

Meeting of the Full Council
Meeting to be held on Thursday, 17 October 2024

Report submitted by: Director of Finance and Commerce

Part A

Electoral Division affected:
N/A;

Corporate Priorities:
Delivering better services;

Lancashire County Pension Fund Annual Report Year Ending 31 March 2024

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Brief Summary

The Constitution of Lancashire County Council requires the Full Council to receive a report from the Pension Fund Committee on the performance and state of the Lancashire County Pension Fund and on investment activities during the preceding year. This report summarises key elements of the Fund, as detailed in the draft Annual Report approved by the Pension Fund Committee on 13 September 2024.

Recommendation

Full Council is asked to note the performance and state of the Lancashire County Pension Fund and investment activities for the year ended 31 March 2024 as set out in this report.

Detail

The Constitution of Lancashire County Council states that the Full Council should receive an annual report from the Pension Fund Committee on the state of the Lancashire County Pension Fund and on investment activities.

On 13 September 2024, the Pension Fund Committee considered the draft 2023/24 Annual Report of the Lancashire County Pension Fund and resolved that the Annual report and accounts of the Fund be approved subject to any minor amendments,



inclusion of an updated audit opinion and small accounting updates to be agreed by the Head of Fund.

The Fund Annual Report includes the statement of accounts which are included within the county council's Statement of Accounts for the year ended 31 March 2024.

The external auditors of the Fund, Grant Thornton, will provide an opinion on the Annual Report of the Fund alongside their opinion on the accounts of the county council. The external audit opinion will focus on whether the information within the Annual Report is consistent with the audited financial statements included within the county council's Statement of Accounts.

Set out below is an outline of the Fund's performance and investment activity for the year, together with a summary of the main financial information from the accounts.

Investment Performance

The Fund has achieved a return on investments of 7.9% with the overall value of assets rising to £11.7bn. The Fund strategic asset allocations continue to be a well-diversified portfolio across different asset classes which supports the aim of ensuring the investments are able to achieve the best returns.

Investment Recognition

The investment performance outlined above has ensured the Fund continues to be fully funded and was the second best Fund in the 2023/24 Local Authority Fund league table for total fund performance over three years. This league table is published by Pensions and Investment Research Consultants Ltd and the vast majority of Local Government Pension Funds are covered by this.

Administration

Following the implementation of the new administration system, Universal Pensions Management, Local Pensions Partnership Administration Ltd began a project to develop the new system to automate processes and improve member experience. Local Pensions Partnership Administration Ltd focused heavily on embedding the new pensions administration system during 2023/24 with overall performance improving to meet or exceed the business as usual targets, which are agreed between the Fund and Local Pensions Partnership Administration Ltd, from May 2023 onwards. Membership of the Fund now totals 197,442, a further increase of 7,834 over the year, covering over 330 employers.

Investment Pooling Arrangements

100% of the Fund's assets are under management with Local Pensions Partnership Investments Limited and over 95% of the Fund's assets are in pooled vehicles. This has resulted in investment management fee savings for Lancashire County Pension Fund of £21.8m in 2023/24 and a total £79.3m worth of savings (net) since pooling began in 2016. These savings have continually been re-invested into the Fund to give greater returns.



Responsible Investment

Under the Local Government Pension Scheme regulations, the county council, as Administering Authority, has delegated Responsible Investment to the Pension Fund Committee to ensure the approach is appropriate. The Fund continues to work with the Local Authority Pension Funds Forum which undertakes extensive work in this area and Local Pensions Partnership Investment Limited, which is committed to a net zero carbon footprint across all the assets that it manages by 2050.

Statement of Accounts Extracts and Key Financial Results

- **Contributions income £412.0m (2022/23 £172.5m)**

Total contribution income from employers and members for 2023/24 was £412.0m. Following the 2022 actuarial valuation, the Fund gave some employers the option to pay their 3-year future service contribution rate and deficit contributions up-front. This pre-payment occurred in 2023/24. The Fund policy is to recognise contribution income in the period of receipt, and as a result the contributions for 2023/24 were significantly higher than the previous financial year.

- **Management Expenses £117.9m (2022/23 £116.8m)**

Management expenses include administrative expenses, investment management expenses and oversight and governance costs. The management expenses for the last two years have been comparable.

- **Change in market value of investments £770.5m (2022/23 £210.9m)**

The change in market value of investments increased during the year.

The Annual Report of the Fund is to be published in line with the statutory deadline of 1 December 2024 and will be made available to view via the county council's website and the Lancashire County Pension Fund website.

Consultations

Local Pensions Partnership Administration Limited
Local Pensions Partnership Investment Limited

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

Implications:

This item has the following implications, as indicated:



Legal

An Annual Report must be produced each year by the Pension Fund, as prescribed in the Local Government Pension Scheme Regulations 2013.

Financial

The Fund's annual report is approved by the Pension Fund Committee, as the Fund is to be maintained by the Administering Authority. This report is presented to Full Council for noting, there are no financial implications in this report.

Risk management

As the Administering Authority, it is important that the county council receives regular updates from the Pension Fund Committee regarding the activity and performance of the Lancashire County Pension Fund.

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

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A

