

Lancashire County Pension Fund

Annual Report 2010/11

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A. Management Structure

Management Structure as at 31 March 2011

Administering Authority
Lancashire County Council

Pension Fund Committee 2010/2011 (as at March 2011)

Lancashire County Council

D A Westley (Chair)
M J Welsh (Vice Chair)
T Aldridge
M Brindle
P Evans
M France
J Lawrenson
F De Molfetta
M Parkinson
T Pimblett
S Riches
G Roper
K Young

Blackburn with Darwen Borough Council

R O'Keeffe

Blackpool Borough Council

G Bell

District Councils

P Doyle
P Goldsworthy

Co-opted Members representing Trade Unions

R P Harvey
R Whittle

Co-opted Member representing HE/FE Establishments

P Hyett

Fund Managers

Legal & General Investment
Management
Newton Investment
Management
J P Morgan Asset
Management
UBS Global Asset
Management
Knight Frank (Rutley Capital
Partners)
Capital Dynamics
Gottex Fund Management
Mellon Transition
Management

Custodian

BNY Mellon Asset Servicing

Independent Investment Advisers

E Lambert
N Mills

Treasurer to the Lancashire County Pension Fund

G Kilpatrick CPFA

Actuary

Mercer

Auditor

Audit Commission

Property Solicitors

Pinsent Curtis Biddle
Cobbetts

Independent Property Valuer

Cushman & Wakefield

Corporate Governance Adviser

PIRC

Performance Measurement

WM Company

AVC Providers

Prudential
Equitable Life

Legal Advisors (other than property)

In House

Bankers

National Westminster

B. Overview of Management and Financial Performance

The investment activities of the Lancashire County Pension Fund during 2010/11 have continued to be influenced by world financial and political events. The monetary and fiscal policy fallout from the credit crisis has continued to drive the investment markets globally. Central Banks, in particular the US Federal Reserve, have in general provided heightened liquidity to financial markets. 2010/2011 saw the US economy failing to recover at the expected pace, in particular with regard to employment creation and a second round of quantitative easing (QE) worth US\$600bn+ which in turn gave a strong boost to asset markets globally. Whilst growth remained anaemic in developed economies the ongoing strength in emerging markets gave strong support. The FTSE All World index rose 5.8% with the FTSE All share rising 4.4% during the year, although both indices had fallen substantially before the introduction of QE. Credit markets continued their 2009/10 recovery, the IBOX non Gilt Sterling index rising 5.1%.

Government bond markets in the US, UK and core Europe generally performed well over the 12 month period, the IBOX 5-15yr index rose 6.2%. Markets had expected that some monetary stimulus would be withdrawn during the year, leading to higher interest rates and reduced bond market performance. Interest rates were raised regularly in emerging economies to defend against commodity driven inflation but the weak levels of growth in developed markets combined with a number of natural disasters continued to give support to core bond markets.

The fiscal position of a number of countries caused concern to international credit markets as the borrowing requirements of many governments ballooned and bailouts were arranged for Greece, Ireland and Portugal. Whilst these actions calmed markets in the short term, the danger of sovereign defaults remains high. The range of potential final outcomes is broad with disintegration of the Eurozone being seen as the most dangerous.

2009/10 was a period of review for the fund and 2010/11 a year of strategic reassessment and initial implementation. The investment returns of the Fund over past years had been mediocre and as a result the Pension Committee approved a substantially changed investment strategy and approach. The Committee have agreed to take a risk management based approach to investment and to closely align target returns with the actuarial valuation of the Fund's liabilities.

It is pleasing to report that whilst strategy implementation is at a very early stage there are improving signs on performance, the Fund having undershot its benchmark by 0.3% (-3.6 % in 2009/10) and having increased its funding ratio from 80% to 83.4% during the year. These are encouraging signs which the Fund will look to build on in forthcoming years as full implementation is completed.

The overall return achieved by the Fund during 2010/11 was 8.2% compared to the benchmark return of 8.5% and the average local authority return of 8.2%. This ranked in the 46th percentile of the WM Local Authority Universe i.e. within the 2nd quartile of local authority returns.

During the year the Fund was cash flow positive, with income from contributions and investments exceeding expenditure on benefits and expenses by £93.255m.

The change in the Fund's investment strategy, the change in role of the Investment Panel together with improvements in governance place the Fund in a better position to deal with developments in global risks, the international regulatory framework and the future of structure pensions in general.

Capital for long term investment is a scarce commodity post credit crunch, placing Local Government Pension Funds in a strong position to positively address the goals of full funding and sustainable cost, provided that investment and liability management are addressed effectively.

Administration of the Fund has again been very strong over the year, with Your Pension Service being named Lancashire County Council's Team of the Year.

D Westley
Chairman of the Pension Fund Committee

G Kilpatrick CPFA
County Treasurer and Treasurer to the
Lancashire County Pension Fund

C. Governance of the Fund

The Pension Fund Committee has considered the governance arrangements relating to the administration and investments of the Fund in the light of the guidance issued by the Department for Communities and Local Government (DCLG) regarding the requirement to complete a Governance Compliance Statement, established for all areas of governance of pension fund activities.

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 Administration Panel and issues delegated to the Treasurer to the Fund. These can be found in the Fund's Governance Policy Statement which is available from the Fund and can be accessed via the Fund's website at: <http://www.yourpensionservice.org.uk>

The Fund's Governance Compliance Statement is shown below reporting compliance with guidance given by the Secretary of State.

LANCASHIRE COUNTY PENSION FUND GOVERNANCE COMPLIANCE STATEMENT:

Principle		Full Compliance
A Structure	<p><i>(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</i></p> <p><i>(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)</i></p> <p><i>(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</i></p> <p><i>(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.</i></p>	<p>√</p> <p>×</p> <p>(see note 1 below)</p> <p>√</p> <p>√</p>

<p>B Representation</p>	<p><i>(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1)</i></p> <p><i>These include:</i></p> <ul style="list-style-type: none"> <i>(i) employing authorities (including non-scheme employers, e.g. admitted bodies)</i> <i>(ii) scheme members (including deferred and pensioner scheme members)</i> <i>(iii) independent professional observers (2)</i> <i>(iv) expert advisers (on an ad hoc basis)</i> 	<p>×</p> <p>(see notes 1 and 2 below)</p>
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Reasons for Partial Compliance

Note 1: Although District Councils, Scheduled Bodies and employees are represented, Admitted bodies are not. Admitted bodies only represent 7% 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.

Note 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 officers and it is not apparent what added value such an appointment would bring.

C Selection and Role of Lay Members	<p><i>(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.</i></p> <p><i>(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 time.)</i></p>	√
D Voting	<p><i>(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.</i></p>	√
E Training/ Facility Time/ Expenses	<p><i>(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.</i></p> <p><i>(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.</i></p>	√ √
F Meetings – Frequency	<p><i>(a) that an administering authority’s main committee or committees meet at least quarterly.</i></p> <p><i>(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 sits.</i></p> <p><i>(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.</i></p>	√ √ √

G Access	<i>(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.</i>	√
H Scope	<i>(a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.</i>	√
I Publicity	<i>(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.</i>	√

County Council's Annual Governance Statement

The County Council has produced its Annual Governance Statement for 2010/11. This statement sets out assurances on the County Council's governance arrangements, internal control and the way the County Council manages its affairs.

As the County Council is responsible for the administration of the Pension Fund, including the provision of systems, controls and governance and this statement embraces the activities of the Pension Fund. Copies of this document are available from the Fund and are available on the Fund's website at: <http://www.yourpensionservice.org.uk>

D. Administration of the Pension Fund

Overview

The Local Government Pension Scheme is a statutory pension scheme, and operates on a “defined benefit basis”. Lancashire County Council is required by law to administer the Scheme within the geographical area of Lancashire.

The County Council administers the Scheme for over 100 employers within Lancashire (a complete list of employers is set out in Note 1 of the Notes to the Financial Statements). These employers include organisations such as local authorities, further and higher education colleges and voluntary and charitable organisations. This includes a number of “Admitted Bodies”. These are organisations that have entered into an admission agreement with the County Council to participate in the Fund.

A Service Level Agreement (SLA) is in place between Your Pension Service and the Pension Fund Committee for the provision of pension administration services and support.

An Annual Administration Report is produced in accordance with the SLA and describes the performance of Your Pension Service (YPS) against the standards set out in the Agreement during the year. The Administration Report also details events and activities undertaken by YPS over the year and sets out any Scheme specific regulatory change.

A summary of the Annual Administration Report is set out below.

Summary

2010/11 has proved a challenging year. The main focus for Your Pension Service has been to support a number of Fund employers, in particular Lancashire County Council, through extensive voluntary redundancy programmes, to provide benefit estimates to agreed timescales as well as processing actual retirements on time.

At the beginning of 2011 the Service changed its name to ‘Your Pension Service’ to better reflect the diversity of our clients and customers.

The Service was delighted to be awarded ‘Corporate Team of the Year’ at Lancashire County Council’s Pride Awards ceremony in July 2010. This prestigious corporate award recognises outstanding teamwork as well as best practice and an enthusiasm for change.

YPS continues to achieve its key performance indicator and continues to be cost effective with the cost of administration remaining below the Government’s key indicator.

The full Annual Administration Report can be accessed via the Fund's website:

<http://www.yourpensionservice.org.uk>

Changes to the Local Government Pension Scheme

Legislation was issued during the year 2010/11 which has affected the Local Government Pension Scheme and is detailed below:

- **The Local Government Pension Scheme (Benefits, Membership and contributions) (Amendment) Regulations 2011**

In the main these were drafting amendments and clarifications to the 2008 scheme.

- **Local Government Pension Scheme (Miscellaneous) Regulations 2010**

These Regulations come into force on 30 September 2010, but with various effective dates and amend the following sets of Scheme provisions: The Local Government Pension Scheme Regulations 1997, the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 & the Local Government Pension Scheme (Administration) Regulations 2008

These regulations made significant changes to the Local Government Pension Scheme Regulations

Changes effective from 1 October 2008

Pensioner members who have a suspended third tier ill health benefit can now request early payment of these benefits from age 55.

The death grant due to a member with suspended third tier benefit is now a guarantee of 5 times the pension. If the suspended third tier pension has been brought back into payment, the death grant calculation is a guarantee of 10 times the pension in payment. In both cases the guarantee is less the amount of any pension payments already made

Changes that take effect from 6 April 2009

Pension credit members may now elect to receive their share of the pension scheme benefits attributed to the former spouse, following divorce proceedings, from age 60.

Changes that take effect from 30 September 2010

Employers are not required to undertake a review of a third tier ill health pension at 18 months for members who have already attained age 65 at that time.

A time restriction has been introduced when a third tier ill health pension can be uplifted to a second tier pension, this is to avoid pensions being recalculated many years later.

There is now a restriction on the amount of ill health benefits awarded to a member who returns to local government employment and is awarded ill health retirement benefits for a second time.

The calculation of the survivors benefits provides protection where members reduce their hours and then die in service as a result of the same medical condition that caused the reduction in hours.

New employees who join the scheme on or after 30 September 2010 who also have a deferred benefit(s) from an earlier LGPS employment(s) can now elect to combine any of their previous membership periods with their current active employment, providing they elect within 12 months of first joining the scheme.

Current scheme members have the same opportunity until **1 October 2011** to make an election to combine any previous membership which they have either previously chosen not to, or not been able to before, due to other restrictions in the regulations.

Administering authorities now have the power to redirect pension payments to appropriate persons on behalf of individuals who are now no longer capable of managing their own affairs.

Other information

Further statements relating to the administration of the Scheme are required under the Local Government Scheme Regulations. The Communication Policy Statement and the Pensions Administration Strategy Statement are available from the Fund and can be accessed via the Fund's website at: <http://www.yourpensionservice.org.uk>

Your Pension Service can be contacted at:

PO Box 100
County Hall
Preston
PR1 0LD

Telephone: 01772 530530

E-mail: pensions.helpdesk@lancashire.gov.uk

Participation in the Fund

	Number at 31 March 2011	Number at 31 March 2010
(1) Active scheme members:		
Scheduled Bodies	47,912	49,707
Admitted Bodies	3,781	4,021
Total	51,693	53,728
(2) Pensioners:		
Pensions in Payment	37,632	35,933
Preserved Pensions	44,928	41,330
Total	82,560	77,263

Additional Voluntary Contributions (AVC's)

The AVC providers to the Fund are Prudential and Equitable Life. The AVC's are invested separately from the Fund's main assets and are used to acquire additional money purchase benefits. Members participating in these AVC arrangements each receive an annual statement from the provider confirming the amounts held in their account and the movements during the year.

New AVC applications have risen during 2010/11 compared with the previous year resulting in an increase of total AVC funds under management of £1.3m rising from £13.8m in 2009/10 to £15.1m for 2010/11.

Note 15 of the Notes to the Financial Statements of this report contain a detailed breakdown of the current value of the Fund's AVC's.

Risk Management

The Fund's governance arrangements, described in this report, ensure that the management of fund administrative, management and investment risk is undertaken at the highest levels. The Fund recognises that risk is inherent in many of its activities and makes extensive use of external advisers and industry best practice in assessing and establishing policies to identify and mitigate those risks.

The Funding Strategy Statement identifies the risks, counter measures and monitoring and reviewing risks associated with the funding strategy of the Pension Fund. The key risks are shown in Annex 3 of the Funding Strategy Statement.

The policy in respect of investment risk, including monitoring and review of performance is found in the Statement of Investment Principles.

The County Council's Annual Governance Statement identifies how the system of internal control throughout the County Council is designed to manage risk to a reasonable level.

Copies of these documents are available from the Fund and are published on the Fund's website at: <http://www.yourpensionservice.org.uk>

E. Investment Policy and Performance

Structure

There are three levels of responsibility for the investment management of the Lancashire County Pension Fund (the "Fund"). First, the county council's Pension Fund Committee (the "Committee") takes major policy decisions and monitors overall performance. The Statement of Investment Principles is available from the Fund and on the Fund's website. Second, the Investment Panel (the "Panel") recommends composition and monitors the activity of the Fund's managers on a regular basis. Third, the investment managers fix precise weightings and select stock within the allocations set by the Panel and Committee. A more detailed description of the responsibilities of the Committee, its Sub-Committees and the Panel is found in the Governance Policy Statement available from the Fund and on the Fund's website.

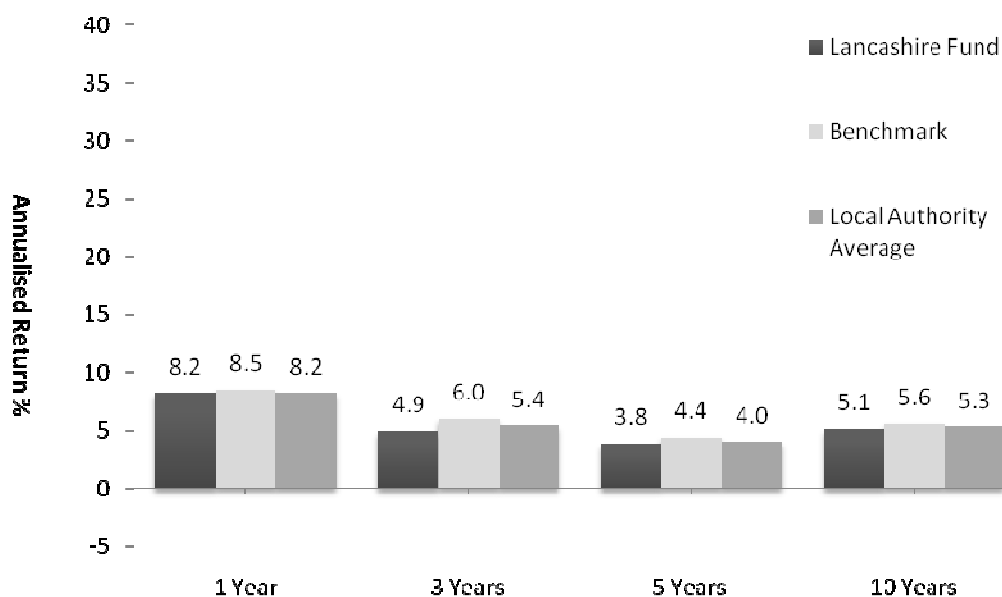
The Panel consists of two independent external investment advisers, the Chief Investment Officer, the Deputy County Treasurer and the Treasurer to the Pension Fund, who acts as Chair. The Fund is currently managed by seven specialist external managers and one external index-tracking manager (multi-asset) with a balance of cash managed in-house. The various mandates, including their value at 31 March 2011 are shown below.

Manager	Mandate	Value £000
Legal & General Investment Management	Index tracking - multi asset	1,046,129
Newton Investment Management	Global Equities	638,819
JP Morgan Asset Management	UK Equities	500,826
UBS Global Asset Management	Bonds	602,907
Knight Frank	Property	397,505
Capital Dynamics	Private Equity	201,872
Gottex Fund Management	Hedge Fund of Funds	69,589
Mellon Transition Management	Global Equities	701,481
In-House	Cash	122,127
Total		£4,281,255

Performance

The Fund is invested to meet liabilities over the medium-to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile and do not necessarily indicate the underlying health of the Fund. The performance of the Fund is measured against a Fund specific benchmark with individual managers being given performance benchmarks and targets which are linked to index returns for the assets they manage. Details of these can be found in the Statement of Investment Principles available from the Fund and on the Fund's website. The Fund also subscribes to the annual WM Survey of UK Pension Funds, which shows comparisons with other local authority pension funds. The performance of the investment managers is reviewed on a regular basis by the Panel and any recommendations arising from those reviews are forwarded to the Committee for consideration.

Looking first at total Fund returns, the chart below shows the total return of the Fund compared to the fund specific benchmark and the average local authority pension fund return measured over 1,3,5 and 10 years to 31 March 2011:

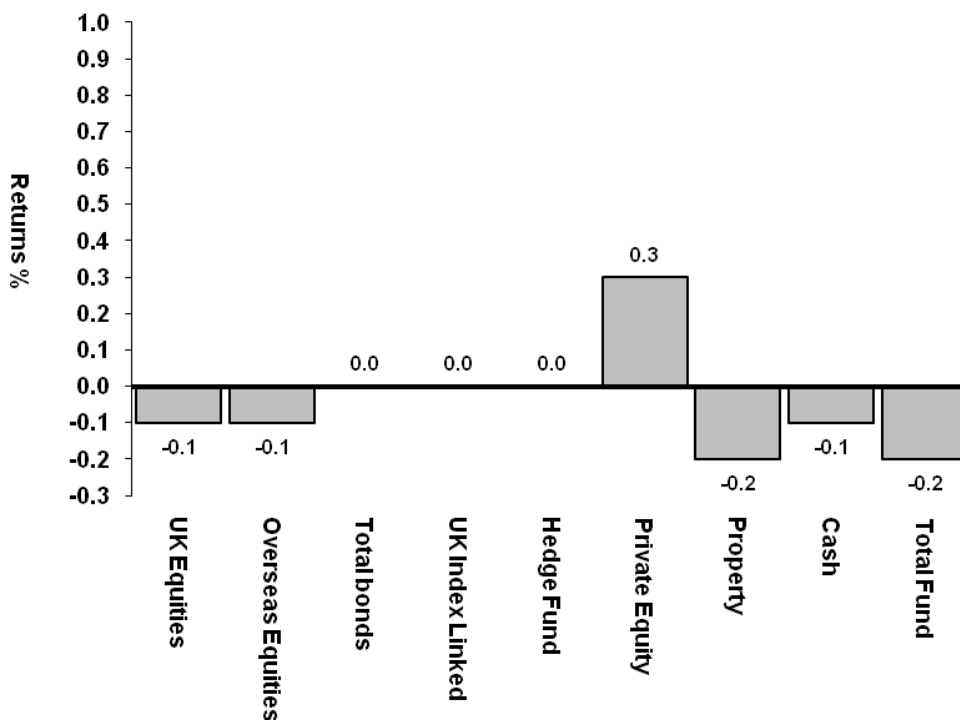


Looking at market returns generally, an average return of 8.2% amongst local authority pension funds in 2010/11 reflected the more stable nature of investment markets during the year after the extreme volatility of 2009/10. The impact of the stimulus measures employed by monetary authorities to counter the credit crisis and the general slowdown in global economic activity generated positive returns in most asset classes. Positive returns were well distributed across most markets with Private Equity providing the largest contribution. The Fund's 2010/11 overall return was 8.2%, compared to the benchmark return of 8.5% and the average local authority return of 8.2% ranking the Fund in the 46th percentile of local authority funds measured.

Looking at individual asset classes, the passive equity managers L&G and Transition (with BNY) underperformed their benchmarks slightly in the year, while the active managers (Newton for overseas equities, JP Morgan for UK equities & UBS for Bonds) all produced returns greater than their benchmarks. The property portfolio was also marginally below benchmark whereas the private equity portfolio performance was well in excess of its benchmark. Private equity performance tends to lag that of the large public markets, so the 2011 results include some of the valuation increase that was reflected in publicly quoted equities the year before.

An analysis of the Fund's performance by asset class can be seen in the chart below. It shows the relative returns for each asset class i.e. the ratio of the actual return to the benchmark return and is weighted to reflect that a 1% out-performance on a small return of say 6% has a greater impact than a 1% out-performance on a large return of say 20%.

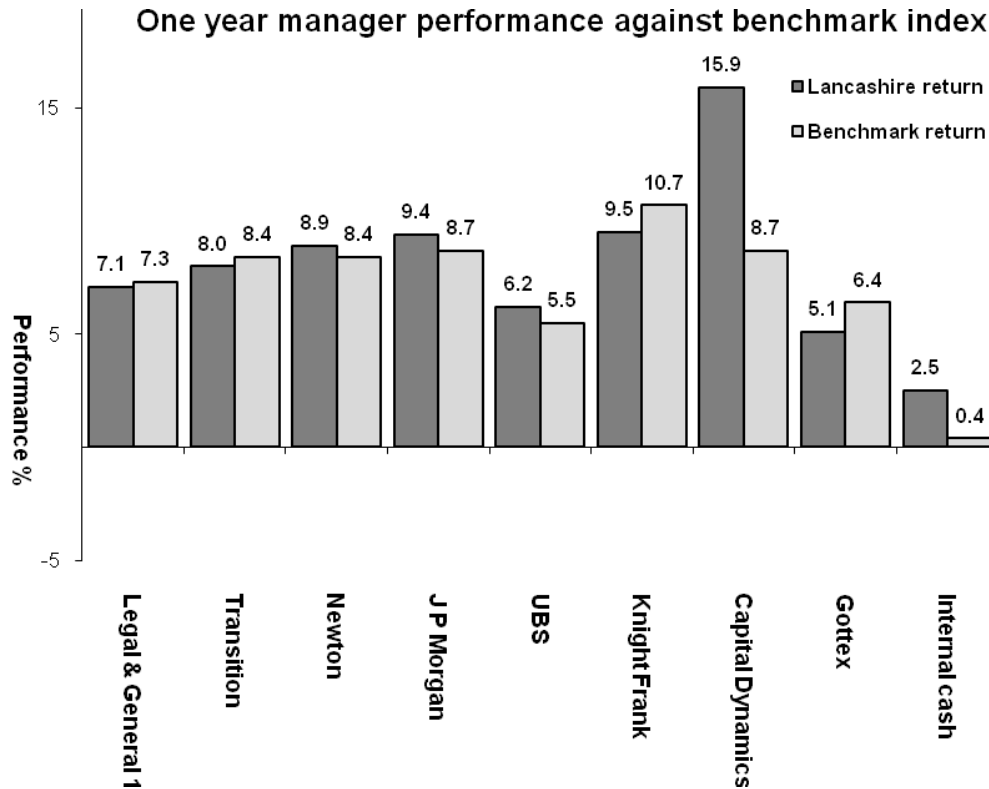
Relative returns of Fund compared to benchmark return 2010/11



The Fund's investment managers are set performance targets as shown in the Statement of Investment Principles. The overall performance target of each manager is measured over a rolling three year period, as inevitably there will always be short-term fluctuations in performance. These targets are set for the active managers i.e. those with a mandate to outperform a benchmark through active stock picking and sector allocations. The portfolio managed by Legal and General is a passive portfolio, where the manager does not seek to outperform the benchmark, but merely to track the index for each asset class.

The transition mandate was transferred under the same terms from a Legal and General passive fund to BNY Mellon Transition passive fund in March 2011.

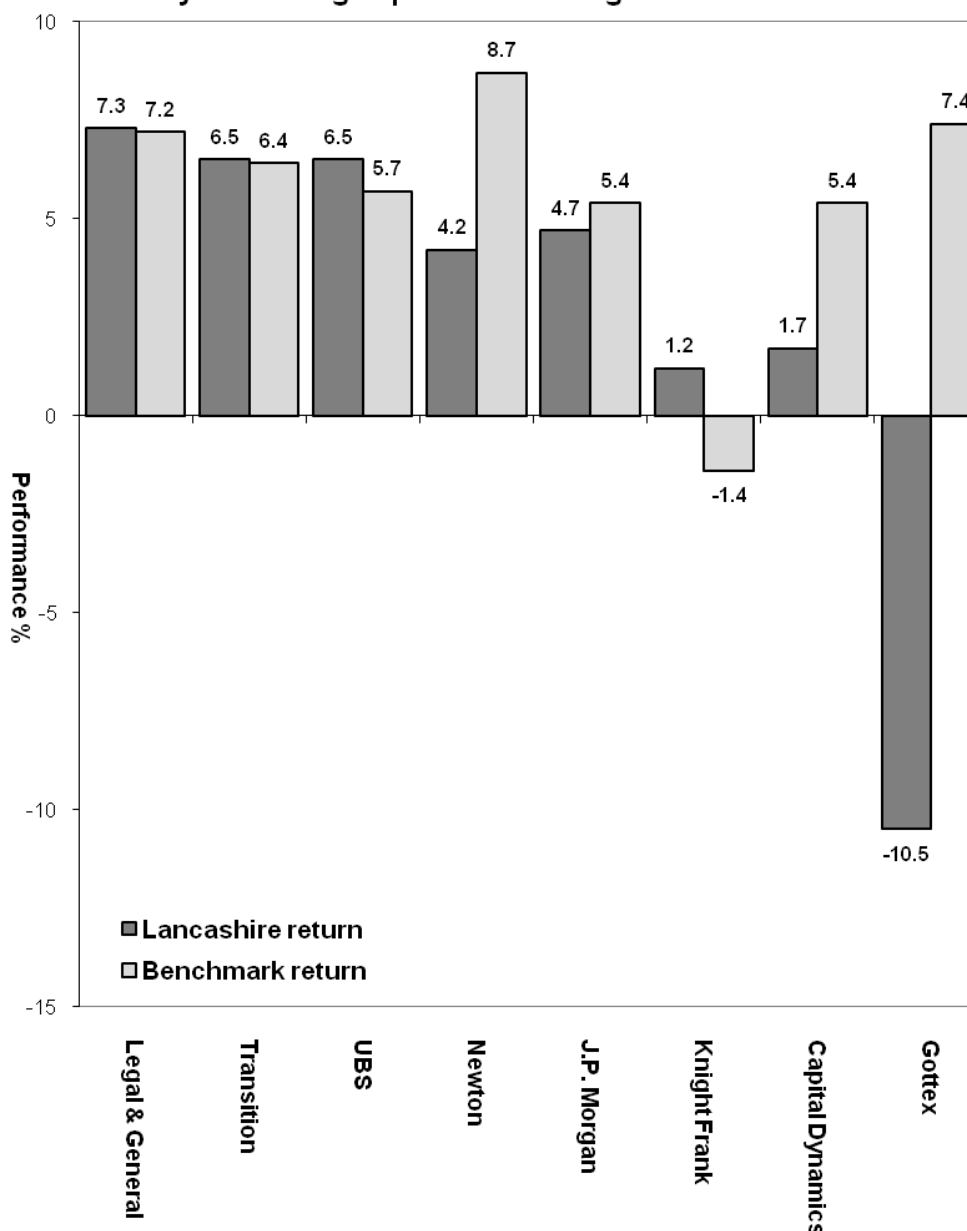
Although each manager's performance is measured against a fund specific benchmark allocation, managers are given discretion to invest a smaller or greater amount than the benchmark allocation, within agreed tolerances for some of the managers' portfolios. The global equities portfolio is relatively unconstrained. These decisions will reflect their views on market conditions within various countries or between different types of instruments. The one year performance of the managers to 31 March 2011 is shown in the chart below:



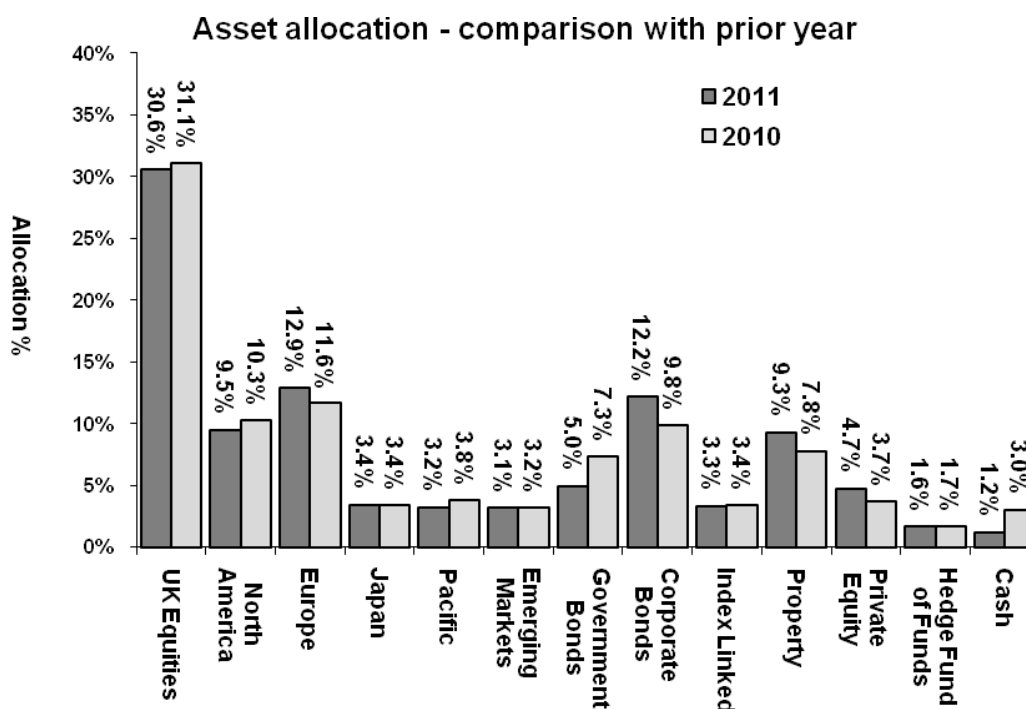
The portfolio managed by Gottex under-performed the benchmark returns. The portfolios managed by UBS (bonds), Newton (Global Equities), JP Morgan (UK Equities), Capital Dynamics (Private Equity) and internally managed cash outperformed the benchmark returns.

Over one, three and five years, the Legal and General passively managed portfolios are producing returns very close to the index return. An analysis of the specialist managers' performance over three years is shown in the chart below:

Three year manager performance against benchmark index



Over three years, Capital Dynamics (private equity) JP Morgan (UK equities), Newton (global equities), Gottex (fund of hedge funds) have underperformed their benchmark, whilst Passive allocations, UBS (bonds) and Knight Frank (property) have outperformed. It can be argued that the long term nature of Private Equity allocations are such that the three year measures are invalid, as investment during the initial stages (years 1-3) generates returns in the later stages (years 4-7). The longer term performance results of these managers will continue to be reviewed by the Panel and Committee during the coming year.



The Fund has continued with its policy of bringing asset allocations up to the agreed benchmark, particularly in the area of property.

Largest ten equity holdings of the Fund at 31 March 2011

Equity	Market value 31 March 2011 £'000	Percentage of net assets of the Fund %
Royal Dutch Shell 'B' Shares	59,969	1.40%
HSBC Holdings Ord USD0.50 (UK)	53,297	1.24%
Vodafone Group Ord USD0.11428571	52,225	1.22%
GlaxoSmithKline Ord GBP0.25	43,052	1.01%
BP PLC Ord USD.25	42,111	0.98%
GlaxoSmithKline Ord GBP0.25	41,934	0.98%
BHP Billiton PLC USD0.50	38,224	0.89%
Anglo American USD0.54 (post consolidation)	30,786	0.72%
British American Tobacco Ord GBP0.25	27,906	0.65%
BG Group PLC Ord GBP0.10	27,562	0.64%
Total	417,066	9.73%

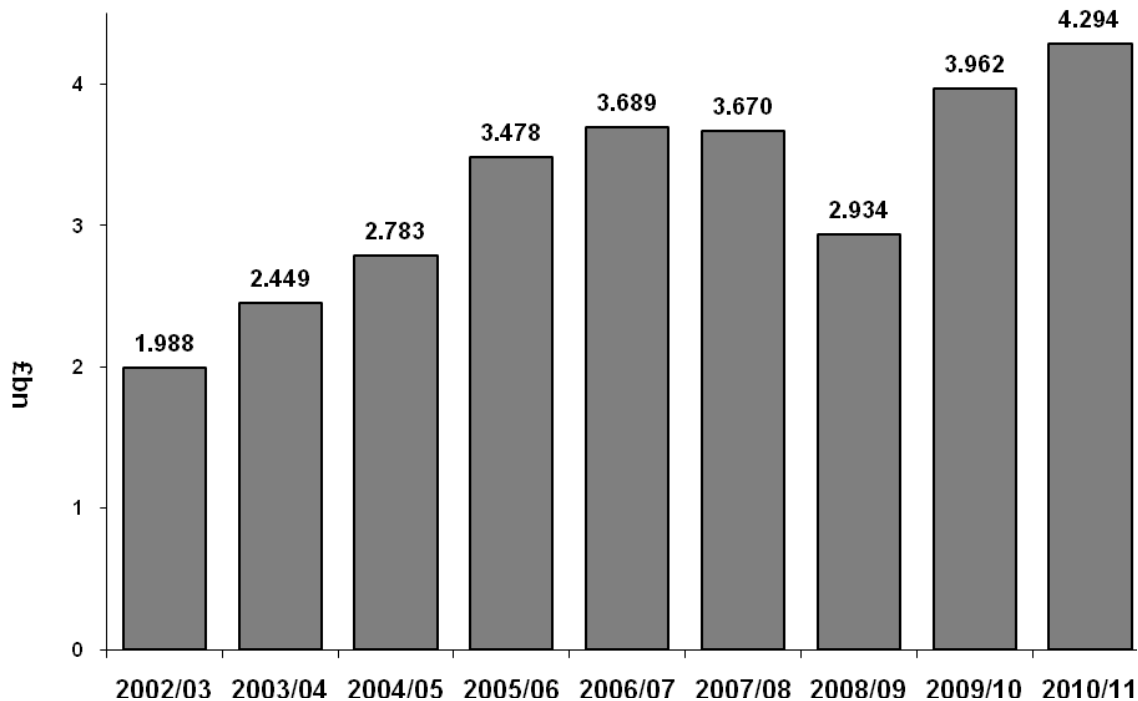
Largest ten property holdings of the Fund at 31 March 2011

Property	Sector	Market value 31 March 2011 £'000
10 Brook St, London	Offices	32,000
Sainsburys Store, Elgiva Lane, Chesham	Shops	27,000
Princes Mead Shopping Centre, Farnborough	Shopping Centre	26,300
Benson House, Leeds	Offices	19,700
Stukeley Road Retail Park, Huntingdon	Retail Warehouse	16,000
Tuscany Park, Wakefield	Industrial / Warehouse	15,600
Somerfield Store, Wymondham	Shops	15,250
Princes St, Edinburgh	Shops	12,500
Effra Road Retail Park, Brixton	Retail Warehouse	11,900
Endeavour Way, Wimbledon	Retail Warehouse	11,000
Total		£187,250

Sector weightings of the Fund's property holdings at 31 March 2011

Sector	Market value 31 March 2011 £'000	Percentage of property portfolio %
Shops	108,755	27
Shopping Centre	26,300	7
Retail Warehouse	53,850	13
Industrial / Warehouse	74,975	19
Offices	119,450	30
Office / Warehouse	9,450	2
Workshop / Garage	4,725	2
Total	£397,505	100

Value of Fund 2002/03 to date



The increase in the value of the funds assets in 2010/11 reflects the positive returns achieved by most of the managers, as well as the general slowdown in economic activity.

Policies in respect of Socially Responsible Investment and Voting

The following policies are extracted from the Fund's Statement of Investment Principles.

Social, Environmental and Ethical Considerations

In general, the Fund takes an active stance on corporate governance issues. It is a client of Pensions Investment Research Consultants ("PIRC"), who advise the Fund on socially responsible investment issues. It is also a member of the Local Authority Pension Fund Forum, which is a group of like-minded authorities that meet to discuss and act / engage in respect of socially responsible investment and corporate governance issues.

Policy on Voting

The PIRC shareholder principles and voting guidelines are used as general guidance for the exercise of the Fund's voting rights.

The Fund's investment managers exercise the Fund's voting rights on the Committee's behalf, having regard to the PIRC guidelines, but also taking account of the particular circumstances of individual companies.

The Committee delegates its agreement of any significant departure from the guidelines, proposed by the managers, to the Treasurer as Chair of the Investment Panel.

In all voting decisions the long-term financial interests of the Fund are paramount.

Policy on Risk

The overriding objective of the Fund in respect of its investments is to minimise risk and maximise return. The structure of the investment management arrangements has been implemented in order to produce a balanced spread of risk for the portfolio. Within this the managers are regularly questioned by the Panel about the risk profile of the portfolios that they manage for the Fund.

Compliance with Myners Principles

The Fund is compliant with the Myners Principles, details of which can be found in the Statement of Investment Principles available from the Fund and on the Fund's website at: <http://www.yourpensionservice.org.uk>.

F. 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 County Treasurer, who is also the Treasurer 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 Treasurer to the Pension Fund

The Treasurer 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 Treasurer 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 Treasurer 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 2011 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.

Gill Kilpatrick CPFA
Treasurer to the Lancashire County Pension Fund
29 June 2011

Fund Account

		2010/11	2009/10
	Note	£000	£000
Contributions and Benefits			
Contributions	6	227,220	208,419
Transfers in	7	15,619	26,697
		<u>242,839</u>	<u>235,116</u>
Benefits	8	214,497	182,808
Payments to and on account of leavers	9	12,752	21,794
Administrative expenses	10	3,658	3,471
		<u>230,907</u>	<u>208,073</u>
Net additions from dealings with members		<u>11,932</u>	<u>27,043</u>
Return on investments			
Investment income	11	89,327	71,431
Change in market value of investments	13	238,831	934,980
Investment management expenses	17	(8,004)	(5,807)
Net return on investments		<u>320,154</u>	<u>1,000,604</u>
Net increase (decrease) in the fund during the year		<u>332,086</u>	<u>1,027,647</u>
Net assets of the scheme			
At 1 April		<u>3,961,585</u>	<u>2,933,938</u>
At 31 March		<u>4,293,671</u>	<u>3,961,585</u>

Statement of Net Assets

Year Ended 31 March	Note	2011 £000	2010 £000
Investment assets	13	4,282,145	3,951,836
Investment liabilities	13	(890)	(1,506)
Current assets	18	21,627	13,277
Current liabilities	19	(9,211)	(2,022)
		<u>4,293,671</u>	<u>3,961,585</u>

The Pension Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

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 at 31 March 2011 and its income and expenditure for the year then ended.

Gill Kilpatrick CPFA

**Treasurer to the Lancashire
County Pension Fund
29 June 2011**

County Councillor Sam Chapman

**Chairman of the Audit Committee
26 September 2011**

Notes to the Financial Statements

1. Pension Fund Operations and Membership

The Lancashire County Pension Fund is administered by Lancashire County Council. With the exception of Teachers, to whom separate arrangements apply, membership of the Pension Fund is available to County and District Council employees within Lancashire, and to employees of organisations that have entered into Pension Fund Admission Agreements with the County Council.

The published accounts show that in 2010/11 cash inflows during the year consisted of £332.166 million and cash outflows were £238.911 million, representing a net cash inflow of £93.255 million (compared with an inflow of £92.667 million in the previous year). Benefits payable amounted to £214.497 million and were partially offset by net investment income of £89.327 million (including £14.672 million accrued dividends); contributions of £227.220 million and transfers in of £15.619 million produced the positive cash inflow.

The investments of the Pension Fund are managed by eight external investment managers. The asset allocation and policy in respect of the investments of the Fund is determined by the Pension Fund Committee, which meets four times a year with the Investment Panel in attendance. The Investment Panel meet at least quarterly, or otherwise as necessary. The panel are responsible for making recommendations to the Pension Fund Committee in relation to the investment strategy of the fund as well as monitoring the activities and performance of the investment managers. Full details of the Panel and Committees responsibilities are published in the Funds Statement of Investment Principles and are available from the Fund's website at:

<http://www.yourpensionservice.org.uk>

The participation in the Pension Fund is shown in the table below, followed by the member organisations of the Pension Fund.

Participation in the Pension Fund

	Number at 31 March 2011	Number at 31 March 2010
(1) Active Scheme Members		
Scheduled Bodies	47,912	49,707
Admitted Bodies	3,781	4,021
Total	51,693	53,728
(2) Pensioners		
Pensions in Payment	37,632	35,933
Preserved Pensions	44,928	41,330
Total	82,560	77,263

Member Organisations

Scheduled Bodies

Accrington Academy
Accrington & Rossendale College
Barnoldswick Town Council
Blackburn College
Blackburn with Darwen Borough Council
Blackpool & Fylde College
Blackpool Borough Council
Blackpool Coastal Housing
Blackpool Sixth Form College
Burnley Borough Council
Burnley College
Cardinal Newman College
Catterall Parish Council
Chorley Borough Council
Clitheroe Royal Grammar School (Academy)
Darwen Aldridge Community Academy
Edge Hill University
Fulwood Academy
Fylde Borough Council
Garstang Town Council
Hambleton Primary Academy
Hyndburn Borough Council
Kirkland Parish Council
Lancashire County Council
Lancashire Fire & Rescue Service
Lancashire Police Authority
Lancashire Probation Trust
Lancashire Sports Partnership
Lancashire Valuation Tribunal
Lancaster & Morecambe College
Lancaster City Council
Lancaster Girls Grammar School (Academy)
Myerscough College
Nelson & Colne College
Pendle Borough Council
Penwortham Town Council
Pilling Parish Council
Preston City Council
Preston College
Preston Vision Ltd
Ribble Valley Borough Council
Rossendale Borough Council
Runshaw College
South Ribble Borough Council
St Annes on Sea Town Council
St Mary's College, Blackburn
University of Central Lancs
West Lancs District Council
Whitworth Town Council
Wyre Borough Council

Admitted Bodies

ABM Catering Ltd
Alternative Futures
Alzheimers Society
Andron Contract Services Ltd (City of Preston)
Andron Contract Services Ltd (Glenburn)
Andron Contract Services Ltd (Kennington)
Andron Contract Services Ltd (Ribblesdale)
Andron Contract Services Ltd (Southlands)
Arnold Schools Ltd
Beaufort Avenue Day Care Centre
Blackburn Diocesan Adoption Agency
Blackburn NHS (PCT)
Blackpool & Fylde MIND Association
Blackpool & Fylde Society for the Blind
Blackpool Airport Ltd (post 05/07/2004)
Blackpool Town Centre Business Improvement District Ltd
Blackpool Zoo (Grant Leisure)
Bootstrap Enterprises Ltd
Bulloughs Contract Services Ltd (St Stephens)
Bulloughs Contract Services Ltd (St James)
Bulloughs Contract Services Ltd (Whalley)
Bulloughs Contract Services Ltd (Our Lady)
Bulloughs Contract Services Ltd (St Marys)
Bulloughs Contract Services Ltd (St Augustine)
Bulloughs Contract Services Ltd (Highfield)
Calico Housing Ltd
Capita Business Services (Blackburn)
Capita Business Services (Rossendale)
Caritas Care Ltd
Chorley Community Housing Ltd
Church Road Day Care Unit
Commission for Education & Formation
Community and Business Partners CIC
Community Council of Lancashire
Community Gateway Association
CX Ltd
Connaught Environmental Ltd (Blackpool BC)
Connaught Environmental Ltd (Blackpool Coastal)
Contour Housing Group
Consultant Caterers Ltd
Creative Support Ltd
CSB Contract Services Ltd
Danfo UK Ltd
Enterprise Managed Services Ltd
E ON UK Plc
Eric Wright Commercial Ltd
Fylde Coast YMCA (Fylde)
Fylde Community Link
Galloway Society For The Blind
Housing Pendle Ltd

Admitted Bodies (cont'd)

Hyndburn Homes Ltd
I Care
Kirkham Grammar School (Independent)
Lancashire and Blackpool Tourist Board
Lancashire Branch of Unison
Lancaster University
Leisure in Hyndburn
Liberata UK Ltd (Chorley)
Liberata UK Ltd (Pendle)
Lytham Schools Foundation
Mack Trading Ltd
Mellors Catering Services Ltd (Bishop Rawstone)
Mellors Catering Services Ltd (Wyre)
NIC Services Group Ltd
NSL Ltd (Lancaster)
New Directions
New Fylde Housing
New Progress Housing Association
Northgate Managed Services Ltd
North West & North Wales Sea Fisheries Committee
Ormerod Home Trust Ltd
Pendle Leisure Trust Ltd
Preston Care & Repair
Preston Council for Voluntary Services
Progress Care Housing Association
Progress Housing Group
Progress Recruitment (SE) Ltd
Queen Elizabeth Grammar School
Ribble Valley Homes
Rossendale Leisure Trust
Signposts MARC Ltd
Solar Facilities Management Ltd (Tarleton)
Solar Facilities Management Ltd (Seven Stars)
Solar Facilities Management Ltd (St Peters)
South Ribble Community Leisure Ltd
Sungard Vivista Ltd
Surestart Hyndburn
Twin Valley Homes Ltd
University of Cumbria
Vita Lend Lease
West Lancs Community Leisure Ltd
Wyre Housing Association

Former Employers

Andron Contract Services Ltd (Worden Sports College)
Blackpool Airport Ltd (pre 05/07/2004)
Blackpool & Fylde Society for the Deaf
Blackburn Borough Transport Ltd
Blackpool Challenge Partnership
Blackpool Council for Voluntary Services
Bulloughs Contract Services Ltd (St Albans)
Bulloughs Contract Services Ltd (Glenburn)
Burnley & Pendle Development Association
Burnley & Pendle Joint Transport Committee
Burnley & Pendle Transport Company Ltd
Burnley District Citizens Advice Service
Burton Manor Residential College
Carden Croft and Co Ltd
Central Lancs Development Corporation
Clitheroe Town Council
Department of Transport
Dignity Funerals Ltd
Elm House Management Committee
Enterprise
Ex National Water Council
Ex NHS
Fylde Borough Transport Ltd
Fylde Coast Developments Association
Fylde Coast YMCA (Wyre)
Greater Deepdale Community Association
Hyndburn Homewise
Hyndburn Transport
Kirkham Grammar School (Boarding)
Lancashire County Enterprises Ltd
Lancashire Economic Partnership
Lancashire Federation of Young Farmers Clubs
Lancashire Magistrates Courts Committee
Lancashire Waste Services Ltd
Lancashire West Partnership
Lancaster City Transport Ltd
Lancashire On-Line Learning
Lancaster Royal Grammar School (Boarding)
Lancs South East Probation Committee
Lancs South West Probation Committee
Mellors Catering Services Ltd (Cardinal Newman)
Merseyside Valuation & CCT
NSL Ltd (Wyre)
Pilling & Winmarleigh Internal Drainage Board
Preston Borough Transport Ltd
Preston Education Action Zone
Redstone Managed Services Ltd
Samlesbury & Cuerdale Parish Council

Former Employers (cont'd)

Skelmersdale College
Skelmersdale Day Centre
Skelmersdale Development Corporation
Solar Facilities Management Ltd (Bishop Rawstone)
Solar Facilities Management Ltd (Ripley)
Spastics Society
The Community Alliance (Burnley and Padiham) Ltd
Wigan & District M&T College

Other

Blackpool Transport Services Ltd
Rossendale Transport Ltd
(Membership restricted to employees "deemed" at deregulation in 1986)

2. Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). This is the Pension Fund's first year of adoption of IFRS. Due to previous convergence of UK GAAP with IFRS there are no material differences in the financial statements arising from the transition.

The financial statements summarise the transactions and net assets of the Pension Fund. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The Actuarial position of the Pension Fund does take account of such obligations

3. Actuarial Position

The Actuarial position of the Pension Fund is dealt with in detail elsewhere in this Annual Report.

In summary, the last actuarial valuation was undertaken by Mercer Consulting as at 31 March 2010.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £3,962 million represented 80% of the Funding Target of £4,955 million at the valuation date. The valuation also showed that a common rate of contribution of 12.5% of pensionable pay per annum was required from employers. The common 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.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 6.6% of pensionable pay for 19 years. This would imply an average employer contribution rate of 19.1% of pensionable pay in total.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report dated 31 March 2011. 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 (although certain employers have some allowance for non-ill health early retirement costs included in their certified contribution rate).

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing 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 Funding Target and the common contribution rate were as follows:

	For past service liabilities	For future service liabilities
Rate of return on investments:		
- pre retirement	7.0% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases:	5.0% per annum	5.0% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	3.0% per annum	3.0% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

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.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a. both before and after retirement, rather than the rates as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £5,422 million.

We have also carried out similar calculations as at the previous actuarial valuation date of 31 March 2007, using the same actuarial assumptions as those used for funding purposes at that date, other than the discount rate where we have used a rate of 5.4% p.a. both before and after retirement. On this basis, the value, for IAS 26 purposes, of the Fund's promised retirement benefits at that date was £4,942 million.

John Livesey

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

June 2011

4. Accounting Policies

- General

The financial statements have been prepared on an accruals basis except for transfers to and from the Pension Fund and contributions refunded, which are treated on a cash basis. Investment Management expenses are generally linked to the value of Funds under management. There is no performance related fees payable during 2010/11.

- Valuation of Assets

Investments are shown at their fair value as at 31 March 2011. The fair value is the current bid price for quoted securities and unitised securities.

Investments denominated in foreign currency are stated in the accounts by the application of the appropriate closing rate of exchange ruling at 31 March 2011.

Futures are exchange traded and fair value is determined using exchange prices at their reporting date.

Forward foreign exchange contracts, are over the counter contracts and are valued by determining the gain or loss that arise from closing out the contract at the reporting date, by entering into an equal and opposite contract at that date

The fund's freehold and leasehold properties were valued on 31 March 2011 by Cushman & Wakefield, acting as External Valuer. The valuations were in accordance with the requirements of the RICS Valuation standards and the International Valuation Standards. The valuation of each property was on the basis of Market Value, assuming that the property would be sold subject to any existing leases. The valuer's opinion of Market Value and Existing Use Value was primarily derived using comparable recent market transactions on arm's length terms.

Investments in Private Equity are valued at fair value in accordance with the guidelines issued by the British Venture Capital Association, or equivalent.

Investments in the Hedge Fund of Funds portfolio are valued at fair value on the basis of the closing market valuation provided by the administrator of each underlying fund.

- Employers' Contributions

Employers' contributions are based on rates determined, at their triennial valuation, by the Actuary of the Pension Fund. (The rates used for the year ending 31 March 2011 came into effect 1 April 2008, following the Actuary's Valuation of the Pension Fund at 31 March 2007).

5. **Assumptions made about the future and other major sources of estimated uncertainty**

The financial Statements contain estimated figures that are based on assumptions made by the Pension Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Pension Fund's net asset statement at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Private Equity	Private Equity investments are valued at fair value in accordance with BVCA guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Private Equity investments in the financial statements are £201.8m. There is a risk that this investment may be under or overstated in the accounts.
Hedge Fund of Funds	The Fund of Funds is valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the Fund of Funds' directors or independent administrators judge necessary. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Hedge Fund of Funds value in the financial statements is £70m. There is a risk that this investment may be under or overstated in the accounts.

6. **Contributions receivable**

	2010/11	2009/10
	£000	£000
Employers' contributions		
County Council	70,845	64,580
Scheduled Bodies	85,610	73,591
Admitted	14,314	13,524
	<u>170,769</u>	<u>151,695</u>
Employees' contributions		
County Council	22,491	22,421
Scheduled Bodies	28,818	28,860
Admitted	5,142	5,443
	<u>56,451</u>	<u>56,724</u>
Total contributions	<u>227,220</u>	<u>208,419</u>

Within the employee contributions figure for 2010/11, £280,938 is voluntary and additional regular contributions. All employee contributions are normal contributions.

7. **Transfers in**

	2010/11	2009/10
	£000	£000
Individual transfers in from other schemes	15,619	24,900
Bulk transfers in from other schemes	0	1,797
	<u>15,619</u>	<u>26,697</u>

8. **Benefits**

	2010/11	2009/10
	£000	£000
Pensions	149,206	141,347
Lump Sum retirement benefits	60,932	36,835
Lump Sum death benefits	4,359	4,626
	<u>214,497</u>	<u>182,808</u>

9. **Payments to and on account of leavers**

	2010/11	2009/10
	£000	£000
Refunds to members leaving service	19	14
Contributions equivalent premium	(1)	(7)
Individual transfers to other schemes	12,734	21,787
	<u>12,752</u>	<u>21,794</u>

10. **Administrative expenses**

	2010/11	2009/10
	£000	£000
Administration and processing	3,314	3,117
Audit fee	94	95
Legal and other professional fees	250	259
	<u>3,658</u>	<u>3,471</u>

All other costs of administration are borne by the employer. The administration and processing expenses are a proportion of relevant officers' salaries in respect of the time allocated to pension administration and investment issues.

11. **Investment income**

	2010/11	2009/10
	£000	£000
Income from fixed interest securities	23,906	21,440
Dividends from equities	29,591	27,638
Income from index linked securities	4,664	3,169
Income from pooled investment vehicles	851	313
Net rents from properties	23,357	16,980
Interest on cash deposits	1,464	2,447
Other	5,494	(556)
Total Investment Income	<u>89,327</u>	<u>71,431</u>

The above investment income is shown net of irrecoverable withholding tax, which amounted to £642,111 in 2010/11 (2009/10: £583,533). Income received in respect of Legal and General pooled funds are automatically reinvested within the relevant sector fund and are therefore excluded from the above analysis.

12. Stock Lending

EsecLending is authorised to release stock to a third party under stock lending arrangements up to the statutory limits for this activity. Stock lending income generated in 2010/11 was £178,513 (Due to economic circumstances there was no stock lending income in 2009/10).

Securities on loan at the 31st March 2011 were £96.1m and are included in the net asset statement to reflect the scheme's continuing economic interest in the securities and consist of £11.1m of equities and £85m of bonds. The related collateral totalled £100.9 million.

13. Investments

	Value at 1 April 2010 £000	Purchases at cost and derivative payments £000	Sales proceeds and derivative receipts £000	Change in market value £000	Value at 31 March 2011 £000
Investment assets					
Fixed interest securities	448,115	406,366	(295,504)	122	559,099
Equities	1,011,699	1,090,374	(442,198)	75,195	1,735,070
Index linked securities	103,240	50,946	(15,957)	2,819	141,048
Pooled investment vehicles	1,962,203	154,919	(872,607)	151,043	1,395,558
Derivative contracts	23	4,116	(2,367)	(919)	853
Property	306,115	89,889	(9,070)	10,571	397,505
	3,831,395	1,796,610	(1,637,703)	238,831	4,229,133
Derivative contracts (forward currency positions)	1,573				1,779
Cash deposits	106,180				36,561
Other investment balances	12,688				14,672
	<u>3,951,836</u>				<u>4,282,145</u>
Investment liabilities					
Derivative contracts (forward currency positions)	1,506				890
Net investments	<u>3,950,330</u>				<u>4,281,255</u>

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and in sale proceeds. Transaction costs include costs charged directly to the Pension Fund, such as fees, commissions paid to agents, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. Transaction costs incurred during the year 2010/11 amounted to £2,316,511 (2009/10: £2,381,789).

The investment assets at 31 March 2011 are managed by eight external investment managers, with the remaining cash deposits managed in-house. The split of the investment assets by investment manager is shown below.

Manager	2010/11 £000	%
Legal & General Investment Management	1,046,129	24
Newton Investment Management	638,819	15
J P Morgan Asset Management	500,826	12
UBS Global Asset Management	602,907	14
Knight Frank	397,505	9
Capital Dynamics	201,872	5
Gottex Fund Management	69,589	2
Mellon Transition Management	701,481	16
In-House	122,127	3
	<u>4,281,255</u>	<u>100</u>

	2010/11 £000	2009/10 £000
Fixed Interest Securities		
UK public sector quoted	179,848	193,424
UK corporate bonds quoted	352,300	239,967
Overseas public sector	0	240
Overseas corporate bonds	26,951	14,484
	<u>559,099</u>	<u>448,115</u>

	2010/11	2009/10
	£000	£000
Equities		
UK quoted	832,599	456,182
Overseas quoted	902,471	555,517
	<u>1,735,070</u>	<u>1,011,699</u>

	2010/11	2009/10
	£000	£000
Index Linked Securities		
UK quoted	141,048	103,240
	<u>141,048</u>	<u>103,240</u>

	2010/11	2009/10
	£000	£000
Pooled Investment Vehicles		
Managed/Unitised funds - UK Equities	448,871	757,116
- Overseas Equities	423,247	711,962
- Public Sector Bonds	0	94,864
- Corporate Bonds	141,833	134,664
- Index Linked	32,178	30,176
Unit trusts		
- UK Equities	22,351	16,082
- Overseas Equities	4,807	6,192
Other pooled investment vehicles - UK	5,943	0
- Overseas	44,870	0
Private Equity investments		
- UK	32,026	28,689
- Overseas	169,843	116,400
Hedge Fund of Funds	69,589	66,058
	<u>1,395,558</u>	<u>1,962,203</u>

Properties	2010/11 £000	2009/10 £000
UK – Freehold	318,925	238,750
UK – Long Leasehold	78,580	67,365
	<u>397,505</u>	<u>306,115</u>

The valuation of each property is on the basis of market value, assuming that the property would be sold subject to any existing leases. The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arm's length terms.

Derivatives Contracts	2010/11 £000	2009/10 £000
Futures Contracts	853	23
	<u>853</u>	<u>23</u>

Type of Future	Expiration	Economic Exposure £000	Asset £000	Liability £000
UK gilt exchange traded	3 months	(18,747)	112	
Hang Seng (HKG)	1 month	3,961	59	
MSCI Singapore Index	1 month	4,939	102	
SPI 200 Index	3 months	13,810	<u>580</u>	
Total			853	

The economic exposure represents the notional value of stock purchased under the futures contract and therefore the value is subject to market movements. Derivative receipts and payments represent the realised gains and losses on futures contracts. Derivatives are held to manage economic exposure to markets, enhance investment returns and manage risk. Futures are used by the Pension Fund's bond manager to reallocate risk and exposures within the bonds portfolio.

Derivative contracts (forward currency positions)

Settlement date	Bought		Sold	
	£'000	EQV	£'000	EQV
Investment assets				£'000
6 months and under	41,753		43,532	<u>1,779</u>
Investment liabilities				
6 months and under	27,221		28,111	<u>890</u>

Forward Foreign currency contracts are used to hedge against foreign currency movements.

	2010/11	2009/10
Cash Deposits	£000	£000
Sterling	33,514	105,970
Foreign currency	3,047	210
	<u>36,561</u>	<u>106,180</u>

	2010/11	2009/10
Other investment balances	£000	£000
Outstanding dividend entitlements and recoverable withholding tax	14,672	12,688
	<u>14,672</u>	<u>12,688</u>

14. Nature and extent of risks arising from Financial Instruments

Credit Risk

The Pension Fund's credit risk is managed through the Fund's Treasury Management policy which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid out by the Fitch and Moody's rating services. The Treasury Management Policy also imposes a maximum sum to be invested with a financial institution located within each category.

The credit criteria are detailed below:

Instrument	Credit Rating (using Sector criteria)	Maximum Individual Investment (£m)	Maximum Maturity (not investment period)
Government Bonds and Treasury Bills	AA+	1,000	50 yrs
Supranational Bonds G10 Sovereign Bonds	AA+	1,000	50 yrs
Investment Grade Corporate Bonds	AAA	250	25yrs
	AA	150	10yrs
	A	75	5yrs
General collateral reverse repurchase agreements	AA+ or better	1,000	1yr
Term Deposits with UK and Overseas Banks (domiciled in UK) and Building Societies	Purple (Highest quality, greatest certainty of support)	200	1 yr
	Orange (Highest quality, slightly less certainty of support)	100	1yr
	Red (Highest quality but lower than orange)	50	3 months
	Green (Quality, but lower than Red and lower certainty of support)	25	1 months
	Public Works Loan Board – Debt Management Office Deposit Facility	Government Institution	500
Other UK Local Authorities and Pension Funds	AAA (implied currently)	500	50yrs

Instrument	Credit Rating (using Sector criteria)	Maximum Individual Investment (£m)	Maximum Maturity (not investment period)
Money Market Funds	AAA Rated, weighted average maturity 6 months	250	These investments do not have a defined maturity date.
Bond Funds	AAA Rated Weighted average maturity less than 5yrs	200	These investments do not have a defined maturity date.
Certificates of Deposit. Collateralised lending agreements backed by higher quality government or local government and supranational securities.	AA, with AAA for any collateral used	500	5yrs
Non credit rated "nationalised" banks	Blue	250	1yr

The placing of residual overnight deposits will be with either the Pension Fund's custodian bank or Lancashire County Council.

Liquidity Risk

The Pension Fund has no plans to borrow money, but under the Fund's regulatory regime, it may do so in certain limited circumstances, to:

pay benefits due under the scheme; or

meet investment commitments arising from the implementation of a decision by it to change the balance between different types of investment

The Pension Fund may only borrow money if, at the time of borrowing, the Treasurer reasonably believes that the sum borrowed and interest charged in respect of such sum can be repaid out of the Pension Fund within 90 days of the date of the borrowing.

If borrowing were necessary, the Treasurer, with the Treasury Management Team, would seek the most cost effective and prudent source of funds appropriate for the purpose. Borrowings would be structured in such a way as to be most suitable for the specific need.

Investment Risk

In order to achieve its statutory obligations to pay pensions, the Pension Fund invests its assets, including employer and employee contributions in a way that allows it to meet its liabilities as they fall due for payment. The Pension Fund's Statement of Investment Principles sets out the Investment Strategy and the benchmark range of asset allocations.

Any investment transaction carries a degree of risk including credit risk, market risk, interest rate risk and foreign exchange risk. The Pension Fund mitigates against these risks by diversification across asset classes, markets and sectors. The Pension Fund also ensures that all the managers invest in accordance with the Local Government Pension Scheme Regulations 1998 and its Statement of Investment Principles.

The Pension Fund also stipulates the following investment restrictions on manager contracts:-

Global Equities Manager

The managers shall not invest more than 5% of the value of the portfolio or the FT all share weighting of stock plus 2%, whichever is greater, in any one issue.

A maximum of 2% of any class of a company's issued share capital may be held within the portfolio.

The Manager may only enter into derivatives as a protective measure subject to the following limits:

- No more than 5% of the portfolio may be invested in gilt and equity index futures.
- Currency futures must be limited to 1/3 of overseas currency exposure by individual markets.
- The Manager must give prior notification of entry into derivative markets.
- No more than 30% of the total value of the Pension Fund portfolio shall be invested in overseas markets with subsidiary limits of 25% for overseas equities and 15% for overseas bonds.

No more than 10% of global fixed income investments, including index linked investments, may be invested in securities issued by issuers who are not government guaranteed or supranational issuers. Corporate bonds must have a minimum credit rate of Aa3/AA as measured by Moody's or Standard & Poor's.

UK Equities Manager

The managers shall not invest more than 5% of the value of the portfolio in any one issue.

Derivatives are used for efficient portfolio management only with a maximum exposure of 10% of the assets held.

A maximum of 2% of any class of a company's issued share capital may be held within the portfolio.

Bonds Manager

Maximum exposure to currencies other than sterling is 10% of the market value of the fund.

The manager may use derivatives for hedging and efficient portfolio management, the maximum derivative exposure, excluding hedging is 30% of the Fund.

The maximum exposure to option premium exclusive of any in-the money portion of the premium is 5% of the Fund.

Stock lending

The contract with the third party lending agent states that stock can only be lent to a list of approved borrowers.

The contract also states that the third party lending agent can only accept collateral in the form of government debt or supranational bonds from a limited range of countries and organisations, with a minimum issuer credit rating of Aaa by Moody's or AAA by Standard & Poor's.

In addition to the specific restrictions above, the managers comply with relevant regulatory framework, which requires that specific risk warnings should be given to clients to highlight the nature of such transactions.

15. Additional Voluntary Contributions (AVC's)

The AVC providers to the Pension Fund are Equitable Life and Prudential. The AVC's are invested separately from the Pension Fund's main assets and used to acquire additional money purchase benefits. These are not included in the Pension Fund accounts in accordance with regulation 5(2) (C) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831). Members participating in these 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 Equitable Life 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 2010 to 31 March 2011 for Prudential and 1 September 2009 to 31 August 2010 for Equitable Life.

	Equitable Life	Prudential	Total
	£000	£000	£000
Value at the start of the year	1,445	13,798	15,243
Income (incl. contributions, bonuses, interest, transfers in)	74	4,656	4,730
Expenditure (incl. benefits, transfers out, change in market value)	258	3,322	3,580
Value at the end of the year	1,261	15,132	16,393

16. Custody of Investments

The Pension Fund's current custodian, Bank of New York Mellon is responsible for the safekeeping of assets, collection of income due, and settlement of trades and provides an independent confirmation and valuation of assets held by the Pension Fund. The custodian contract has recently been tendered and the contract has been awarded to Northern Trust, who will take over the custody of the Pension Fund from 1 August 2011.

The Pension Fund's index tracking manager, Legal and General Investment Management, invests funds with Legal and General Assurance (Pensions Management) Ltd in a unitised policy of assurance, which is reported on by the custodian.

Lancashire County Council is the custodian of the Pension Fund's private equity and property portfolios.

Citco Fund Services Europe B.V. is the custodian of the Hedge Fund of Funds portfolio.

17. Investment management expenses

	2010/11 £000	2009/10 £000
Administration, management and custody	6,214	5,270
Performance measurement service	59	73
Other advisory fees	1,731	464
	<u>8,004</u>	<u>5,807</u>

18. Current assets

	2010/11 £000	2009/10 £000
Contributions due from: Employers	13,390	5,985
Members	2,589	2,545
Debtors: bodies external to general government	5,648	4,747
	<u>21,627</u>	<u>13,277</u>

Included within the contributions due from employers figure is £2.7 million, in relation to a deferred debt due from the Ministry of Justice in transferring Lancashire Magistrates Courts to central government.

These payments will be received in 10 annual instalments, the total figure having been discounted over the life of the deferral.

19. Current liabilities

	2010/11 £000	2009/10 £000
Unpaid benefits	7,739	0
Accrued expenses	1,472	2,022
	<u>9,211</u>	<u>2,022</u>

20. Taxation

The Pension Fund has been approved by HMRC as an exempt approved scheme and is, therefore, exempt from UK income tax and capital gains tax on the profits resulting from the sale of investments. The Pension Fund is also exempt from United States withholding tax on dividends and recovers withholding taxes on other foreign dividends where authorised by the relevant tax treaty or foreign legislation. As Lancashire County Council is the administering authority of the Pension Fund, VAT input tax is recoverable on all the Pension Fund's activities, including expenditure on investment and property expenses.

21. Contingent Asset and Liability

The Pension Fund is a member of two group litigation actions aimed at reclaiming tax credits on overseas dividends and foreign income dividends on the basis that the original denial of a full tax credit was in contravention of EU non-discrimination law. If successful the estimated potential income to the Pension Fund is in the region of £10m. The estimated fees payable in respect of the litigations, regardless of the outcome, are approximately £300,000. This issue is still progressing through the courts.

22. Contractual Commitments

The Pension Fund holds investments in various Private Equity partnerships, the value of these investments at 31 March 2011 being £201.8m. Commitments to these partnerships are drawn down over a number of years. The term of an individual investment can be up to 10 years. Realisation of these investments in the form of distributions normally occurs towards the end of the investment period, when portfolio companies have built value and can be liquidated. The outstanding commitments at 31 March 2011 are £152.2m.

23. 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. They include:

- At 31 March 2011, Gill Kilpatrick, CPFA, was Treasurer to the Pension Fund and County Treasurer for Lancashire County Council.
- The Pension Fund includes 50 scheduled and 148 admitted bodies. A list of the individual bodies within the scheme is found at note 1 to these accounts.
- The Pension Fund Committee comprises 13 County Councillors, 2 Councillors from Unitary Authorities, 2 Councillors from the District Councils, 2 Trade Union

representatives, 1 representative from the Higher/Further education establishments and the Investment Advisory Panel.

The Pension Fund Committee members and senior officers of the Pension Fund were asked to complete a related party declaration for 2010/11. This revealed no material transactions between the Council and the members / officers and their families affecting involvement with the Pension Fund. Each member of the Pension Fund Committee formally considers conflicts of interest at each meeting.

The Pension Fund invests cash with Lancashire County Council, the administering authority for the Pension Fund. At 31 March 2011 the balance invested with the County Council is £7,229,854. Cash invested with Lancashire County Council has generated interest of £1,336,923 during 2010/11.

24. Impairment of Icelandic Investment

At the time the Icelandic banks collapsed in October 2008, Lancashire County Pension Fund had an investment of £2.487m with Landsbanki.

At the time the winding up committee decided that wholesale depositors, such as local authorities, were preferential creditors, meaning that they would be amongst the first claims to be paid distributions from the winding up of the company. This decision makes a great deal of difference to the amount of the claim against the assets of the bank which the Pension Fund can expect to receive. Due to the sums involved the decision was challenged through the Icelandic courts by vulture funds and other non-preferential creditors.

The case was heard on 14-18 February in Reykjavik and the decision passed down by the judge on 1st April. The Icelandic District Court found in favour of local authorities and ruled that deposits placed by UK wholesale depositors have priority status in the winding up of the Icelandic banks. Subsequently an appeal to the Supreme Court has been made and a final decision is expected in September 2011. No indication has been given as yet to the timing of any distributions.

Based on the current statement of assets and liabilities of the bank the most up to date indications are that the Authority will recover 94.85% of the value of the claim (CIPFA May 2011).

The Pension Fund has taken a prudent approach and has not adjusted its recovery to reflect the 94.85%, as this figure is wholly dependant on realisations made from the assets of the bank and may change. In its accounts, the Pension Fund has assumed that it will receive back 83p in the pound, without interest payable over a number of years and has left the impairment at £518,280 (the same as 31 March 2010).

25. **Statement of Investment Principles**

The Pension Fund operates within its approved Statement of Investment Principles, which is published by the Fund and available from the Fund's website at <http://www.yourpensionservice.org.uk>

G. 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 2010 which determines contribution rates effective from 1 April 2011 to 31 March 2014. The full actuarial valuation is available on the Fund's website at: <http://www.yourpensionservice.org.uk>

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, including allowance for projected final pay. This is to comply with the requirements of the LGPS regulations to secure the solvency of the Fund and is accordance with the Funding Strategy Statement, which is available from the Fund and its website. The methodology and assumptions by which the Funding targets and contribution rates are calculated have also been determined in accordance with the Funding Strategy Statement.

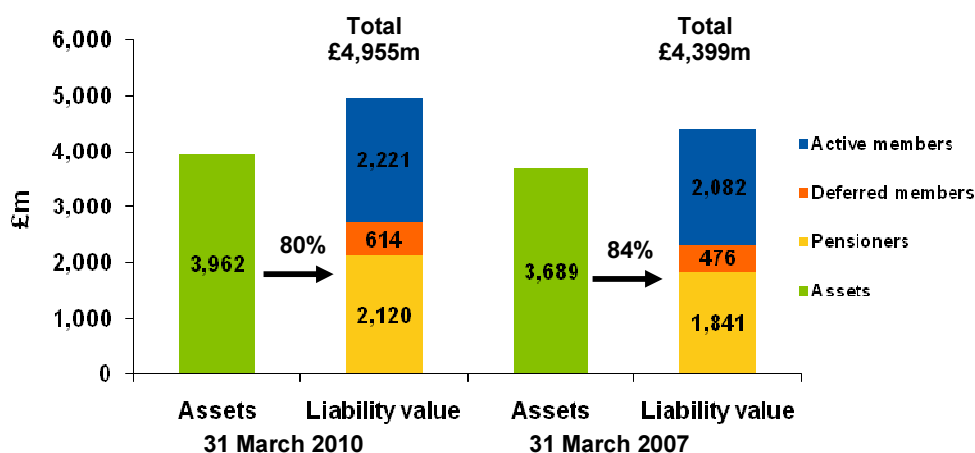
The Funding Strategy Statement specifies a maximum period for achieving full funding of 19 years, this compares to a maximum period of 22 years adopted at the 2007 valuation in accordance with the then published FSS. The maximum deficit recovery period is now three years shorter so that the same target date for achieving full funding is being maintained as at the 2007 valuation. The FSS also specifies any transitional arrangements ("phasing") for the implementation of revised employer contribution requirements.

The valuation (effective from 1 April 2011) revealed a funding level of 80% and an average employer's contribution rate of 19.1%. There have been a number of material developments which have impacted on the fund since the previous valuation in 2007. The introduction of an Inflation Risk Premium (IRP) into the determination of the pension increase assumption used for the valuation has offset the adverse impact of the fall in real yields since the 2007 valuation. The effect of the IRP in conjunction with the change from RPI to CPI indexation more than offsets the negative impact of the yields change. Revisions of the assumptions adopted for the 2010 valuation has overall acted to place a lower value on liabilities and has therefore improved the funding position.

An extract from the certified Actuarial Valuation produced by Mercer as at 31 March 2010, detailing the breakdown of the 80% funding level is as follows:

Funding results – funding target

The market value of the Fund's assets at the valuation date is compared with the value of the Fund's past service liabilities (the funding target) below. The funding position at the previous valuation is shown for comparison.



The employer contributions for 2010/2011 are still based on the 2007 valuation and the recommended employer contributions for the period 1 April 2008 to 31 March 2011 are set out in the Schedule to the Rates and Adjustments at page 51 of this 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 Annex 1 of the Funding Strategy Statement from the Fund's website at: <http://www.yourpensionservice.org.uk>

The Rates and adjustments certified and accompanying schedule extracted from the actuarial valuation are as follows:

Rates and Adjustments Certificate issued in accordance with Regulation 77

Name of Fund

Lancashire County Pension Fund

Regulation 77(3)

I hereby certify that, in my opinion, the Common Rate of employers' contributions payable in each year of the period of three years beginning 1 April 2008 should be at the rate of 13.3 per cent of Pensionable Pay.

I hereby certify that, in my opinion, the amount of the employers' contribution rate payable in each year of the period of three years beginning with 1 April 2008, as set out above, should be individually adjusted as set out in the attached Schedule.

Contributions will be payable monthly in arrears with each payment normally being due by the 19th of the following month. Pensionable Pay is pay as determined under the LGPS Regulations for the calculation of employee contributions.

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of the Rates and Adjustments Certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's actuary and the Administering Authority.

Regulation 77(7)

I have also shown on the attached Schedule for each employer the allowance made for non-ill health early retirements over the period of three years beginning 1 April 2008 taken into account when setting the employer's contribution rate. I have assumed numbers of early retirements and average additional liabilities in respect of those early retirements will be such that, over the period of the certificate, the total additional liabilities in respect of each employer will be as set out the Schedule. Allowance for ill health retirements has been included in each employer's contribution rate. The additional liabilities anticipated have been assessed using the method and assumptions set out in this report.

Signature



Name

C R Hull

Date of signing

31 March 2008

Schedule to the Rates and Adjustments Certificate dated 30 March 2008

	2008/09		2009/10		2010/11		Non-ill health early retirement allowance included for the 3 years 2008/11
	Individual Adjustment (%)	Total Contribution Rate (%)	Individual Adjustment (%)	Total Contribution Rate (%)	Individual Adjustment (%)	Total Contribution Rate (%)	Amount £
Accrington & Rossendale College	0.8	14.1	2.1	15.4	3.5	16.8	
Alzheimers Society	10.5	23.8	10.5	23.8	10.5	23.8	
Arnold Schools	(1.0)	12.3	1.0	14.3	3.0	16.3	
Barnoldswick Town Council	1.6	14.9	1.6	14.9	1.6	14.9	
Beaufort Avenue Day Care Centre	4.7	18.0	7.1	20.4	9.5	22.8	
Blackburn College	2.6	15.9	2.6	15.9	2.6	15.9	
Blackburn St Mary's College	(2.1)	11.2	(0.8)	12.5	0.5	13.8	
Blackburn with Darwen Borough Council	1.8	15.1	1.8	15.1	1.8	15.1	
Blackpool & Fylde MIND Association	2.5	15.8	2.5	15.8	2.5	15.8	
Blackpool & The Fylde College	1.6	14.9	2.8	16.1	3.9	17.2	£216,000
Blackpool Airport Ltd (from July 2004)	8.5	21.8	12.0	25.3	15.5	28.8	
Blackpool Borough Council	2.6	15.9	2.6	15.9	2.6	15.9	£677,100
Blackpool Coastal Housing	(1.0)	12.3	(1.0)	12.3	(1.0)	12.3	
Blackpool Sixth Form College	0.1	13.4	0.1	13.4	0.1	13.4	
Blackpool Transport Services Ltd	(13.3)	0.00	(13.3)	0.00	(13.3)	0.00	
Blackpool Zoo (Grant Leisure)	3.1	16.4	3.1	16.4	3.1	16.4	
Blackpool, Fylde & Wyre Society for the Blind	25.0	38.3	25.0	38.3	25.0	38.3	
Burnley Borough Council	6.7	20.0	6.7	20.0	6.7	20.0	
Burnley College	0.1	13.4	0.5	13.8	0.9	14.2	
Calico Housing Ltd	4.0	17.3	5.0	18.3	6.0	19.3	
CAPITA	5.3	18.6	7.4	20.7	9.5	22.8	
Carden Croft Ltd	3.5	16.8	3.5	16.8	3.5	16.8	
Cardinal Newman College	0.8	14.1	2.2	15.5	3.4	16.7	
Catholic Caring Services	1.2	14.5	3.6	16.9	4.0	17.3	
Catterall Parish Council	4.5	17.8	4.5	17.8	4.5	17.8	

	2008/09		2009/10		2010/11		Non-ill health early retirement allowance included for the 3 years 2008/11
	Individual Adjust-ment (%)	Total Contribu-tion Rate (%)	Individual Adjust-ment (%)	Total Contribu-tion Rate (%)	Individual Adjust-ment (%)	Total Contribu-tion Rate (%)	Amount £
Chorley Borough Council	3.5	16.8	4.5	17.8	5.5	18.8	
Chorley Community Housing	1.9	15.2	1.9	15.2	1.9	15.2	
Church Road Methodist Day Centre	2.7	16.0	4.2	17.5	5.6	18.9	
Commission for Education & Formation	8.5	21.8	9.7	23.0	10.9	24.2	
Community Alliance (Burnley & Padiham) Ltd	(0.8)	12.5	1.2	14.5	3.2	16.5	
Community Council of Lancashire	1.2	14.5	1.2	14.5	1.2	14.5	
Community Gateway Association Ltd	(1.6)	11.7	(0.7)	12.6	0.2	13.5	
Contour Housing Association	4.2	17.5	4.2	17.5	4.2	17.5	
CXL Ltd	(2.4)	10.9	(2.4)	10.9	(2.4)	10.9	
Danfo (UK) Ltd	2.8	16.1	2.9	16.2	3.0	16.3	
Edge Hill University College	0.2	13.5	0.2	13.5	0.2	13.5	
Elm House Management Committee	0.8	14.1	0.8	14.1	0.8	14.1	
Enterprise Managed Services Ltd	(4.2)	9.1	(2.6)	10.7	(1.0)	12.3	
Eric Wright Commercial Ltd	4.0	17.3	4.0	17.3	4.0	17.3	
Fylde Borough Council	2.9	16.2	3.9	17.2	4.9	18.2	
Fylde Coast YMCA	3.0	16.3	3.0	16.3	3.0	16.3	
Fylde Community Link	3.4	16.7	3.4	16.7	3.4	16.7	
Galloways Society for the Blind	27.3	40.6	27.3	40.6	27.3	40.6	
Glenburn Sports Centre (Bullough Contract Services)	3.4	16.7	3.4	16.7	3.4	16.7	
Housing Pendle Ltd	0.3	13.6	0.3	13.6	0.3	13.6	
Hyndburn Borough Council	7.7	21.0	10.5	23.8	11.5	24.8	
Hyndburn Homes Ltd	0.2	13.5	0.2	13.5	0.2	13.5	
Hyndburn Homewise	(0.7)	12.6	1.1	14.4	2.9	16.2	
Kirkham Grammar School	0.7	14.0	1.7	15.0	2.7	16.0	
Kirkland Parish Council	4.5	17.8	4.5	17.8	4.5	17.8	
Lancashire & Blackpool Tourist Board	(3.2)	10.1	(0.2)	13.1	(0.2)	13.1	
Lancashire County Branch Unison	4.3	17.6	4.3	17.6	4.3	17.6	

Admitted Bodies	2008/09		2009/10		2010/11		Non-ill health early retirement allowance included for the 3 years 2008/11
	Individual Adjust-ment (%)	Total Contribu-tion Rate (%)	Individual Adjust-ment (%)	Total Contribu-tion Rate (%)	Individual Adjust-ment (%)	Total Contribu-tion Rate (%)	Amount £
Lancashire County Council	3.1	16.4	3.8	17.1	4.5	17.8	£2,075,400
Lancashire Economic Partnership	(1.2)	12.1	(1.2)	12.1	(1.2)	12.1	
Lancashire Fire & Rescue Service	3.4	16.7	3.8	17.1	4.2	17.5	£223,600
Lancashire Police Authority	0.1	13.4	0.5	13.8	1.0	14.3	£418,500
Lancashire Probation Committee	4.3	17.6	4.3	17.6	4.3	17.6	
Lancashire Valuation Tribunal	31.9	45.2	31.9	45.2	31.9	45.2	
Lancaster & Morecambe College	0.6	13.9	1.8	15.1	3.0	16.3	
Lancaster City Council	3.8	17.1	4.8	18.1	5.8	19.1	
Lancaster University	(0.6)	12.7	0.1	13.4	0.8	14.1	
Leisure In Hyndburn	1.2	14.5	1.2	14.5	1.2	14.5	
Liberata	2.4	15.7	2.4	15.7	2.4	15.7	
Lytham Schools Foundation	0.5	13.8	0.5	13.8	0.5	13.8	
Mellor's Catering	3.2	16.5	4.2	17.5	5.1	18.4	
Myerscough College	(2.3)	11.0	(1.2)	12.1	(0.2)	13.1	
Nelson & Colne College	(0.2)	13.1	0.4	13.7	1.0	14.3	
New Directions	8.6	21.9	16.6	29.9	24.5	37.8	
New Fylde Housing	12.4	25.7	18.4	31.7	24.2	37.5	
North Western & North Wales Sea Fisheries Committee	8.7	22.0	9.6	22.9	9.6	22.9	
Ormerod Home Trust Ltd	8.9	22.2	8.9	22.2	8.9	22.2	
Our Lady Queen of Peace (Bullough Contract Services)	1.7	15.0	1.7	15.0	1.7	15.0	
Pendle Borough Council	7.3	20.6	8.3	21.6	9.3	22.6	
Pendle Leisure Trust Ltd	0.0	13.3	1.1	14.4	2.1	15.4	
Penwortham Town Council	(1.7)	11.6	(0.4)	12.9	0.9	14.2	
Pilling Parish Council	4.5	17.8	4.5	17.8	4.5	17.8	
Preston Care & Repair	0.9	14.2	0.9	14.2	0.9	14.2	
Preston City Council	2.8	16.1	3.6	16.9	4.3	17.6	
Preston College	(0.8)	12.5	0.4	13.7	1.6	14.9	

Admitted Bodies	2008/09		2009/10		2010/11		Non-ill health early retirement allowance included for the 3 years 2008/11
	Individual Adjust-ment (%)	Total Contribu-tion Rate (%)	Individual Adjust-ment (%)	Total Contribu-tion Rate (%)	Individual Adjust-ment (%)	Total Contribu-tion Rate (%)	Amount £
Preston Council for Voluntary Services	(1.7)	11.6	(1.7)	11.6	(1.7)	11.6	
Progress Housing Group	3.9	17.2	4.9	18.2	5.9	19.2	£137,000
Progress Recruitments	(2.3)	11.0	(0.3)	13.0	1.5	14.8	
Queen Elizabeth Grammar School	3.1	16.4	4.8	18.1	6.4	19.7	
Ribble Valley Borough Council	2.3	15.6	2.3	15.6	2.3	15.6	£198,000
Rossendale Borough Council	4.8	18.1	4.8	18.1	4.8	18.1	
Rossendale Leisure Trust	(1.5)	11.8	(1.5)	11.8	(1.5)	11.8	
Rossendale Transport Ltd	1.3	14.6	1.3	14.6	1.3	14.6	
Runshaw College	(0.6)	12.7	0.5	13.8	1.5	14.8	
South Ribble Borough Council	3.2	16.5	4.1	17.4	5.0	18.3	
South Ribble Community Leisure	4.3	17.6	4.3	17.6	4.3	17.6	
Sungard Vivista Ltd	3.7	17.0	3.7	17.0	3.7	17.0	
Surestart Hyndburn	(5.6)	7.7	(4.7)	8.6	(3.8)	9.5	
Twin Valley Homes Ltd	3.7	17.0	3.7	17.0	3.7	17.0	
University of Central Lancashire	(0.7)	12.6	(0.7)	12.6	(0.7)	12.6	
University of Cumbria	(1.3)	12.0	(1.0)	12.3	(0.8)	12.5	
West Lancashire Community Leisure Ltd	(2.9)	10.4	(2.9)	10.4	(2.9)	10.4	
West Lancashire District Council	4.7	18.0	4.7	18.0	4.7	18.0	
Whitworth Town Council	3.6	16.9	3.6	16.9	3.6	16.9	
Wyre Borough Council	7.4	20.7	7.4	20.7	7.4	20.7	
Wyre Housing Association	28.7	42.0	34.7	48.0	40.5	53.8	

Other interested bodies with no pensionable employees

Former Employers	Proportion of Pension Increases to be Recharged %
Blackpool Council for Voluntary Services	See notes
Blackpool & Fylde Society for the Deaf	100
Burnley & Pendle Development Association	100
Burnley District Citizens Advice Service	See notes
Burton Manor Residential College	100
Ex Department of Transport	100
Ex National Health Service	100

Former Employers	Proportion of Pension Increases to be Recharged %
Ex National Water Council	100
Fylde Coast Developments Association	100
Lancashire On-Line Learning	See notes
Lancashire West Partnership	See notes
Lancashire South East Probation Committee	100
Skelmersdale College	See notes
Spastics Society	100

Notes

Members of the Fund employed by Skelmersdale College have transferred to membership of the Tyne and Wear Fund, and so a bulk transfer payment will be required. Any residual funding shortfall in the LCPF after the transfer payment should then be recovered from the College.

Any further contributions required in respect of termination assessments for the admission agreements with Blackpool CVS, Burnley CAB, Lancashire West Partnership and Lancashire On-Line Learning will be notified separately.

H. Contacts

<http://www.yourpensionservice.org.uk>

Benefits and other Administrative Issues

Pensions Helpdesk
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Pension Benefits and Administration

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General Pension Fund Investment/Accounting Queries

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Pension Fund Accounts, Investments and Governance

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