	327	1,789
Preston City Council	7,890	953	494
Ribble Valley B.C	865	327	-
Rossendale B.C	2,075	279	520
South Ribble B.C	3,508	542	217
West Lancashire B.C	6,756	888	389
Wyre B.C	3,407	480	-
Edge Hill University	4,165	1,700	379
University of Central Lancashire	6,245	2,584	210
Lancaster & Morecambe College	546	184	9
Blackpool & The Fylde College	1,786	721	-
Preston College	721	277	19
Runshaw College	944	324	-
Blackburn College	983	393	-
Burnley College	750	308	-
Nelson and Colne College	1,168	425	76
Myerscough College	1,028	354	79
Blackpool Sixth Form College	270	123	-
Cardinal Newman College	378	158	123
Blackburn St Mary's	164	64	-
QEGS Blackburn Academy (FS)	191	63	-
Lancashire Fire and Rescue Service	625	365	-
Penwortham Town Council	17	8	-
Blackpool Coastal Housing	681	307	-
Pilling Parish Council	9	2	-
Kirkland Parish Council	1	0	-
Catterall Parish Council	6	1	-
Garstang Town Council	9	2	0
United Learning (Accrington Academy)	176	72	-

Employer Name	Contributions Received 2020/21* Employer (£'000)	Employee (£'000)	Deficit ('£000)
ANWET (Darwen Aldridge Comm)	362	151	-
Fulwood Academy	70	41	-
St Annes on Sea Town Council	17	5	4
Active Lancashire Limited	104	55	-
Lancaster Girls GS (Academy)	125	47	31
Lancaster RGS (Academy)	244	76	81
Clitheroe Royal GS (Academy)	185	54	52
Hodgson Academy	186	60	53
FCAT (Hambleton Primary Academy)	31	11	14
Ripley St Thomas C E (Academy)	300	95	66
St Michael's CE High (Academy)	130	41	16
ATCT (Bowland High Academy Trust)	120	38	38
St Wilfrid's C of E Academy	182	58	98
Lostock Hall Academy Trust	90	28	32
St Christopher's CE (Academy)	240	114	132
Bishop Rawstorne High Academy	98	29	37
Belthorn Primary Academy	54	16	11
Garstang Community Academy	125	34	37
Parbold Douglas CE Academy	38	11	14
FCAT (Westcliff Prim Academy)	43	14	18
All Saints CE Primary School (Academy)	48	15	28
Tarleton Academy	198	73	47
FCAT (Montgomery HS Academy)	162	50	86
Parklands High School Academy	172	59	45
Penwortham Priory Academy	131	44	20
Albany Academy	151	46	37
Norbreck Primary Academy	93	30	26
Waterloo Primary Academy	165	57	33
Hawes Side Academy	108	33	29
The Lancashire Colleges Ltd	16	6	-
Academy at Worden	76	28	13
Wensley Fold CE Primary Academy	100	32	50
Star Academies	557	291	49
Bacup Rawtenstall GS (Academy)	154	52	40
ATCT (Roseacre Primary Academy)	80	27	38
Star Academies (Islam Boys HS)	42	17	7
Thames Primary Academy	132	42	43
Maharishi School (Free School)	53	15	3
Pendle Educ Trust-Colne Primet	113	34	9
Pendle Education Trust - Walter St	102	33	18
Moorside Community Academy	75	27	14
Fylde Coast Academy Trust	89	37	11
Blackpool MAT (Devonshire Academy)	123	37	49

	Contributions Received 2020/21*		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit ('£000)
Blackpool MAT (Park Academy)	171	68	80
Blackpool MAT (Anchorsholme Academy)	116	33	53
FCAT (Unity Academy)	225	75	114
Langdale Free School	12	5	1
Star Academies (Olive Blackburn)	60	27	4
Star Academies (Olive London)	77	36	4
Educ Partner Tr (The Heights)	74	27	38
Preesall Town Council	6	1	1
BFET (South Shore Academy)	134	51	72
Darwen Town Council	1	0	0
Habergham Eaves Parish Council	0	0	0
Old Laund Booth Parish Council	1	0	0
Police & Crime Commissioner	116	64	-
Blackpool MAT (Revoe)	106	36	68
Cidari Educ (St Georges)	111	35	59
ATCT (Witton Park Academy Trust)	153	50	69
Cidari Educ (Lukes & Philips)	38	13	38
Cidari Educ Ltd (St James)	54	17	28
Cidari Educ Ltd (St Barnabas)	28	10	26
Cidari Educ Ltd (St Aidans)	39	13	29
Blessed Edward MAT (St Marys)	187	62	69
Blessed Edward MAT (St Cuth)	53	16	35
FCAT (Aspire Academy)	154	42	67
Blessed Edward MAT (Christ)	43	13	17
ANWET (Darwen Vale Academy)	120	39	100
Star Academies Eden GS Waltham	48	22	3
Star Acadmies Eden GS Coventry	53	22	7
Star Acadmies Eden BS Bolton FS	56	21	8
Lancashire Chief Constable	25,035	4,039	-
BFET (Marton Primary Academy)	73	23	36
Educ Partner Tr (Burnley High FS)	50	21	2
Cliviger Parish Council	1	0	-
Star Acadmies Islam Girls HS	74	28	30
Cidari Education Trust	55	33	10
Cidari Edu Ltd(Baines Endowed)	116	37	60
Cidari Ed Ltd(Marsden St John)	39	12	10
ANWET (Sudell PS Academy)	42	11	27
Blackpool Housing Company Ltd	130	56	21
Pendle Edu Trust (Castercliff)	65	21	31
Educ Partner Tr (Coal Clough)	127	44	15
Star Acadmies (Eden BS Preston)	23	10	2
Star Academies (Eden GS Slough)	63	28	8
Star Academies (Eden BS Birming)	69	27	8

	Contributions Received 2020/21*		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit ('£000)
FCAT (BPool Gateway Academy)	70	23	11
Eden School	34	14	3
Whittle le Woods Parish Coun	2	2	0
Educ Partner Tr (Pleckgate HS)	172	52	100
Freckleton Parish Council	1	0	-
PET (West Craven)	97	31	12
Star Academies Highfield Humanities	134	42	44
Pendle Education Trust	34	18	-
Education Partnership Trust	64	36	-
Blessed Edward Trust	15	7	-
Star Academies Olive Bolton	31	14	-
Star Academies Olive Preston	50	20	-
Star Acadmies Olive Birmingham	65	26	-
Clayton-Le-Woods Parish Council	5	2	-
FCAT (Mereside)	88	25	50
Tor View SLC	307	110	57
FCAT (Westminster Primary Academy)	90	28	20
Mosaic Academy Trust	98	35	18
Cidari (Newchurch PSM)	13	3	2
Star Academies - Eden Girls Manchester	48	21	-
Cidari Educ (St Silas)	53	16	13
Bay Learning Tr (Morecambe Bay Academy)	210	74	-
Star Academies (The Valley Leadership Academy)	67	23	-
Star Academies (Eden Boys LA Birmingham East)	26	9	-
Learning Together Trust (Adlington PS)	29	8	4
Blackpool Waste Services	19	10	-
Nelson Town Council	8	4	-
Bay Learning Tr (Central Lancaster HS)	105	36	-
Star Academies (Eden Girls LA Birm)	39	16	-
Star Academies (Eden Boys LA Bradford)	23	10	-
Educ Partner Tr (The Heights Burnley)	60	22	-
Romero (St Mary's RC)	47	16	-
Champion Educ Tr (Blackburn Central HS)	158	65	27
Champion Educ Tr (Crosshill Specialist Sch)	42	17	9
Romero Catholic Academy Trust (St John the Baptis	60	21	-
Romero CAT (St Augustines)	55	18	-
Romero CAT (All Saints RC HS)	87	31	-
Romero CAT (Blessed Trinity RC)	203	71	-
Endeavour Learning Trust (Northbrook PS)	23	8	-
Champion Educ Tr (Lotus School)	9	3	-
Cidari Educ (St Pauls CE PS)	5	2	-

	Contributions Received 2020/21*		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit ('£000)
Cockerham Parish Council	0	0	-
Nether Wyresdale Parish Council	1	0	-
United Learning (The Hyndburn Academy)	91	30	15
Pendle Education Trust (Casterton Primary Academy)	70	23	10
Bay Learning Tr (Carnforth High School)	117	37	22
Star Academies (Bay Leadership Academies)	166	51	27
FCAT (Armfield Academy)	86	32	-
Endeavour LT (Burscough Priory Academy)	57	17	14
United Learning (Marsden Heights CC)	33	-	-
Star Academies - Eden Boys Manchester	38	16	-
ADMITTED (126)	**14,012**	**5,686**	**629**
UCST (AKS Arnold)	25	11	4
Lancaster University	5,081	2,062	-
Lancashire County Branch Unison	12	4	-
NW Inshore Fisheries & Conserv	121	41	-
UCST (AKS Lytham)	35	12	-
University of Cumbria	2,258	907	302
Whitworth Town Council	7	2	2
Kirkham Grammar School (Ind)	94	24	1
Caritas Care Limited	273	89	41
Community Council of Lancs	23	8	-
Progress Housing Group	247	109	-
Preston Care and Repair	5	2	-
Pendle Leisure Trust Ltd	292	127	-
Together Housing Assoc Ltd	1,937	754	-
Leisure in Hyndburn	154	58	26
Adventure Hyndburn	44	14	21
Blackpool Zoo (Grant Leisure)	17	15	-
Rossendale Leisure Trust	-	20	-
Marketing Lancashire Ltd	36	37	-
Liberata UK Ltd (Pendle)	38	59	-
West Lancs Community Leisure	78	39	-
South Ribble Community Leisure	123	44	88
Community Gateway Assoc Ltd	236	105	-
Bulloughs (Our Lady)	0	0	-
Chorley Community Housing Ltd	100	49	-
NSL Ltd.(Lancaster)	1	1	-
Capita(Rossendale BC Transfer)	13	8	-
Consultant Caterers Ltd	7	4	-
Alternative Futures Group Ltd	-	5	-
Creative Support Ltd	-	10	-

	Contributions Received 2020/21*		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit ('£000)
Community and Business Partn	47	18	-
I Care (Home)	-	2	-
Fylde Coast YMCA (Fylde TUPE)	-	1	-
Cofely FM Ltd (Lend Lease)	6	10	-
Creative Support Ltd (Midway)	17	7	-
Mellor's (Bishop Rawstorne)	8	2	1
Andron (formerly Solar)	-	1	-
Cofely FM Ltd (Pleckgate)	2	2	-
Liberata UK Ltd (Burnley)	201	66	-
Essential Fleet Services Ltd	-	6	-
Elite Cleaning and Environment	3	1	-
Eric Wright FM - Site Supervisors Highfield HC	10	3	-
Mellors (Little Hoole)	2	1	-
Mellors (Holy Cross)	9	3	-
Cofely FM Ltd (Blake/Cross)	-	1	-
Service Alliance Ltd (Altham)	1	0	-
Lancashire Care Foundation	-	2	-
Burnley Leisure	270	107	-
CG Cleaning (Kennington Road)	2	1	0
Compass Contract Services (UK) Ltd	28	7	-
Service Alliance (St Wilfrid)	2	1	-
Blackpool, Fylde and Wyre CU	7	3	-
QEGS Blackburn Ltd	5	2	-
Service Alliance (Whalley PS)	1	0	-
RCCN (Whitefield)	1	0	-
FCC Environment	23	8	-
County Councils Network	17	21	5
Urbaser Ltd	62	15	2
Service Alliance (ClithPendle)	1	1	-
I Care	17	7	-
Ind Living Fund (Blackpool BC)	8	2	0
Elite CES (Fulwood&Cadley)	1	0	-
Elite CES Ltd(Moor Nook School)	4	1	0
Elite CES Ltd (Carr Hill)	2	1	-
Local Pensions Partnership	106	50	6
Premiserv (St Peters)	1	0	-
5AM Contract Cleaning (Blackpool Coastal)	3	1	-
RCCN (Burscough)	2	1	-
Elite CES (Hambleton)	3	1	0
Elite CES Ltd (St Annes)	1	0	-
Bulloughs (BFET Marton)	3	0	-
Mellors (Delph Side)	2	1	-

Employer Name	Contributions Received 2020/21* Employer (£'000)	Employee (£'000)	Deficit ('£000)
Mellors (Lostock Hall Academy)	5	1	1
Maxim (Lancaster Girls Grammar)	2	0	-
Maxim (Newton Bluecoat)	0	0	-
Maxim (St John with St Michael)	1	0	-
Capita (Property & Infrastructure)	13	7	-
Maxim (St Georges CE PS)	1	0	-
Compass CS Ltd (Highfield)	11	2	-
Greenwich Leisure Limited (Preston City)	55	17	-
Clarets in the Community Ltd	4	1	-
Compass Contract Services (Hodgson Academy)	5	2	-
Mellors (Parklands High School)	8	2	-
Noonan (Hyndburn CCTV)	3	1	-
Mellors (St Michaels CE Academy Trust)	13	3	-
Compass CS (Mer/Mon/Uni)	38	9	-
Mellors (Tarleton Community PS)	3	1	-
Andron (Longridge High School)	2	1	-
Maxim (Bolton le Sands Primary School)	1	0	-
Maxim (Kelbrook Primary School)	3	1	-
Maxim (St Augustines)	2	1	-
Laneshaw Bridge Primary School	40	12	8
Andron (Cidari - St Georges School)	4	1	-
Blacko Primary School	19	5	4
Colne Park High School	154	49	32
Lord Street Primary School	85	27	19
The Pennine Trust	16	6	-
Orian Solutions Ltd (Parklands High School)	1	0	-
Wolseley UK	4	1	-
Local Pensions Partnership Inv.	127	85	39
CG Cleaning Ltd (Burnley St Peters)	4	1	-
CG Cleaning Ltd (Moorside PS Lancaster)	2	1	-
CG Cleaning Ltd (St Wulstans & St Edmunds)	6	2	-
Bulloughs (Balshaw HS)	4	1	-
Mellors (Cidari - Multi Academy)	23	6	-
Mellors (Cidari - St Silas)	5	1	-
Orian Solutions Ltd (Layton PS)	1	0	-
Maxim FM (St James PS Clitheroe)	2	1	-
Lancashire Care NHS Foundation Trust (EIS)	22	7	-
Aspens Services Ltd (AE - Sudell Primary School)	4	1	-
Progress Housing Association	453	142	-
Aspens Services Ltd - (AE - DACA/DAES)	24	8	-
Aspens Services Ltd - (AE - Darwen Vale HS)	6	2	-

	Contributions Received 2020/21*		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit ('£000)
Maxim (Deepdale PS)	2	1	-
Bulloughs Cleaning Services Ltd- (AE - Sudell Prim	2	0	-
Local Pensions Partnership Admin	623	284	29
Tenon FM Ltd (Clayton Brook PS)	7	2	-
Mellor's (Bank Methodist PS)	0	0	-
Midshire Services Ltd (Southlands HS)	24	6	-
Contour Housing	-	-1	-
00152: Blackpool Airport Ltd	-2	-0	-
00175: Ribble Valley Homes Ltd	-1	-1	-
CG Cleaning Ltd (Mary Magdalens CE PS)	4	1	-
Safenet Domestic Abuse and Support Services	12	4	-
CG Cleaning Ltd (St Johns PS Poulton-le-fylde)	1	0	-
Veolia ES (UK) Ltd (Wyre BC)	30	7	-

* Up-front contribution payments for future service and deficit funding contributions were made by a number of employers within the Fund to cover amounts due for the 3 years to 31 March 2023. Accounting practice requires that these contributions be recognised on receipt. Where applicable, prepayments are included in the employer contribution and deficit amounts above.

Scheme Employers where contributions have been received during 2020/21 but they had no Active Scheme Members as at 31 March 2021

	Contributions Received 2020/21*		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit ('£000)
Galloways Society for Blind	2	0	-
Bootstrap Enterprises Ltd[1]	-547	0	-
Mellor's (Hambleton Primary S)	0	0	-
Compass CS (Preston)	13	4	-
Maxim (Acorns PS)	1	0	-
Maxim (Kingsfold Primary School)	1	0	-
Maxim (Lancaster Royal Grammar)	11	3	0
Maxim (Ribblesdale Nursery)	1	0	-
Mellors (Queens Drive)	1	0	0
Morecambe Town Council	0	0	-
Orian (Larches House)	0	0	-

[1]Payment of surplus to Bootstrap

Appendix 2 – Governance Policy Statement

Appendix 2 -
Governance Policy Sta

Appendix 3 – Administration Annual Report

Appendix 3 -
Administration Annua

Add footnote on Annual Total Fund Membership chart –

Membership numbers in this chart differ slightly to membership numbers within the Annual Report, Sections D and H, due to timing of reporting. In addition, in previous *Administration Annual Reports, members in respect of whom LPPA were expecting a leaver form were assumed to have left the scheme and were classed as deferred members. However, from 2021, such members are classed as active members until the leaver form is received. This accounts for the higher active and lower deferred numbers compared to the previous Administration Annual Report. This approach has not been applied for membership number detailed in Sections D and H of this annual report.*

Add Footnote to the Annual Performance Standard chart –

The figures in this chart are reflective of the number of processes completed within the pensions administration system which require a separate process and not reflective of the number of members they have been completed on behalf of.

Appendix 4 – Communication Policy Statement

Appendix 4 -
Communications Poli

Appendix 5 – Pensions Administration Strategy Statement

Appendix 5 -
Pensions Administrati

Appendix 6 – Funding Strategy Statement

Appendix 6 - Funding
Strategy Statement.pc

Appendix 7 – Investment Strategy Statement

Appendix 7 -
Investment Strategy S

Appendix 8 – Actuarial Valuation

Appendix 8 - LCPF
Actuarial Valuation

Appendix 9 – Responsible Investment Policy

Appendix 9 -
Responsible Investm

***The full documents will be included in the final annual report rather than embedded**