

Appendix 'A'

Lancashire County Pension Fund Annual Report 2014-15

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Lancashire County Pension Fund

Annual Report 2014/15

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A. Management Structure

Administering Authority
Lancashire County Council

**Lancashire County Council
Pension Fund Committee**

L Beavers
D Borrow
M Brindle
T Burns (Chair at 31 March)
G Dowding
K Ellard (current Chair)
J Gibson
J Oakes
M Otter
M Parkinson (Deputy Chair)
A Schofield
K Sedgewick
D Westley
B Yates

**Co-opted Blackburn with
Darwen Borough Council
representative**

R Whittle

**Co-opted Blackpool Council
representative**

P Crewe

**Co-opted Lancashire
Leaders' Group
representative**

P Leadbetter
E Pope

**Co-opted Trade Union
representative**

RP Harvey (until 27 March 2015)
J Tattersall (from 27 March 2015)

**Co-opted HE/FE
sector representative**

A Milloy

Custodian
Northern Trust

**Independent
Investment
Advisers**

E Lambert
N Mills
A Devitt

**Director of Lancashire
County Pension Fund**
G Graham

**Director of
Financial
Resources
(Interim)**
D Lawrenson CPFA

Actuary
Mercer

Auditor
Grant Thornton

Property Solicitors
Pinsent Masons
DWF

**Independent Property
Valuer**
Cushman & Wakefield

**Corporate Governance
Adviser**
PIRC

Performance Measurement
Northern Trust

AVC Providers
Prudential
Equitable Life

**Legal Advisors (other than
property)**
In-House
MacFarlanes
Eversheds
Clifford Chance
Allen and Overy
Taylor Wessing
Addleshaw Goddard

Tax Advisors
KPMG

Bankers
National Westminster

Fund Managers

AGF Investments
Arclight Capital Partners
Ares Management

Babson Capital Management
Baillie Gifford
Bluebay Asset Management

Capital Dynamics
Christofferson, Robb & Company

EQT

Hayfin Capital Management
Highbridge Capital Management
HSBC Global Asset Management

I Squared Capital
Icon Investments
Invesco

King Street Capital Management
Knight Frank Investors

M&G Investments
MFG Investments
MFS Investment Management
Monarch Alternative Capital
Morgan Stanley Investment Management

Natixis Global Asset Management
Neuberger Berman
NN Investment Partners

Oaktree Capital Management

Pacific Investment Management Company
Pictet Asset Management
Prima Capital Advisors

Robeco Asset Management

THL Credit

B. Foreword by County Councillor Kevin Ellard, Chair of the Pension Fund Committee

Every year the foreword to this annual report talks about the Fund having to manage through a period of change, and this year is no different.

The largest change we have had to deal with is the introduction of the new 2014 scheme under which benefits are calculated on a career average, rather than a final salary basis. This has required a massive amount of work from our Pensions Administration Team within Your Pension Service, as well as by all the Fund's employers and we are extremely grateful to those employers who have worked with us to introduce a new data exchange process which provides us with the information needed to calculate career average benefits, as well as improving the overall accuracy of our data, which is critical to good pensions administration.

The new scheme has brought with it the creation of the new Local Pension Board to oversee the work of the county council as Administering Authority, and we have seen significant changes towards the end of the year in the way in which the services that support the Fund are organised and managed. This has led for the first time to the creation of the role of the Director of the Fund, bringing together the various teams who make the Fund work into one service. As a result of this set of changes, we said goodbye to Gill Kilpatrick, the previous Treasurer of the Fund who did much to put the Fund into the strong position in which it now finds itself.

Gill's major legacy to the Fund was overseeing the creation of the in-house investment team who have continued to go from strength to strength, this year challenging the giants of the investment world for a share of the government's stake in Eurostar and in the process, winning a European Innovation Award from Chief Investment Officer Magazine.

Central Government continues to look to the LGPS funds to achieve both better returns and reduce costs. We believe that our strong pensions administration service together with the strength of our investment team put us in a good place to be able to achieve this by working with others to achieve even greater economies of scale. To this end we have been working with the London Pension Fund Authority to create an innovative Asset and Liability Management Partnership which will allow us to share resources and achieve the better results which evidence shows comes from larger pools of assets. We are not waiting for the Government to finally announce their response to last year's consultation process, we are, as is our way, just getting on with it and building a new approach to managing funds within the LGPS.

Given these changes, the coming year looks as though it will be as challenging as the last one.

**County Councillor Kevin Ellard
Chair of the Pension Fund Committee**

C. Governance of the Fund

Lancashire County Pension Fund Governance Policy Statement

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

Under regulation 55 of the LGPS Regulations 2013, all Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Governance Policy Statement setting out whether the authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority. The Fund's Governance Policy Statement as revised in March 2015 is at the following link.

[Your Pension Service - Lancashire Fund Information](#)

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

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

The Fund's Governance Compliance Statement is shown on the following page:

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 style="text-align: center;">✓</p> <p style="text-align: center;">Partial See note 1 below</p> <p style="text-align: center;">✓</p> <p style="text-align: center;">✓</p>
B. Representation	<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> <p><i>employing authorities (including non-scheme employers, e.g. admitted bodies)</i></p> <p><i>(ii) scheme members (including deferred and pensioner scheme members)</i></p> <p><i>(iii) independent professional observers (2)</i></p> <p><i>(iv) expert advisers (on an ad hoc basis)</i></p>	<p style="text-align: center;">Partial (see notes 1& 2 below)</p>

<p>Reasons for Partial Compliance</p> <p>Note 1: Unitary Councils, District Councils and Further and Higher Education employers, are represented. Other 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. In addition the interests of all scheme members and employers are specifically represented in the composition of the Local Pension Board.</p> <p>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 the Fund's independent advisers and officers and it is not apparent what added value such an appointment would bring.</p>		
<p>C. Selection and Role of Lay Members</p>	<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 times.)</i></p>	✓
<p>D. Voting</p>	<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>	✓
<p>E. Training / Facility Time / Expenses</p>	<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>	✓

	<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>	✓
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>	<p>✓</p> <p>✓</p> <p>✓</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>	✓

D. Administration of the Pension Fund

Background to Lancashire County Pension Fund and the Local Government Pension Scheme

The Local Government Pension Scheme is a statutory public sector pension scheme which operates on a "defined benefit basis". Lancashire County Council as "Administering Authority" is required by law to administer the Scheme within the geographical area of Lancashire.

Pension administration services are provided to Lancashire County Pension Fund by Lancashire County Council's award winning pensions administration service; Your Pension Service (YPS).

Review of the Year

2014/15 has been a busy year of embedding the new LGPS 2014 CARE Scheme.

A "My Pension Online" service has been developed and promoted to members of the Pension Scheme which allows members to access their pension information online.

Membership and employers

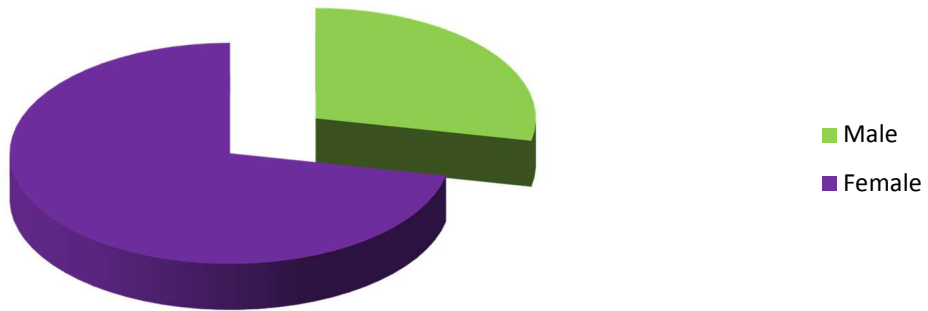
The Scheme is administered on behalf of over 300 organisations including local authorities, further and higher education colleges, voluntary and charitable organisations and private contractors undertaking a local authority function following outsourcing to the private sector.

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

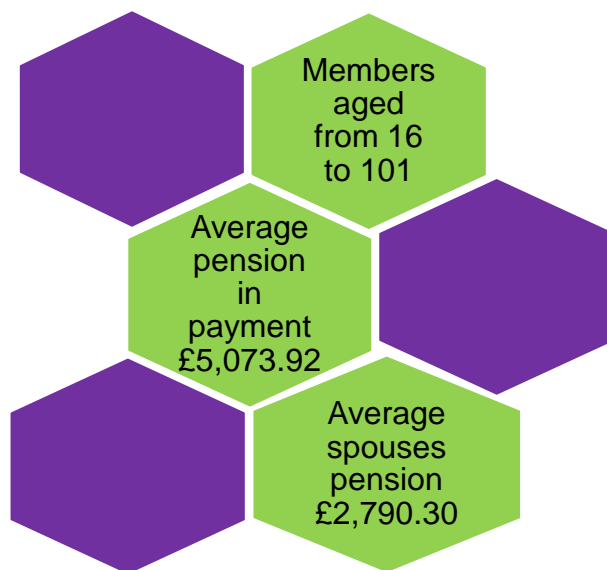
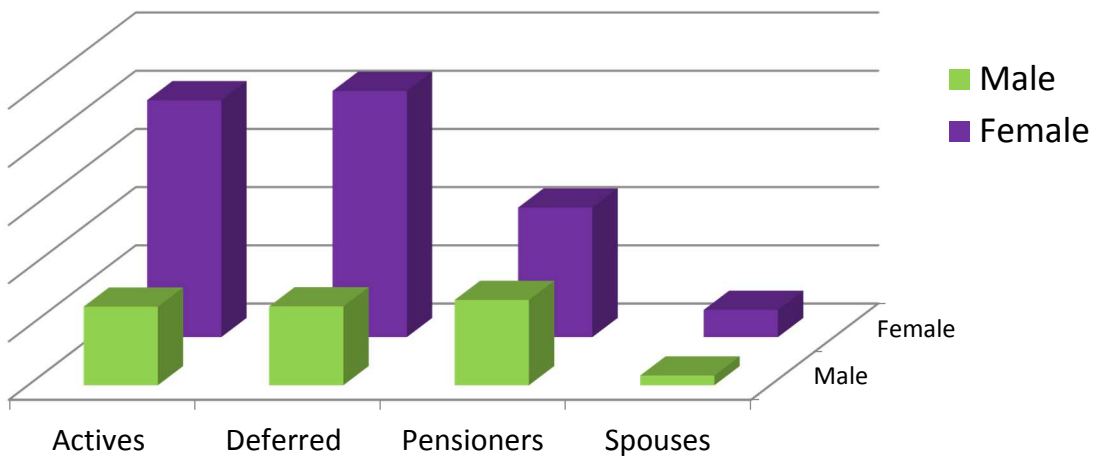
LGPS membership

As at 31 March 2015	Active scheme members	Deferred pensioners	Pensions in payment	Total
Scheduled bodies	49,357	51,496	40,340	141,193
Admitted bodies	4,822	4,317	2,871	12,010
Total	54,179	55,813	43,211	153,203
As at 31 March 2014				
Scheduled bodies	50,765	50,374	39,629	140,768
Admitted bodies	3,979	3,521	2,649	10,149
Total	54,744	53,895	42,278	150,917

Total membership as at 31 March 2015



Member profile as at 31 March 2015



Performance

Lancashire County Council's Pension Fund Committee receives regular reports on the administration of the Fund ensuring that best practice standards are satisfied and met and to satisfy itself and justify to all stakeholders, including employers that the Fund is being run on an efficient and effective basis. A Service Level Agreement (SLA) exists between the Pension Fund and the service provider. The SLA contains specific service level standards and corresponding service level targets and an [Annual Administration Report](#) is presented to the Pension Fund Committee.

YPS continues to exceed SLA targets and consistently exceeds its key performance indicator;

'to calculate and pay all retirement benefits within 10 working days'

Overall achievement against SLA targets over the year was 98%.

Over the year more than 108,600 online benefit statements were produced for active and deferred Scheme members. Annual newsletters are also posted online alongside statements.

Customer service

The service's dedicated partnerships team undertakes a variety of events, courses and presentations each year. In addition the team visits scheme employers to maintain and improve working relationships. The partnerships team also undertakes annual pension surgeries and pension drop-in sessions as well as facilitating an annual employer conference.

A dedicated telephone helpdesk is the first point of contact for pension scheme members and employers. Over the year 94% of calls were successfully answered against a target of 90%.

Legislative changes

On 1 April 2014, the new Local Government Pension Scheme (LGPS) came into effect being a Career Average Revalued Earnings (CARE) Scheme and replaced the final salary scheme.

The new scheme:

- Has a normal pension age equal to state pension age (minimum age 65);
- Gives a pension for each year at a rate of 1/49th of pensionable pay received in that year;
- Provides increased flexibility for members wishing to retire early;
- Allows members to pay reduced contributions as an alternative to opting out;
- Provides for previous years' CARE benefits to be inflation proofed in line with the Consumer Price Index while the member is still paying in;
- Requires members to have at least 2 years' membership to qualify for pension benefits.

Additionally, protection is given to members who were paying in prior to 1 April 2014.

On 28 January 2015, amendment regulations were laid before Parliament which, came into effect on 1 April 2015. These regulations set up a national scheme advisory board to advise the government on the desirability of changes to the LGPS. Provision was made for each fund to set up a local pension board to assist it with the effective and efficient management and administration of the scheme.

Service developments

Since 1 April 2014 scheme employers have been submitting monthly files to YPS. These replace many of the forms that employers used to complete and enable the accurate reconciliation of contributions and pensionable pay to individual scheme member records. YPS use an internally designed system called "EPIC" to do this. EPIC has helped YPS to ensure that scheme member data is accurate and up to date.

Charges

YPS makes a charge to Lancashire County Pension Fund on a per member basis which is restricted to the lower quartile as reported in national government LGPS benchmarking returns. The on-going level of charge to the Fund is kept under review.

Other information

For further information relating to the administration of the scheme please refer to the [Communication Policy Statement](#) and the [Pensions Administration Strategy Statement](#).

Your Pension Service can be contacted at:

PO Box 100

County Hall

Preston

PR1 0LD

Telephone: 0300 123 6717

E-mail: AskPensions@lancashire.gov.uk

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

E. Knowledge & Skills Framework

CIPFA Pensions Finance Knowledge and Skills Framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) published its Code of Practice on Public Sector Pensions Finance Knowledge and Skills in October 2011. The Code was devised in response to Lord Hutton's recommendation that every public sector pension scheme (and individual LGPS fund) should have a properly constituted, trained and competent "Pensions Board". The Code represents a key element in complying with the relevant principles of investment practice laid out in Local Government Pension Scheme (Management and Investment of funds) regulations 2009 regarding Effective Decision making.

The Code is intended to be used in conjunction with the CIPFA Pension Finance Knowledge and Skills Frameworks (KSF) which aims to enhance levels of knowledge and skill across all those involved in the management and oversight of public sector pension funds whether members or officers.

The Code became effective from 1 April 2012 and is mandatory for CIPFA members as part of their standards of professional practice. The Code was adopted by the Pension Fund Committee at its meeting on 3 February 2012 in order to ensure good governance and training practices and provide support to those officers who, as CIPFA members, have a professional requirement to comply with the Code.

At its meeting on 7 June 2013, the Pension Fund Committee agreed that, in order to ensure best practice within the Fund and compliance with the Public Service Pensions Act 2013, a training plan should be developed annually for those charged with governance and financial management of the Lancashire County Pension Fund (Committee members and officers).

Central to this is the tenet that, having assessed the professional competence of those involved in pension scheme financial management and those with a policy, management or oversight role, the Fund should secure appropriate training.

It is not a requirement for each individual to demonstrate a level of expertise in every aspect of scheme governance and management but important to ensure that, as a group, the Fund's Officers and the Committee have a level of knowledge and skills which ensures effective decision making.

Committee members and officers are also required to undertake training to satisfy obligations placed upon them by the:

- Myners Principles (as detailed in the Statement of Investment Principles);
- Pensions Regulations and the Pensions Regulator;
- CIPFA Code of Practice on Public Sector Pensions Finance Knowledge and Skills; and the LGPS Governance Compliance Statement.

Approach

The Fund's approach to training is supportive in nature with the intention of providing committee members and officers with regular sessions that contribute to their level of skills and knowledge. Though primarily based on pre-committee meeting training sessions, knowledge is enhanced through updates and insights from officers and independent advisers, and details of external events are circulated as appropriate. This is in addition to an expectation that committee members will undertake some self-directed learning outside of the formal training. Fund officers are also available to provide additional support and advice.

The key elements of the plan are designed to support members of the Committee in gaining the necessary knowledge and skills as a collective group over the following areas required by the CIPFA Knowledge and Skills Framework:

- Pension Fund governance;
- Accounting and Audit standards;
- Procurement of financial services;
- Investment performance and risk management;
- Financial markets and product knowledge;
- Actuarial methods and valuation.

Training comprises a combination of internally developed training sessions, updates from officers and independent advisers, external events, and self-directed learning.

Planning and monitoring that committee members and scheme officers comply with these various requirements was provided for through the adoption of a training plan (2013-2015) agreed by the Pension Fund Committee on 29 November 2013.

Details of training provided and attended during 2014/15 are given below:

Date	Subject	Training provider	Venue	Number of attendees
02/09/14	Introduction to Lancashire County Pension Fund for new Committee Members	Internal – Deputy County Treasurer	County Hall, Preston	4
05/09/14	Risk Management in the Local Government Pension Fund	Eversheds - Webinar	County Hall, Preston	15
18/09/14	Introduction to the Local Government Pension Scheme	CIPFA Pensions Network	London	2
01/10/14	Elected Member Educational Event	330 Consulting	London	2
28/11/14	Development session on engagement and socially responsible investment	PIRC	County Hall, Preston	18
11-13/03/15	'Living Longer, Investing Smarter' Investment Conference	NAPF	Edinburgh	1
18/03/15	'LGPS Reform-Ethical, Efficient, Effective 2015'	GovToday	London	3
19/03/15	'Local Authority Pension Fund Investment Strategies and Current Issues' conference	SPS Conferences	London	2
27/03/2015	Presentation on Infrastructure Investment	Internal – Investment Manager	County Hall - Preston	15

F. Investment Policy and Performance

Performance

In the year to 31 March 2015, LCPF delivered 14.87% return on assets. The value of the Fund's assets at 31 March 2015 was £5,830.7m, up from £5,188.1m at 31 March 2014.

The Fund is invested to meet its own liabilities over the medium to long-term and therefore its performance should be judged against those objectives and over a corresponding period. Annual returns can be volatile, as seen in 2008/09 (Fund down 20%) and 2009/10 (Fund up 35%) and do not necessarily indicate the underlying health of the Fund.

Asset Allocation

In line with the investment strategy adopted by the Pension Fund Committee in 2010 and more detailed sub-strategies adopted since then, the Fund's investments are divided into four principal sub groups as follows:

Equities

The Fund holds both public and private equity investments. The public equity investments are managed by five active managers who operate differing and complementary styles of investment selection and two unitised investment funds. The remit of six of these seven pools is unconstrained, high conviction investment in global equities. The final manager has a remit to invest in emerging market equities. Private equity investments are held through a variety of closed-ended limited partnerships, invested over a wide range of inception dates and managed by a diverse collection of different managers.

Property

The Fund invests in a significant portfolio of directly owned UK commercial properties which are managed by Knight Frank. The Fund re-tendered the property management mandate during the year, resulting in Knight Frank's reappointment. An allocation to local investment opportunities was put in place as were some new investments in property development opportunities. The Fund has a small allocation to a unitised European real estate investment fund managed by M&G.

Infrastructure

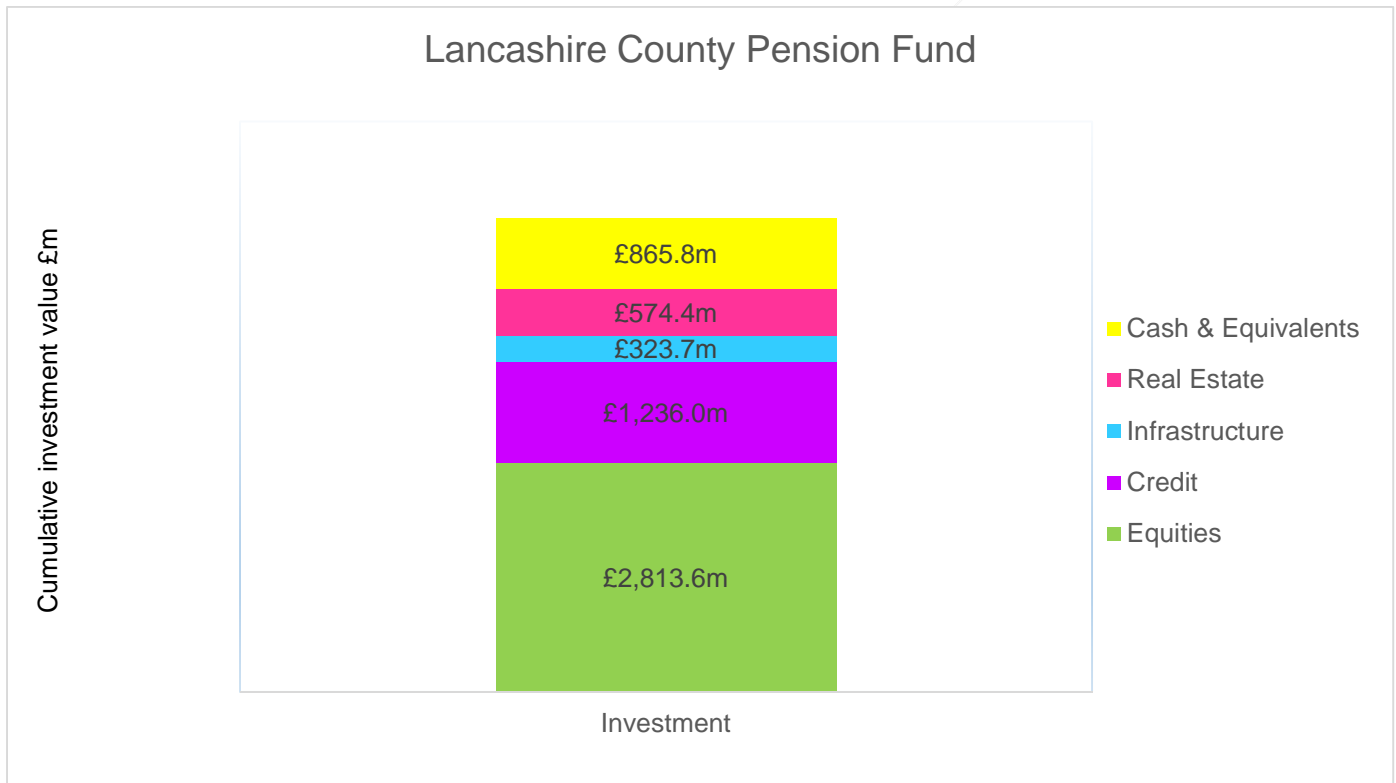
The Fund has allocations to a number of different global infrastructure funds, and also invests directly in renewable energy infrastructure projects throughout the world through its majority-owned infrastructure partnership, Red Rose Infrastructure LLP.

Credit strategies

The Fund has an internally managed portfolio of different types of credit investment, split into four broad categories – emerging markets sovereign debt, non-investment grade secured lending, cyclical credit opportunities and long-dated debt secured on real assets. These investments include both direct loans made by the Fund and a variety of different externally managed funds.

While the Fund continues to commit to investments in line with its investment strategy, amounts earmarked for future investments are held in cash, liquid bond funds and directly held investment grade bonds.

A summary of asset allocation, as at 31 March 2015, is shown below.



Implementation of the investment strategy is ongoing and 2014/15 saw further investment commitments which will be drawn down over coming years.

Commitments made in the years since the investment strategy was adopted in 2010 have started to deliver investment returns, and the results of the substantial changes resulting from that strategy are starting to have a stronger influence on investment performance.

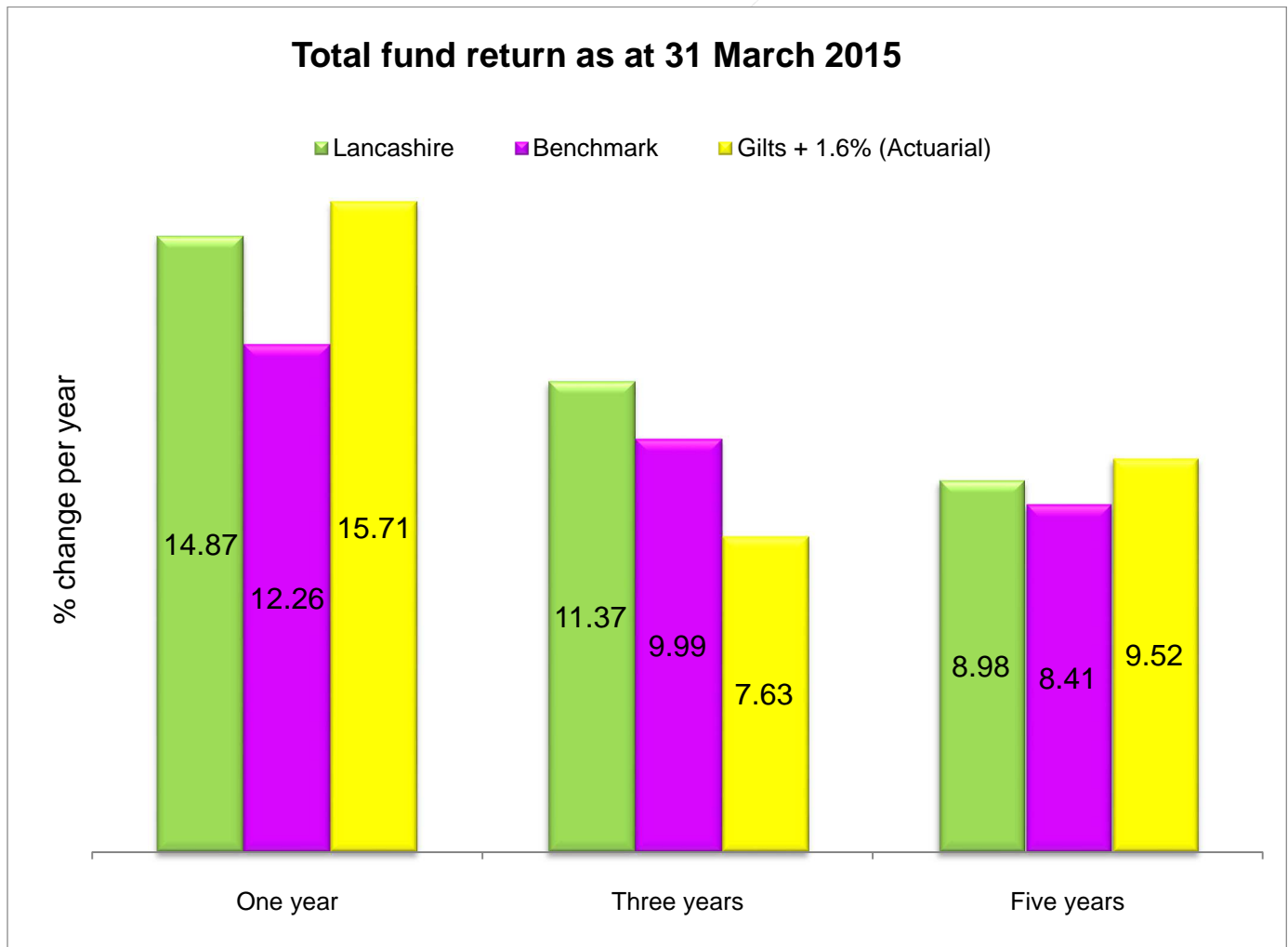
Performance Monitoring

Performance is measured against a number of specific benchmarks with individual managers being given performance targets which are linked to the expected market returns for the assets they manage. Details of these can be found in the [Statement of Investment Principles](#). The performance of investment managers is reviewed on a regular basis by the investment management team and Investment Panel and any recommendations arising from those reviews are considered by the Committee.

The Fund subscribes to the annual independent WM Survey of UK Local Authority Pension Funds, which shows comparisons with other local authority pension funds. Absolute performance versus other local authority funds, which will certainly have different investment strategies designed to meet their own liability profile, may be misleading, however. The average local authority fund performance according to the WM survey was 13.2% (LCPF: 14.9%) and LCPF's performance placed it in the 26th percentile out of 85 participating funds.

Whilst this performance is pleasing, the Fund's primary objective, to have assets available to meet pension liabilities as they fall due, requires the Fund to consistently match or outperform the actuarial assumption of investment returns, being UK gilts+1.6%.

The chart below shows the total return of the Fund compared to the overall fund specific benchmark and the actuarial fund return assumption of gilts+1.6% measured over 1, 3, and 5 years to 31 March 2015:



In the year to 31 March 2015, the total fund return amounted to 14.9% against a benchmark return of 12.3%. The gilts+1.6% actuarial return assumption for the same period was 15.7%.

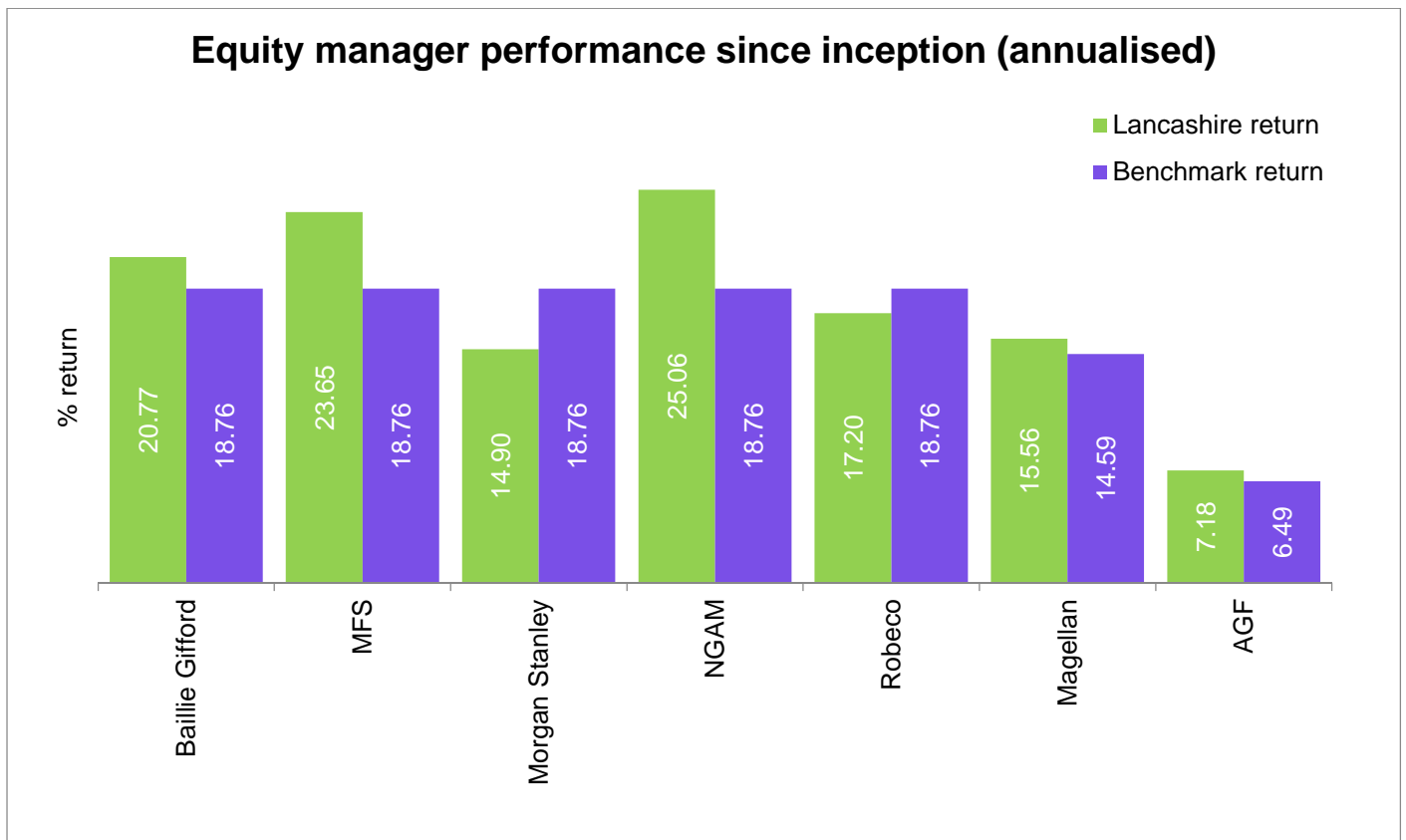
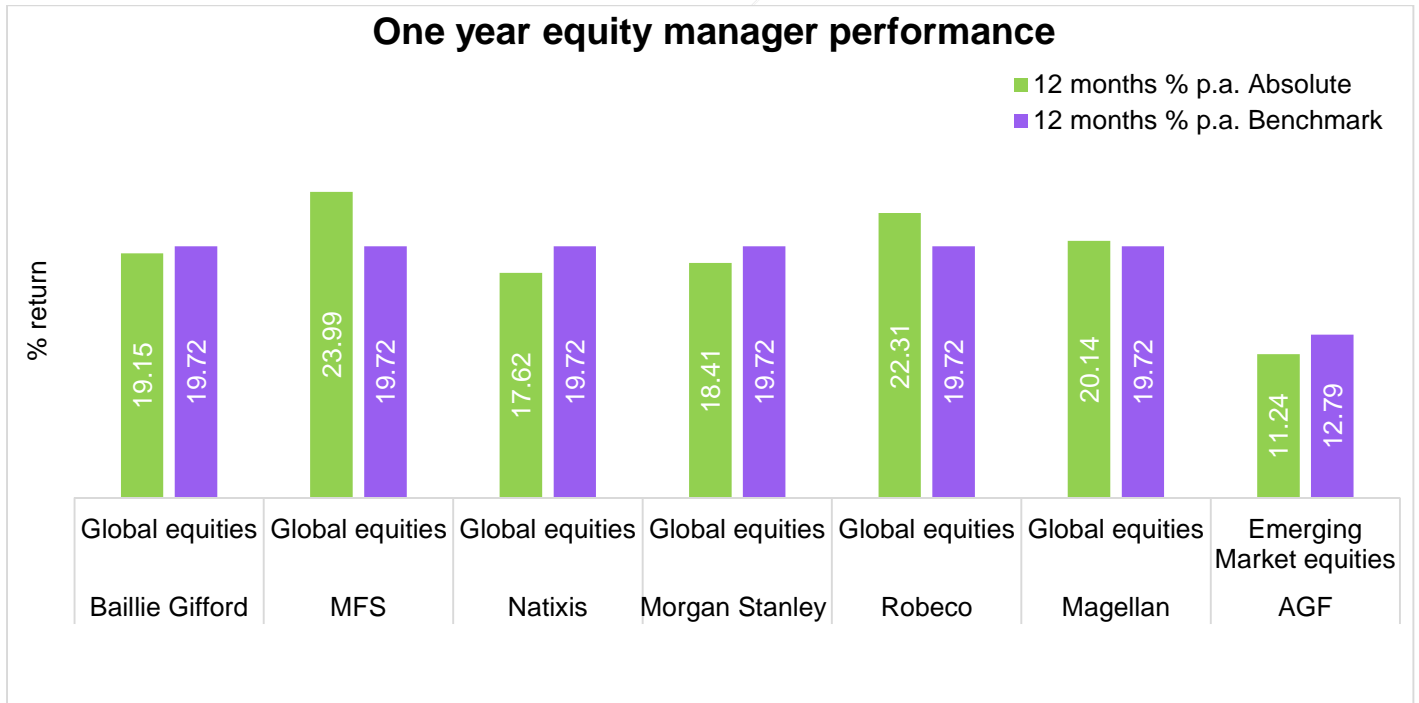
The more important five year performance of the Fund shows annualised returns for the Fund of 9% pa versus the benchmark return of 8.4% and the actuarial measure of 9.5%.

The Fund's strategy is to seek out investments with the most favourable characteristics in the long run, wherever these may be situated globally. Currency fluctuations have an increased impact on short-term investment performance but over the long-term this impact should diminish, to be outweighed by the superior investment characteristics of the new strategy.

During the course of the year, Sterling weakened significantly against the Dollar from a rate of \$1.66 at 31 March 2014 to a rate of \$1.48 on 31 March 2015, causing appreciation in the Sterling valuation of dollar denominated assets of 12.2%. In the same period, Sterling strengthened against the Euro from €1.21 at 31 March 2014 to €1.38 on 31 March 2015, reducing the value of Euro denominated assets by 13.3%.

Despite these factors which can make performance data hard to interpret, underlying investment performance continues to be strong, with local currency investment returns in line with, or ahead of, expectations.

The performance of active equity managers is shown in the chart that follows.



Active managers have discretion to make investments that deviate from the benchmark allocation, within agreed constraints and tolerances. These decisions will reflect their views on market conditions within various countries or between different types of instrument.

As part of an overall equity portfolio strategy Robeco and Morgan Stanley were installed as defensive managers. As expected in a strongly performing market they have underperformed their benchmark. Baillie Gifford, NGAM, MFS and Magellan were appointed with a growth bias and their out-performance against the benchmark since inception reflects this. It is pleasing that these investment managers appear to be performing as expected.

AGF focus entirely on Emerging Market equities and have performed slightly ahead of benchmark in a period of extreme volatility. We would expect a high conviction manager which does not seek to track the index to be able to reproduce excess performance versus the benchmark over time, especially in such a diverse universe as emerging market equities.

The period over which performance is being measured for all of these managers, however, is not yet significant enough to draw any solid conclusions.

During the course of the year, the Fund disposed of £300m of public equities in an exercise to rebalance the portfolio weightings.

The largest ten direct equity holdings of the Fund as at 31 March 2015 were:

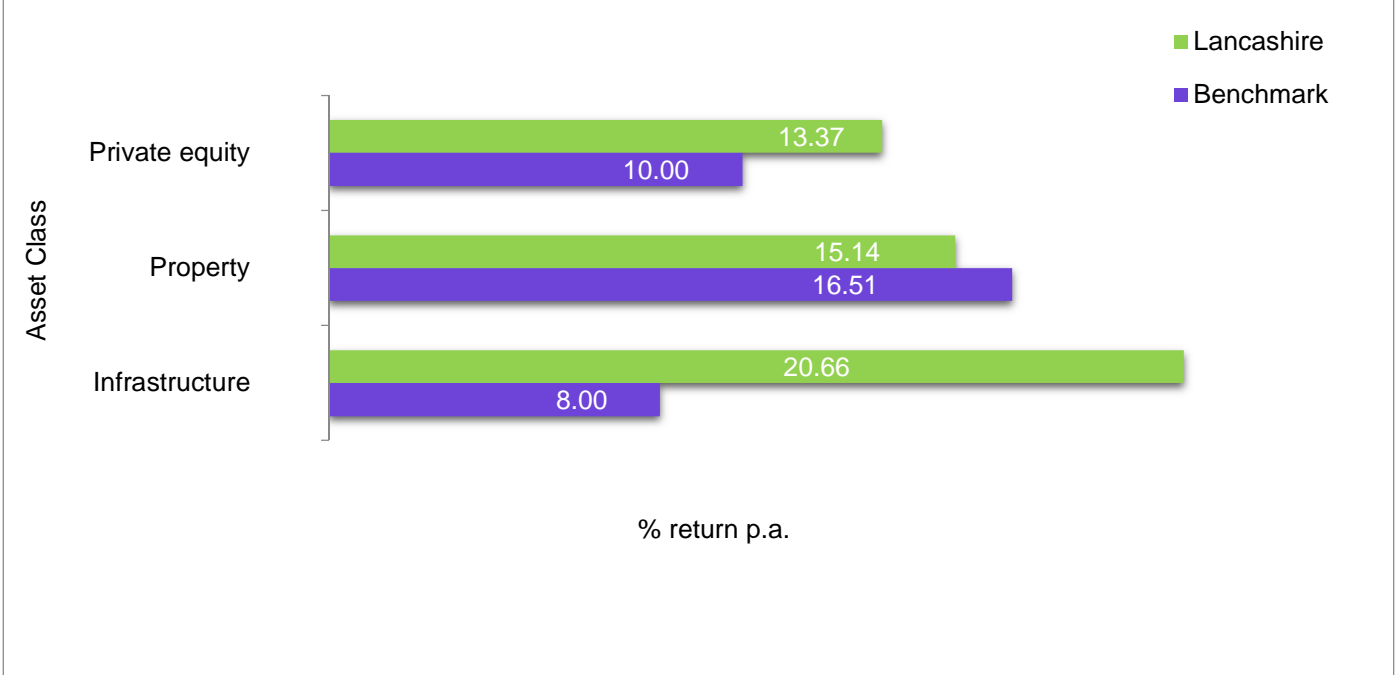
Equity	Market value as at 31 March 2015 £m	Percentage of net assets of the Fund %
Nestle SA	58.8	1.01
Visa Inc	43.1	0.74
Reckitt Benckiser Group Plc	34.2	0.59
Accenture Plc	30.6	0.53
Time Warner Inc	30.3	0.52
British American Tobacco Plc	29.5	0.51
Diageo Ord Plc	29.2	0.50
Royal Caribbean Cruises Ltd	27.2	0.47
Naspers	26.8	0.46
Walt Disney Corp	26.2	0.45
	335.9	5.78

Private equity and real assets

Private equity and infrastructure investments performed strongly ahead of benchmark during this period, reversing what appeared to be poor performance in the previous year.

Conversely, property appears to have performed less well against benchmark during this period (having performed strongly last year), largely reflecting initial transaction and stamp duty costs of the push to increase the portfolio size, as well as the lag in valuation uplift likely to occur in relation to property development activity. In the long term, real estate investments are slightly ahead of the benchmark return.

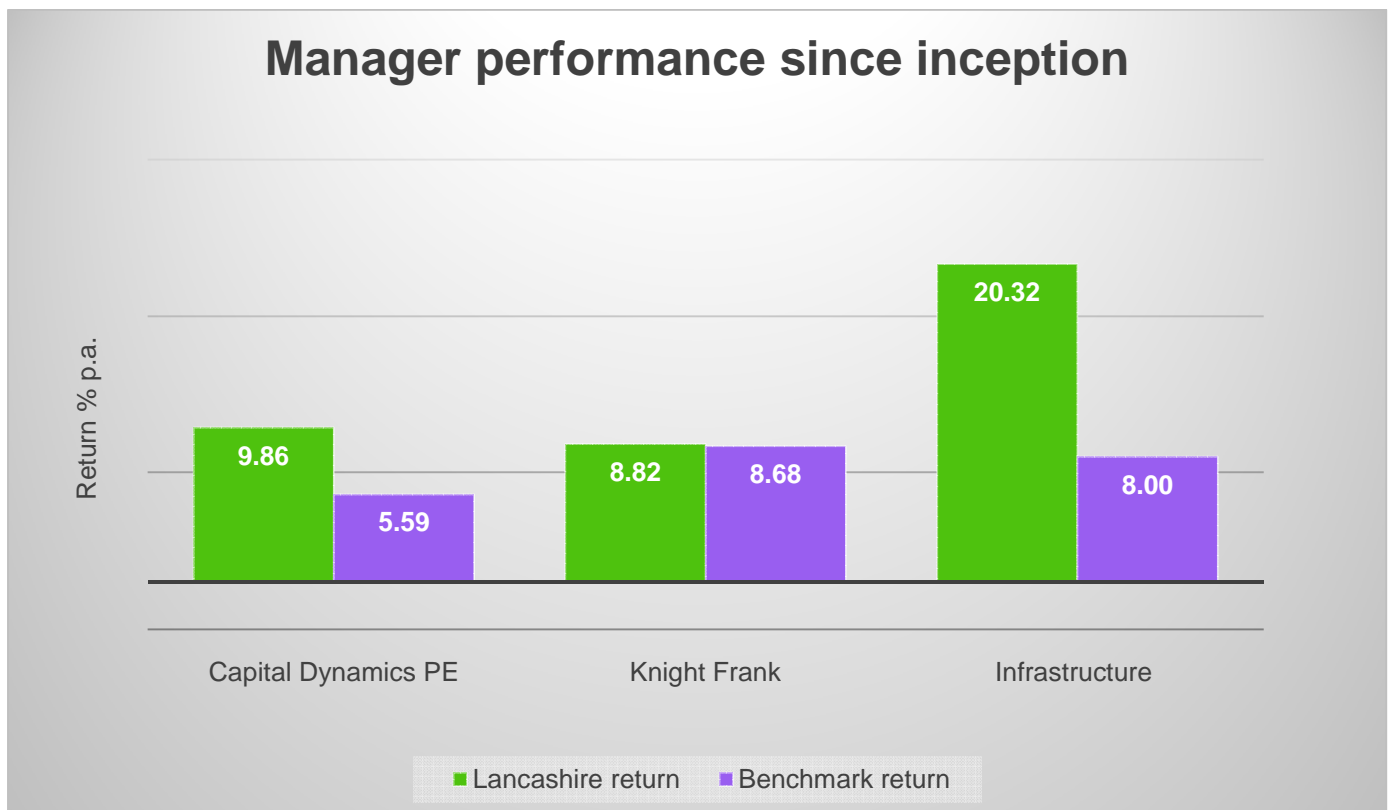
One year performance by asset class to 31 March 2015



Annual valuations of these less liquid asset types can be affected by a number of factors and as with all of the Fund's investments, it is long term performance and the role that an investment plays in meeting the overall needs of the Fund that is key.

Most importantly, therefore, the long term performance since investments in these asset classes were made is strongly positive.

Manager performance since inception



Private equity investments provide alternative opportunities to generate returns linked to movements in stock markets, but because of the higher level of engagement by asset managers in the investee companies, gives an expectation of better long term returns. This return expectation has to be balanced with the higher risk profile and the lack of liquidity of these investments, which typically have to be held from 7-10 years before gains can be realised.

Infrastructure investments offer long-term returns that are expected to closely match the Fund's investment needs and in addition provide an important source of diversification. As well as investing in traditional infrastructure funds, the Fund has made a number of direct investments in global infrastructure, notably in the renewable energy sector. The ability to invest directly minimises fee costs and has enabled the Fund to negotiate favourable investment terms which have delivered excellent performance since inception.

Property investments play an important role in the Fund, both because of the diversification benefits that they bring and also because of the generated rental income which can be used to fund member benefits without the need to liquidate other investments. This role will become increasingly important as the gap between contributions and member benefits will inevitably grow with time.

The largest ten direct property holdings of the Fund as at 31 March 2015 were:

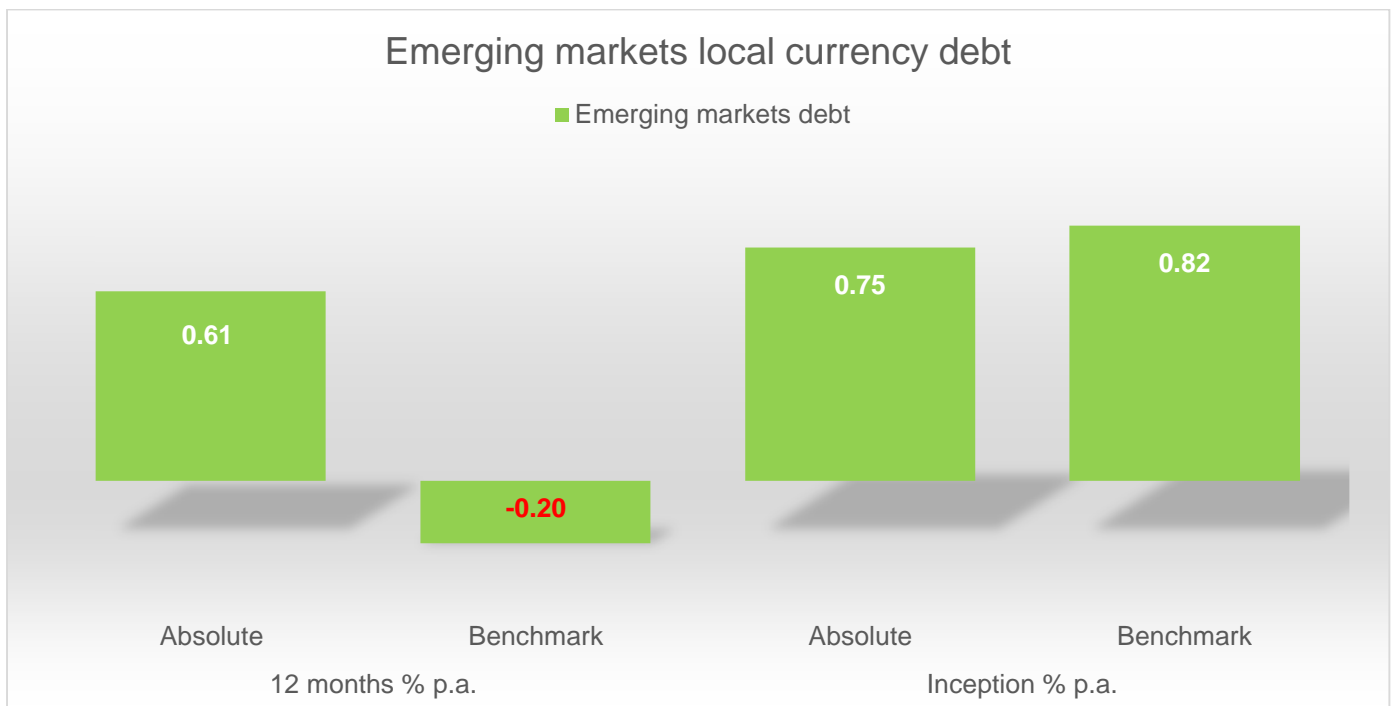
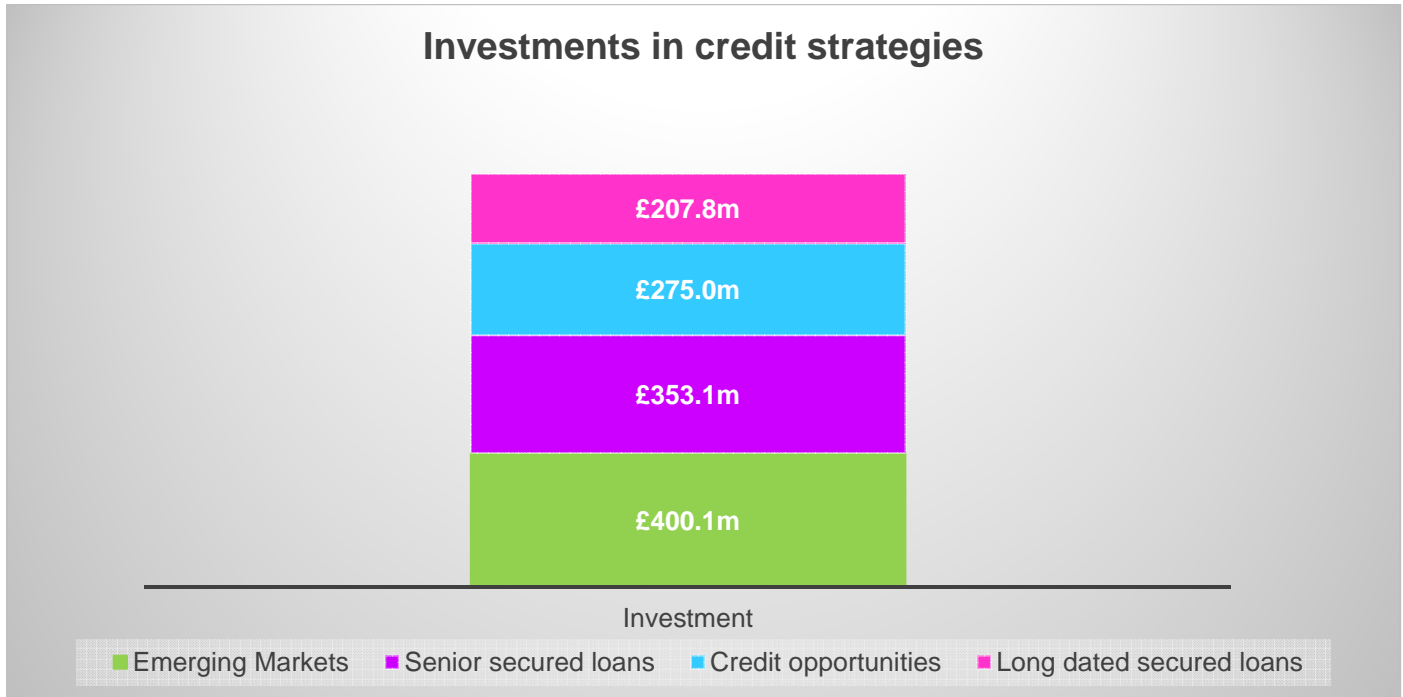
Property	Sector	Market Value as at 31 March 2015 £m
Sainsbury's, Chesham	Shops	31.2
Princes Mead Shopping Centre, Farnborough	Shopping Centre	28.8
1-3 Dufferin St, London	Offices	25.4
St Edmondsbury Retail Park, Bury St Edmunds	Retail / Warehouse	21.0
Benson House, Leeds	Offices	20.5
Tuscany Park, Wakefield	Industrial / Warehouse	19.5
1 & 2 Woodbridge Meadows, Guildford	Multi let commercial	17.6
Weir Road, Wimbledon	Industrial / Warehouse	17.4
St Peter Street, St Albans	Multi let commercial	16.3
Oxonian Park, Oxford	Industrial / Warehouse	15.7
		213.4

In the year the Fund has extended its property development activity as a way of acquiring investment assets at competitive prices and focused a part of its property investment allocation on local investment in the County of Lancashire. At 31 March 2015 the Fund had two projects under construction in the private rented and student accommodation sectors with a gross development value of £50m.

Credit strategies

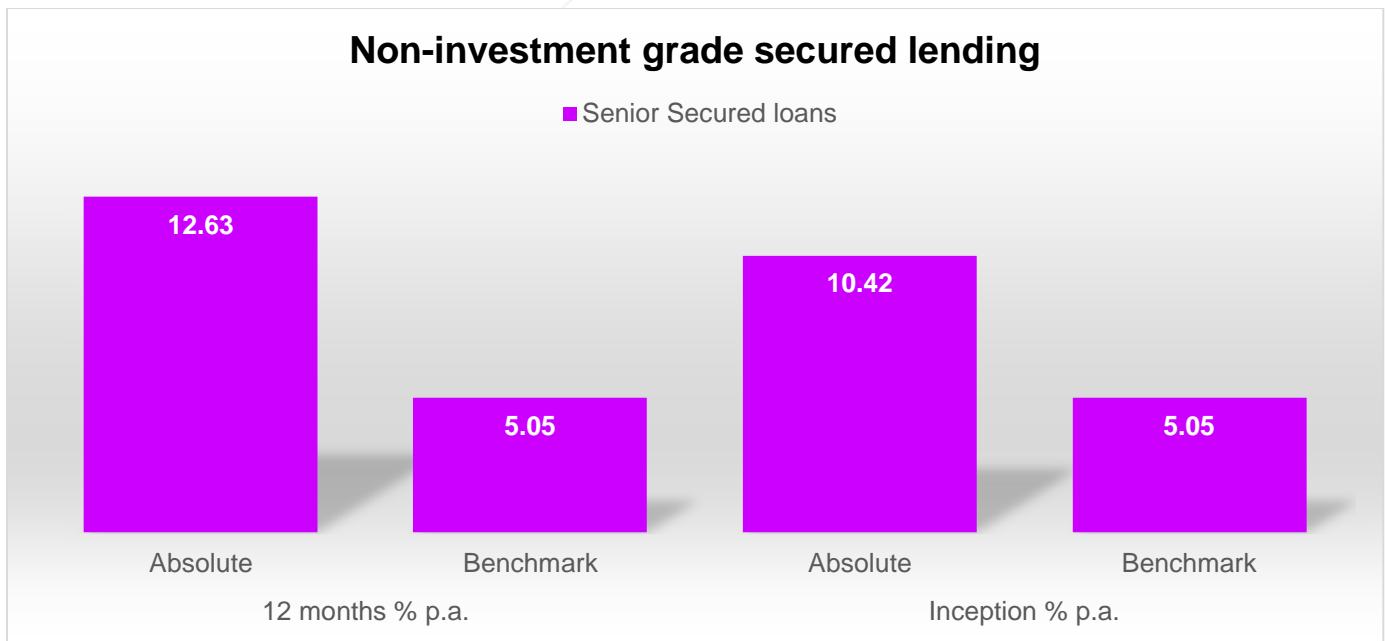
Credit strategies follow four themes. Investments in Emerging Market debt amounted to £400.1m (6.88% of the Fund), £353.1m (6.02%) was invested in non-investment grade secured lending, £275m (4.73%) in cyclical credit opportunities and £207.8m (3.58%) in debt secured on real assets.

Target levels of investment are approximately £440m in each category and further commitments were made during 2014/15. Investment levels will approach targets over the coming years as those commitments are drawn down.



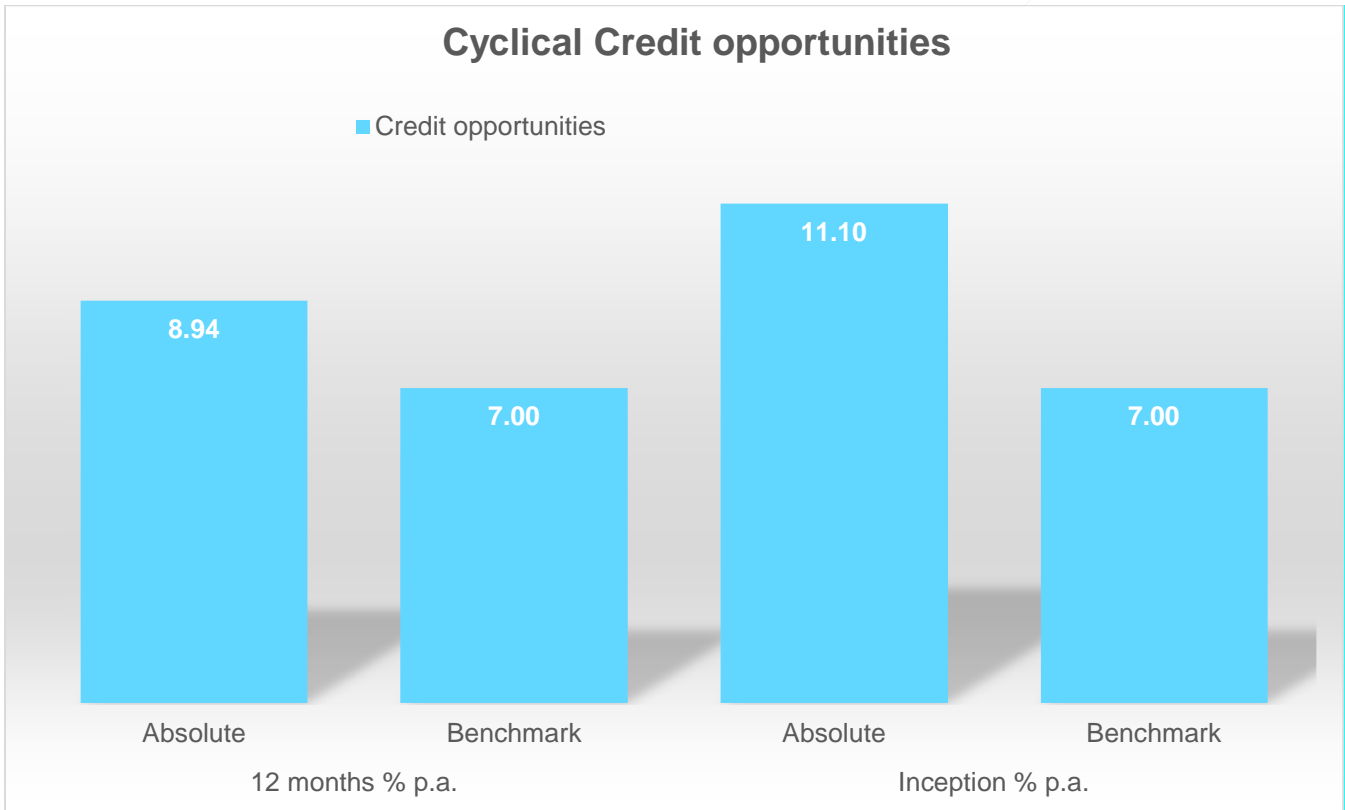
Emerging markets sovereign debt returns suffered from a number of different effects, notably ongoing crises in a number of jurisdictions, continuing depression in global economic demand growth and the reversal of fiscal stimulus in the USA which has led to a withdrawal of significant amounts of international investment.

The Fund's investments in emerging markets debt returned a small return of 0.61% versus a benchmark of -0.20%. These investments are considered likely to benefit from long-term global economic growth and strengthening of the currencies of emerging economies, even if there is some short term volatility. In addition, the asset class provides useful diversification from other more mainstream credit investments.

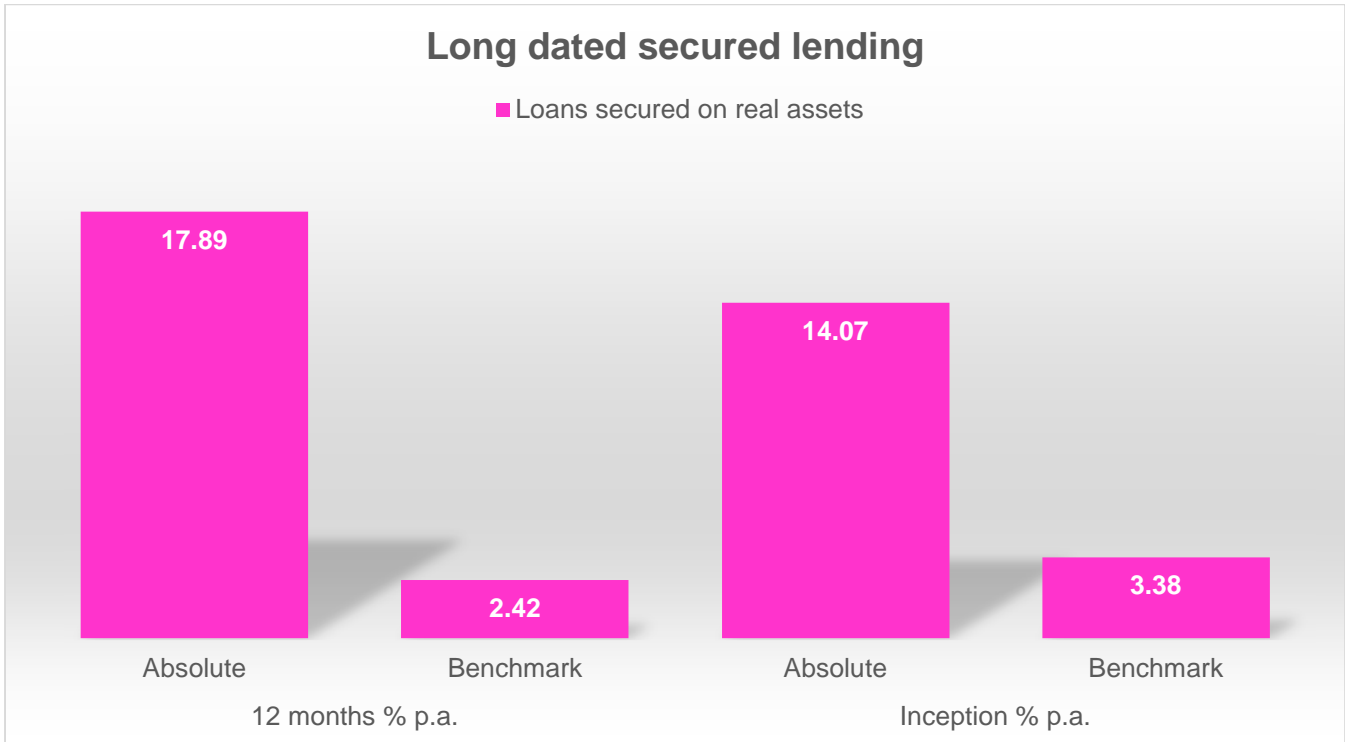


Investments in non-investment grade secured debt recorded a return of 12.63% during the period versus a benchmark of 5.05%. These investments deliver regular cash flows that are reinvested and the investment team believes that they provide an excellent risk/reward profile when compared to traded non-investment grade bonds.

The Fund added further investments to this credit category during the year, diversifying geographical and currency exposure and adding direct lending to small and medium size enterprises to the portfolio.



Investments in cyclical credit opportunities delivered 8.94% versus a benchmark of 7.00%. These investments seek to take advantage of specific opportunities where 'technical' factors mean that assets can be acquired at a discount to their long-term economic value. Generating returns in this credit category requires manager skill in identifying investment opportunities and in managing investments to achieve maximum value. The investments may be illiquid, having to be held to maturity in order to realise gains. They provide a diversification benefit and the expectation of excess returns over the medium term; however valuations require a degree of manager judgement and so return figures should be treated with caution until the portfolio is mature and has a significant track record of realising mark-to-market gains.



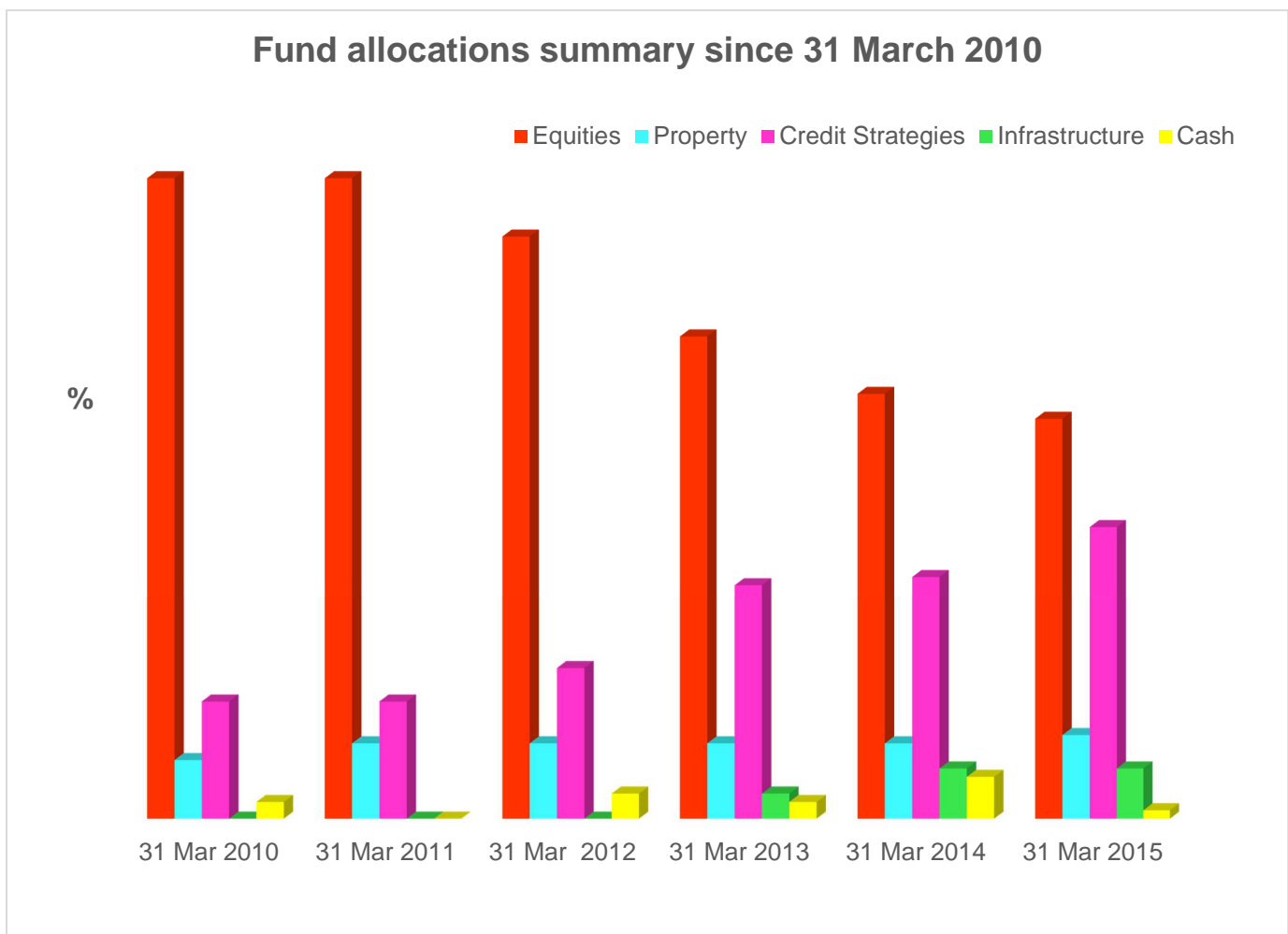
Debt secured on real assets showed significant returns during the period, 17.89% versus a benchmark of 2.42%. However this is an immature portfolio, largely denominated in US Dollars so much of the return comes from disproportionate currency effects.

These investments are typically long dated in nature and provide a very low risk profile, being secured, typically, on real estate. Properly underwritten and managed, there is a very low expectation of loss. Whilst generating lower expectations of long term return, these investments should provide a very good match for the long term needs of the Fund to generate income and protect the value of the portfolio.

Trend

The Fund's investment strategy focusses on reducing reliance on assets such as listed equities, in favour of asset classes such as infrastructure and floating rate credit, and to deliver increased diversification, for example through increased allocations to real estate and other alternative asset types.

This move towards a diverse range of asset classes has resulted in equity accounting for 48% of the Fund at 31 March 2015, compared with 77% five years ago. In the same period, infrastructure and credit investments have increased from 16% to 41%.



At 31 March 2015, equity holdings were towards the middle of their target range (40%-60%), property remained at the bottom of its target range (10%-20%), and credit, infrastructure and cash

were at the top of range (20%-40%). The Fund was holding higher levels of cash than would be the strategic level, due to the impact of transitioning between different asset classes.

As at 31 March 2015, the Fund had committed to invest a further £241m in infrastructure investments, £288.7m in private equity funds, £32m in property developments and £304.1m in various credit strategies. These commitments will be met from the holdings of cash and cash equivalents that the Fund holds (£865.8m) plus from distributions from the maturity of existing investments.

Cashflow

Total cash inflows during the year consisted of £333.5m and cash outflows were £375.7m. This deficit was contributed to, by a significant increase in the number of retirement lump sums paid out as a result of Lancashire County Council's transformation program which has led to a short term increase in early retirements. Furthermore, the Fund was exposed to a significant cash outflow of £89.6m relating to the mandatory transfer of pension assets relating to the probation service under a central government initiative.

The total net cash outflow of £42.2m (net withdrawals from members plus investment income) was comfortably covered by Fund investment performance, leading to a net growth in the fund during the year of £642.6m.

Governance

There are four levels of responsibility for the investment management of the Lancashire County Pension Fund.

1. The County Council's Pension Fund Committee takes major policy decisions and monitors overall performance. The Pension Fund Committee comprises fourteen County Councillors and seven voting co-optees representing other interested organisations;
2. The Investment Panel recommends specific investment allocations in line with the Committee's policy decisions, approves individual investments and monitors the activity of the Fund's external managers. At the 31st March 2015 the Investment Panel consisted of two independent external investment advisers, the Chief Investment Officer, the Deputy County Treasurer and the Treasurer to the Pension Fund, who acted as Chair. Subsequently from the 1st April 2015 the Investment Panel changed and the Director of the Pension Fund, who now acts as Chair and the Head of Investment Compliance replaced the County Treasurer and Deputy County Treasurer.
3. The investment management team of Fund employees undertake day-to-day investment fund selection, monitoring and due-diligence;
4. Finally, external investment managers (or managers of unitised investments held by the Fund) fix precise weightings and select the individual investments within their particular remit.

A more detailed description of the responsibilities of the Committee, its Sub-Committees and the Panel is found in the Governance Policy Statement. [Governance Policy Statement](#)

Social, environmental and ethical considerations

The Fund takes an active stance on corporate governance issues. It uses Pensions Investment Research Consultants ("PIRC") to vote on its behalf at shareholder meetings. PIRC advises on Socially Responsible Investment issues and issues voting guidance and commentary for shareholder meetings. PIRC is instructed to vote the Fund's shares in accordance with its

guidelines unless an Investment Manager requests a different vote for investment management reasons. In the latter case, the Director of the Fund will decide how best to cast the vote in the long-term financial interest of the Fund.

The Fund is a member of the Local Authority Pension Fund Forum (“LAPFF”), which is a group of like-minded local authority pension funds that meet to discuss and act / engage in respect of Socially Responsible Investment and Corporate Governance issues.

Policy on Voting

For many years, the Fund has followed the voting recommendations of PIRC with the Fund's managers being instructed to vote at shareholder meetings in accordance with PIRC's recommendations. PIRC has been acting as the Fund's proxy since 2011 and casting the Fund's votes directly at shareholder meetings.

The Fund's investment managers receive advance notice of PIRC's voting intentions and may raise concerns with the Fund if they do not believe the recommended stance on a vote is in the best financial interests of the Fund.

The Committee delegates its agreement of any significant departure from the guidelines proposed by the managers, to the Director as Chair of the Investment Panel. In all voting decisions the long-term financial interests of the Fund are paramount. There were no occurrences of this during 2014/15.

Policy on Risk

The consideration of investment risk forms part of the Pension Fund's overall risk register, which is presented to Pension Fund Committee on a bi-annual basis. The key risks and associated mitigations are replicated in the [Funding Strategy Statement](#).

The overriding objective of the Fund in respect of its investments is to minimise risk and maximise return while reducing volatility. The structure of the investment management arrangements has been implemented in order to produce a balanced spread of risk for the portfolio.

Operational risk is minimised by having custody of the Fund's financial assets provided by a regulated, external, third party, professional custodian.

The Fund's Global Custodian is Northern Trust. All public market investments are held in nominee accounts of Northern Trust. All private market investments, including interests in private equity, property and other pooled funds are held directly in the name of Lancashire County Council as administering authority of the Lancashire County Pension Fund. Northern Trust provides detailed investment accounting and reconciliation services for all private market investments.

The title deeds in respect of the Fund's property holdings are held by Lancashire County Council and its property solicitors.

Compliance with Myners Principles

The Fund is compliant with the Myners Principles, details of which can be found in the Statement of Investment Principles. [Statement of Investment Principles](#)

G. 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 Section 151 Officer, who is also the Section 151 Officer to the Pension Fund;
- To manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets.

The responsibilities of the Section 151 Officer to the Pension Fund

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

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

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

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

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

The Statement of Accounts relate to the financial year ended 31 March 2015 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.

Abigail Leech ACA

Acting Section 151 Officer

28th September 2015

Annual Governance Statement 2014/15

Introduction

The Lancashire County Pension Fund is a Pension Fund within the Local Government Pension Scheme (LGPS) which is a funded pension scheme created under the terms of the Superannuation Act 1972. Lancashire County Council is the body appointed under statute to act as the Administering Authority for the Fund.

At 31st March 2015 the Lancashire County Pension Fund provides a means of pension saving and retirement security for 153,203 members across 218 organisations with active members and a range of other organisations with only deferred or pensioner members. The Fund is one of the largest funds within the LGPS.

While the Fund is technically not a separate legal entity it does have its own specific governance arrangements and controls which sit within Lancashire County Council's overall governance framework. Given both the scale of the Pension Fund and the very different nature of its operations from those of Lancashire County Council more generally it is appropriate to conduct a separate annual review of the governance arrangements of the Pension Fund and this statement sets out that review.

The Pension Fund's Responsibilities

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

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

The Fund has adopted its own Governance Policy Statement in line with the relevant regulations concerning the governance of funds within the LGPS. This statement has regard to relevant standards such as the Myners' principles. The Governance Policy Statement is available through the following link:

http://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33736&e=e

In addition the operation of the Fund is subject to Lancashire County Council's Code of Corporate Governance which is consistent with the principles of the CIPFA/SOLACE Framework "*Delivering Good Governance in Local Government*". The code is available from the County Council's website at the following link:

http://www3.lancashire.gov.uk/corporate/atoz/a_to_z/service.asp?u_id=1821&tab=1

This statement sets out both how the Pension Fund has complied with its own Governance Policy Statement and Lancashire County Council's Code of Corporate Governance and also meets the requirements of the Accounts and Audit (England) Regulations which require all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

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

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

This statement reports on the annual review of the governance framework by officers which confirms that the framework has been in place within the Pension Fund for the year ended 31 March 2014.

The Fund's Governance Framework

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

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

The Fund has an established planning process focussed around the triennial actuarial review and the various teams providing services to the Fund produce annual service plans within the County Council's overall business planning framework.

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

Senior Managers review new and proposed legislation and the results of activities such as the triennial valuation on an ongoing basis and propose any necessary changes either to objectives and outcomes or the governance arrangements to the Pension Fund Committee.

The Pension Fund Committee meets regularly and considers the various plans and strategies developed in order to meet the strategic objectives of the Fund and to monitor progress on the delivery of the strategic objectives.

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

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

The Pension Fund Committee has approved a strategic plan for the Fund setting out specific objectives in relation to the 4 dimensions of the running of a pension fund. These are reflected in the tasks included in the various team service plans for the year progress against which is measured through the County Council's overall performance management framework, which includes processes for monitoring and managing both individual and team performance.

Reports on the performance of the Investment Strategy (and consequently the results achieved by the Investment Management Team) are reported to each meeting of the Pension Fund Committee. This reporting focuses not just on the performance of investments but on the scale of the Fund's liabilities. Asset allocation strategies are as efficient as possible in providing the best returns (net of fees) for the appropriate amount of risk and an appropriate level of fees.

A six monthly report on the performance of the administration service is presented to the Pension Fund Committee each year and made available to all Fund members and stakeholders. This report shows, amongst other things, performance against target for a range of industry standard process targets.

A programme of ongoing review of both procedures and processes is maintained and the cost of the administration service charged to the Fund is maintained below the lower quartile cost of comparable authorities as published by the Department of Communities and Local Government.

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

Clear job descriptions exist for all staff involved in the management of the Fund and the delivery of services to Fund members and employers, and together with appropriate guidance documents and constitutional documents such as the Governance Policy Statement provide the basis on which the management of the Fund is undertaken within a defined framework of procedural governance. Matters reserved for the Pension Fund Committee and Senior officers are defined in the Governance Policy Statement and more widely (for example in relation to staffing matters) in the County Council's Constitution.

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

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

Review of the effectiveness of the Fund's decision making framework including delegation arrangements and robustness of data.

The interaction between the Pension Fund Committee and the Investment Panel, including levels of delegation, has been reviewed and revised to better meet the needs of the Fund in terms of effective delivery of the Investment Strategy, and this is reflected in specific reporting arrangements in relation to investment activity. These arrangements will be reviewed in the light of the new statutory and regulatory framework that will be put in place by April 2015.

The development of a more liability aware investment strategy and changes in the arrangements for data collection from fund employers will increase the amount and quality of information available to support decision making and therefore serve to strengthen the decision making process.

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

At the top level these requirements are set out in the Governance Policy Statement and within the County Council's Constitution. These are reviewed on a regular basis and are supported by a range of detailed materials appropriate to specific activities.

The management of risk is central to the Fund's activities and efforts have been made to formalise the Fund's risk register as well as increase awareness of risk in various contexts including:

- Investment decision making
- Project Management and Delivery
- Data Quality
- Fund Employer Risks

Fulfilling the core functions of an Audit Committee

In relation to the Fund this role is performed by Lancashire County Council's Audit and Governance Committee, which conducts an annual review of its effectiveness in undertaking this role.

The ensuring of compliance with relevant laws and regulations, internal policies and procedure and that expenditure is lawful

The key area of compliance from an operational point of view is with the various Local Government Pension Scheme Regulations covering both the structure and benefits payable by the Fund and the investment of funds.

Compliance with the Scheme Regulations is ensured by a dedicated technical team and the use of a pensions administration system specifically designed for the LGPS.

The Fund's investments are managed in line with the relevant regulations with independent assurance in relation to compliance provided both by the Fund's custodian and an Investment Compliance Team which is managerially independently from the Investment Management Team.

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

The basic system of financial control mirrors that of Lancashire County Council, and is centred on principles of appropriate segregation of duties, management supervision, delegation and accountability.

Managers undertake maintenance of and input into the system, including review and reporting of actual performance against plans and budgets in the context of investments, administration and accounting.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner.

The Fund participates in the National Fraud Initiative, previously managed by the Audit Commission and actively investigates all data matches found as a result of this process. The results of this work are reported to the Pension Fund Committee. More generally Lancashire County Council's procedures for investigating allegations of fraud and corruption apply equally to the Fund.

Whistle blowing and receiving and investigating complaints from the public

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

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

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

Elected members undertake training needs analysis linked to the CIPFA Knowledge and Skills Framework. This has resulted in the provision of access to a range of specific reading material and the provision of a programme of learning opportunities targeted at specific areas of identified need. In addition prior to major decisions coming before the Pension Fund Committee topic based

training relating to the decision at hand is provided. The delivery of this programme is the responsibility of the Head of Investment Compliance.

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

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

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

- Newsletters for active, deferred and pensioner members;
- Campaign materials focussed around scheme changes;
- Workshops, conferences and guidance materials provided to employers
- The Fund's website, which contains an increasing transactional capability.
- An annual "brief" for Finance Directors of employer organisations providing information on the performance of the Fund and an update on specific issues of interest, such as the triennial valuation.
- The publication of committee papers, minutes and various annual reports and policy documents on the internet.

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

The Fund is bound by Lancashire County Council's partnership protocol, which highlights the need for such arrangements to reflect good practice in terms of governance. The Fund itself has a limited number of "partnerships", which are largely in the form of jointly procured contracts for the provision of services for which suitable governance arrangements are in place. However, for all arrangements where there is a relationship between the Fund and another organisation the Fund seeks to spell out clearly the expectations and requirements on each party, whether in contractual form where appropriate or through a form of "service level agreement" where a contract is not appropriate.

The Fund seeks to comply with the principles set out in CIPFA's Statement "The Role of the Chief Finance Officer in Local Government", and the arrangements within Lancashire County Council comply with the principles of this statement. The Fund, however, is not a local authority in its own right and therefore the applicability of some elements of the statement within the context of the Fund is limited. During 2014/15 the County Treasurer, as the County Council's Chief Finance Officer, was separately appointed by the Full Council as Treasurer to the Lancashire County Pension Fund and consequently the Chief Officer responsible for fulfilling the County Council's duties as administering authority. Following a restructure of the County Council's management from 1st April 2015 the functions of Chief Finance Officer have passed to the Director of Financial Resources while the responsibility for fulfilling the County Council's functions as administering authority have passed to the Director of the Lancashire County Pension Fund.

The Fund seeks to comply with the requirements of CIPFA's Knowledge and Skills Framework. Training is ongoing and will continue to be focussed on the needs identified through an analysis of training needs.

The Fund has, in line with the relevant LGPS regulations taken steps to separate its banking arrangements from those of the County Council and these have been reviewed by both internal and external auditors and been seen to be satisfactory. The Fund is also continuing to develop the way in which it uses its accounting system in order to gain greater efficiency in back office operations and make tasks such as accounts preparation easier.

Review of Effectiveness

The Pension Fund Committee is responsible for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the senior managers responsible for the delivery of the Fund's various activities, who have a responsibility for the maintenance and development of the governance environment, the Chief Internal Auditor's annual report, and also reports of the external auditor and other review agencies such as the Pensions' Regulator and Pensions' Ombudsman.

The key planned activities of the Fund during 2014/15 were:

- To work with the Pension Fund Committee to define more clearly the overall objectives and strategic planning framework for the Fund;
- To review and refresh, as necessary, those elements of the Fund's policy framework that have not yet been subject to review as part of the process of introducing LGPS 2014.
- To review the Fund's governance arrangements in the light of the Government's proposals for reform as part of LGPS 2014, including preparation for the new role for the Pensions' Regulator.
- To work with members of the Pension Fund Committee and officers involved in the running of the Fund to ensure that they are able to comply with the requirements set out in the CIPFA Knowledge and Skills Framework.
- To develop and begin the implementation of a more "liability aware" strategy for the management of the Fund's investments, in particular reflecting the individual circumstances of employing organisations;
- To embed the processes associated with the Fund's risk register in the management of the Fund.
- To review the transparency and scale of charges made by the County Council for services provided to the Fund.
- To produce a formal Compliance Manual for the Fund consolidating currently disparate guidance notes and memoranda.
- To formalise the arrangements for the management of the Fund's internal cash holdings by County Council staff into a clear investment mandate.

The Committee has overseen each of these processes and has continued the Governance arrangements of its predecessor which delegate executive authority to officers in appropriate circumstances with effective accountability and scrutiny arrangements. This process has embedded the arrangements agreed by the previous Pension Fund Committee which are set out in the Governance Policy Statement. In particular the Committee has reviewed and approved a formalisation of the Fund's overall arrangements for the management of the different categories of risk to which it is exposed.

During the Year changes were made to the Fund's overall governance arrangements to accommodate the creation of the new statutory Local Pension Board as an oversight body. This resulted in the discontinuation of the Pension Fund Administration Sub Committee, which oversaw a range of administration related matters.

The Investment Panel ensures that appropriate due diligence is undertaken on new investments and ensures that they comply with the LGPS Investment Regulations. The Panel is chaired by the Treasurer and includes the Fund's two Independent Investment Advisers. The Panel continues to operate under delegated authority from the Pension Fund Committee.

Lancashire County Council's Democratic Services Team is responsible for supporting the Committee and its chair in managing Committee, Sub Committee and Investment Panel meetings. The County Secretary and Solicitor (from 1st April 2015 the Director of Finance, Governance and Public Services) as the County Council's Monitoring Officer carries the same responsibilities in relation to the Fund.

The Fund's Internal Audit Service is provided by the County Council's Internal Audit Service and the Chief Internal Auditor (from 1st April 2015 the Head of Service – Internal Audit) was during the year managerially accountable to the County Treasurer, and from 1st April 2015 will be managerially accountable to the Director of Legal and Democratic Services. The Chief Internal Auditor provides both a separate annual audit plan and annual report to the Pension Fund Committee, which are subject to approval by the Committee. The work of Internal Audit is carried out:

- In accordance with the standards set out in relevant professional guidance promulgated by CIPFA and the Institute of Internal Auditors and the requirements of International Public Sector Auditing Standards.
- Informed by an analysis of the risks to which the Fund is exposed. The Internal audit plan is developed with and agreed by the Chief Internal Auditor and the various senior managers responsible for aspects of the Fund's operations.
- During the year the Chief Internal Auditor's reports include Internal Audit's opinion on the adequacy and effectiveness of the Fund's system of control.

The Chief Auditor's Annual Report for 2014/15 indicates that she is able to provide substantial assurance over the controls operated by the Fund.

External audit of the Fund is provided by Grant Thornton who were appointed by the Audit Commission as a consequence of being appointed as auditor for Lancashire County Council.

- The work is performed to comply with international auditing standards.
- The auditors take a risk based approach to audit planning as set out in the Code of Audit Practice. Grant Thornton will report on the audit of the Fund's financial statements.
- The audit will include a review of the system of internal control and the Annual Governance Statement within the context of the conduct of those reviews relating to the County Council.
- Grant Thornton were appointed for five years following a procurement process managed by the Audit Commission.

Actions Planned for 2015/16

The following specific actions are proposed for completion during 2014/15.

- A decision on whether to proceed with the development of a formalised collaborative arrangement with the London Pension Fund Authority that could require fundamental changes to the Fund's Governance arrangements.
- A review of the Fund's governance arrangements in the light of both the proposed formal collaboration and the creation of the new Local Pension Board.

- The further review of the Fund's policies and discretions in the light of LGPS 2014.
- The development of new routes for engagement with both fund employers and fund members across a wider range of issues.
- The formalisation of employer risk assessment activity within the Fund's overall governance arrangements.

County Councillor K Ellard
Chair of the Pension Fund Committee

George Graham
Director
Lancashire County Pension Fund

5 June 2015

Independent auditor's statement to the members of Lancashire County Council on the Pension Fund financial statements included in the Pension Fund annual report.

Lancashire County Pension Fund

Fund account

	Note	2014/15 £m	2013/14 £m
Dealing with members, employers and others directly involved in the Fund			
Contributions	6	238.0	214.0
Transfers in from other pension funds	7	4.8	7.1
		242.8	221.1
Benefits	8	(240.2)	(221.1)
Payments to and on account of leavers	9	(100.1)	(15.3)
Management expenses	10	(35.4)	*(31.3)
		(375.7)	*(267.7)
Net withdrawals from dealings with members		(132.9)	*(46.6)
Returns on investments			
Investment income	11	90.7	105.3
Profit and losses on disposal of investments and changes in the market value of investments	14	684.7	*118.4
Net return on investments		775.4	*223.7
Net increase / (decrease) in the net assets available for benefits during the year		642.5	177.1
<p>*Prior year restated to include all investment fees directly incurred by the Fund, including those charged on pooled fund investments previously accounted for within the valuation of investments.</p>			

Lancashire County Pension Fund

Net assets statement

as at 31 March 2015

	Note	31/03/15 £m	31/03/14 £m
Investment assets	14	6,383.1	4,877.3
Cash deposits	14	60.0	315.5
		6,443.1	5,192.8
Investment liabilities	14	(629.6)	(21.3)
Current assets	20	28.1	28.3
Current liabilities	21	(10.9)	(11.7)
Net assets of the Fund available to fund benefits at the period end		5,830.7	5,188.1

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 as at 31 March 2015 and its income and expenditure for the year then ended.

Abigail Leech ACA

Acting Section 151 Officer

County Councillor Terry Brown

Chair of the Audit and Governance Committee

Notes to the financial statements

1. Pension Fund operations and membership

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

The published accounts show that in 2014/15 cash inflows during the year consisted of £333.5 million and cash outflows were £375.7 million, representing a net cash outflow of £42.2 million (compared with an inflow of £58.7 million in the previous year). Benefits payable amounted to £240.2 million and were partially offset by net investment income of £90.7 million (including £11.7 million accrued dividends); contributions of £238 million and transfers in of £4.8 million. A bulk transfer out of £89.6 million in relation to the transfer of employment from the Probation Trust to Greater Manchester Pension Fund contributed to the overall cash outflow, as did the temporary investment of cash in liquid bond funds and directly held investment grade bonds to commit to investments in line with the Fund's investment strategy.

The following description of the Fund is a summary only. For more detail, reference should be made to the Lancashire County Pension Fund Annual Report 2014/15 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) regulations.

1.1 General

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

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

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

The Fund is overseen by the Lancashire Pension Fund Committee, which is a committee of Lancashire County Council.

The investments of the Pension Fund are managed by both external and in-house 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 Funds website at [Your Pension Service - Lancashire Fund Information](#)

1.2 Membership

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

Organisations participating in the Lancashire County Pension Fund include:

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

There are 320 employer organisations (2013/14: 297 employer organisations) within Lancashire County Pension Fund including the County Council itself, of which 218 have active members (2013/14: 210) as detailed below:

Lancashire County Pension Fund	31/03/15	31/03/14
Total number of employers	320	297
Number of employers with active members	218	210
Number of active scheme members		
County Council	27,405	27,501
Other employers	26,774	27,243
Total	54,179	54,744
Number of pensioners		
County Council	21,765	21,068
Other employers	21,446	21,210
Total	43,211	42,278
Number of deferred pensioners		
County Council	29,148	28,058
Other employers	26,665	25,837
Total	55,813	53,895
Total membership	153,203	150,917

1.3 Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation relevant to the year ended 31st March 2015 was done at 31 March 2013. Currently employer contributions range from 3.0% to 25.8% of pensionable pay.

1.4 Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, as detailed in the following summary:

	Service Pre 1 April 2008	Service post 31 March 2008	Service post 1 April 2014
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary	Each year worked is worth 1/49 th x the pensionable pay for that year (or 1/98 th of pensionable pay if member opts for the 50/50 section of the scheme)
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2014/15 financial year and its position as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2014/15 which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in note 25 of these accounts.

3. Accounting policies

3.1 Fund Account - revenue recognition

3.1.1 Contribution income

Normal contributions both from the members and from the employer are accounted for on an accruals basis at the percentage rate recommended by the scheme actuary in the payroll period to which they relate.

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

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

3.1.2 Transfers to and from other schemes

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

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

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in. Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

3.1.3 Investment income

3.1.3.1 Interest income

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

3.1.3.2 Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3.1.3.3 Distribution from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

3.1.3.4 Property-related income

Property-related income consists primarily of rental income.

Rental income from operating leases on properties owned by the Fund is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

3.1.3.5 Movement in the net market value of investments

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

3.2 Fund account – expense items**3.2.1 Benefits payable**

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

3.2.2 Taxation

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

3.2.3 Management expenses

The code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses management expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Costs". The comparative figures for 2013/14 have been restated to reflect the implementation of the CIPFA guidance.

3.2.4 Administrative expenses

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension's administration team are charged directly to the Fund. Management, accommodation, finance and other overheads are apportioned in accordance with council policy.

3.2.5 Oversight and governance expenses

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

3.2.6 Investment management expenses

All investment management expenses are accounted for on an accruals basis.

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

The Fund has negotiated performance related fees with a number of managers.

Where an investment manager's fee note has not been received by the net assets statement date, an estimate based upon the market value of their mandate as at the end of the year is used for the inclusion in the fund account. In 2014/15, £2.3m of fees is based on such estimates (2013/14: £2.8m).

The costs of the council's in-house fund management team are charged direct to the Fund and a proportion of the council's costs representing management time spent by officers on investment management are also charged to the Fund.

3.3 Net assets statement

3.3.1 Financial assets

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

The values of investments as shown in the net assets statement have been determined as follows:

3.3.2 Market-quoted investments

The value of an investment for which there is a readily available market price is determined by bid market price ruling on the final day of the accounting period.

3.3.3 Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

3.3.4 Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.

Where securities are subject to takeover offer, the valuation is based on the consideration offered, less realisation costs.

Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property, infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.

Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the guidelines set out by the British Venture Capital Association.

3.3.5 Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

3.3.6 Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

3.3.7 Freehold and leasehold properties

The properties were valued at open market value at 31 March 2015 by Simon Smith MRICS of independent valuers Cushman and Wakefield LLP in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arms-length terms.

3.3.8 Acquisition costs of investments

The acquisition costs of investments are included within the purchase price.

3.3.9 Valuation of investments

Investments are shown at their fair value as at 31 March 2015. The fair value is the current bid price for quoted securities and unitised securities.

3.3.10 Foreign currency transactions

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

3.3.11 Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in fair value of derivative contracts are included in change in market value.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

3.3.12 Loans and receivables

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

The Fund's loans and receivables comprise of trade and other receivables and cash deposits.

3.3.13 Cash and cash equivalents

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

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

3.3.14 Financial liabilities

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

3.3.15 Financial liabilities at amortised cost

Financial liabilities at amortised cost are the default category for financial instruments that do not meet the definition of financial liabilities at fair value through profit or loss.

3.3.16 Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards.

As permitted under IAS 26 the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net asset statement (note 25).

3.3.17 Additional voluntary contributions

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

AVCs are not included in the Pension Fund accounts in accordance with section 4(2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (note 19).

3.3.18 Securities lending

Investments lent under securities lending arrangements continue to be recognised in the net assets statement to reflect the scheme's continuing economic interest in the securities and are measured in accordance with the accounting policy for assets 'at fair value through profit and loss' or 'available for sale' as appropriate.

Collateral is marked to market, and adjusted daily. As the Fund has an obligation to return the collateral to the borrowers, collateral is excluded from the fund valuation.

4. Critical judgements in applying accounting policies

4.1 Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equities and infrastructure investments are valued by the investment managers using guidelines set out by the British Venture Capital Association.

4.2 Pension Fund liability

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the net assets statement date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could be materially different from the assumptions and estimates.

The items in the Pension Fund's net assets statement at 31 March 2015 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Impact if actual results differ from assumptions
Private equity and infrastructure investments.	Private equity and infrastructure investments are valued at fair value in accordance with British Private Equity and Venture Capital Association guidelines / International Private Equity and Venture Capital Valuation guidelines or equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The market value of private equity and infrastructure investments in the financial statements totals £601.2m. There is a risk that these investments might be under or overstated in the accounts.
Long-term credit investments	Long-term credit investments are valued as the Fund's percentage share of the independently audited Net Asset Value of each individual strategy as provided by the relevant manager. In some cases the underlying investments will comprise level three assets whose valuations involve a degree of management judgement.	The market value of long-term credit investments in the financial statements totals £1,236.0m. There is a risk that these investments might be under or overstated in the accounts.

Bonds secured on affordable housing assets.	The bonds are held at the best estimate of market value. The value is based on long term expectations of interest rates, inflation and credit spreads in the housing association sector. Exact market benchmarks for these estimates may not be easily observable.	The market value of housing authority bonds totals £42.6m in the financial statements. There is a risk that this may be under or overstated.
Indirect property valuations.	Indirect properties are valued at the current open market value as defined by the RICS Appraisal and Valuation Standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Indirect property investments in the financial statements total £43m. There is a risk that these investments may be under or overstated in the accounts.
Actuarial present value of retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Mercer) is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.25% reduction in the discount rate assumption would increase the value of the liabilities by approximately £450m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £200m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £170m.

6. Contributions receivable

By category	2014/15	2013/14
	£m	£m
Employers	183.2	160.0
Members	54.8	54.0
	<u>238.0</u>	<u>214.0</u>

By authority	2014/15	2013/14
	£m	£m
County Council	102.1	91.3
Scheduled Bodies	115.4	104.4
Admitted Bodies	20.5	18.3
	<u>238.0</u>	<u>214.0</u>

By type	2014/15	2013/14
	£m	£m
Employee's normal contributions	54.8	54.0
Employer's contributions*	171.7	154.6
Employer's augmentation contributions**	11.5	5.4
	<u>238.0</u>	<u>214.0</u>

* 2014/15 employer's contributions include £47.3m in respect of deficit contributions.

**Augmentation contributions comprise additional pension benefits awarded to scheme members in line with the general conditions of employment.

Within the employee contributions figure for 2014/15, £0.4m is voluntary and additional regular contributions. (2013/14: £0.4m)

7. Transfers in from other Pension Funds

	2014/15	2013/14
	£m	£m
Individual transfers in from other schemes	4.8	7.1
	<u>4.8</u>	<u>7.1</u>

8. Benefits payable

By category	2014/15	2013/14
	£m	£m
Pensions	192.0	183.9
Lump sum retirement benefits	41.7	33.2
Lump sum death benefits	6.5	4.0
	<u>240.2</u>	<u>221.1</u>

By authority	2014/15	2013/14
	£m	£m
County Council	106.3	93.4
Scheduled Bodies	118.5	112.9
Admitted Bodies	15.4	14.8
	<u>240.2</u>	<u>221.1</u>

9. Payments to and on account of leavers

	2014/15 £m	2013/14 £m
Refunds to members leaving service	0.2	0.0
Individual transfers	10.3	12.9
Group transfers	89.6	2.4
	<u>100.1</u>	<u>15.3</u>

As part of a Ministry of Justice review, Greater Manchester Pension Fund (GMPF) was chosen to administer the Local Government Pension Scheme for the National Probation Service from 1st June 2014. This resulted in a bulk transfer being made to transfer Lancashire Probation Trust's share of assets to the GMPF.

10. Management expenses

	2014/15 £m	2013/14 £m
Administrative costs	3.5	3.6
Investment management expenses	29.2	*25.1
Custody fees	0.2	0.2
Oversight and governance costs	2.5	2.4
	<u>35.4</u>	<u>*31.3</u>

*Prior year restated in accordance with CIPFA guidance on accounting for management expenses. Investment and management expenses include £15.5m of investment fees directly incurred by the fund and previously accounted for within the valuation of investments.

Investment management expenses include £1m (2013/14: £1.5m) in respect of performance-related fees paid/payable to the Fund's investment managers. Investment management expenses also include £1.8m in respect of transaction costs (2013/14: £1.4m).

In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

11. Investment income

	2014/15 £m	2013/14 £m
Fixed interest securities	2.9	31.5
Equity dividends	40.6	36.8
Index linked securities	0.0	1.6
Pooled investment vehicles	15.0	6.4
Net rents from properties	24.3	23.5
Interest on cash deposits	0.5	3.2
Other	7.4	2.3
	<u>90.7</u>	<u>105.3</u>

12. Property income

	2014/15 £m	2013/14 £m
Rental income	29.7	27.4
Direct operating expenses	(5.4)	(3.9)
Net income	<u>24.3</u>	<u>23.5</u>

13. Stock lending

Northern Trust, the Fund's custodian, are 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 2014/15 was £2.2m (2013/14: £1.2m)

Securities on loan at the 31st March 2015 were £86m (2014: £131.7m) and are included in the net assets statement to reflect the scheme's continuing economic interest in the securities. This consisted of £86m of equities (2014: £129.9m equities and £1.8m bonds).

Collateral is marked to market, and adjusted daily. Additional collateral of between 2% and 5% is requested as an additional measure of industry standard practice to mitigate risk. As the Fund has an obligation to return the collateral to the borrowers, collateral is excluded from the fund valuation. The collateral is non cash and totalled £92m of equities (2014: £139.8m bonds).

14. Reconciliation of movements in investments and derivatives

	Market value as at 1 April 2014	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Market value as at 31 March 2015
	£m	£m	£m	£m	£m
Fixed interest securities	233.0	328.1	(411.6)	(0.7)	148.8
Equities	1,921.1	356.8	(611.0)	333.8	2,000.7
Index linked securities	0.0	1,133.4	(873.3)	57.8	317.9
Pooled investment vehicles	2,238.9	761.1	(503.0)	243.2	2,740.2
Direct property	450.5	59.7	(29.4)	50.6	531.4
	4,843.5	2,639.1	(2,428.3)	684.7	5,739.0
Derivative contracts:					
Forward currency contracts asset value	21.4				632.4
Cash deposits	315.5				60.0
Investment accruals	12.4				11.7
Investment assets	5,192.8				6,443.1
Forward currency contracts liability value	(21.3)				(629.6)
Portfolio value	5,171.5				5,813.5

	Market value as at 1 April 2013	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Market value as at 31 March 2014
	£m	£m	£m	£m	£m
Fixed interest securities	843.6	190.2	(765.9)	(34.9)	233.0
Equities	1,749.3	972.5	(954.8)	154.1	1,921.1
Index linked securities	164.9	92.9	(248.5)	(9.3)	0.0
Pooled investment vehicles	1,601.2	1,248.5	(559.9)	(50.9)	2,238.9
Direct property	434.9	15.0	(43.3)	43.9	450.5
	4,793.9	2,519.1	(2,572.4)	102.9	4,843.5
Derivative contracts:					
Forward currency contracts asset value	121.4				21.4
Cash deposits	170.5				315.5
Investment accruals	21.6				12.4
Investment assets	5,107.4				5,192.8
Forward currency contracts liability value	(118.4)				(21.3)
Portfolio value	4,989.0				5,171.5

Investments analysed by fund manager

		31/3/15	%	31/3/14	%
		£m		£m	
Public equity					
External managers	Baillie Gifford	734.1	12.6%	793.0	15.3%
	MFS	334.2	5.7%	269.6	5.2%
	Morgan Stanley	283.5	4.9%	239.4	4.6%
	NGAM	230.8	4.0%	285.8	5.5%
	Robeco	448.5	7.7%	366.7	7.1%
UCITS funds	AGF	266.9	4.6%	239.9	4.6%
	MFG (Magellan)	238.1	4.1%	197.5	3.8%
		2,536.1	43.6%	2,391.9	46.1%
Private equity					
External managers	Capital Dynamics	269.9	4.7%	221.5	4.3%
Direct	Standard Life	7.6	0.1%	0.0	0.0%
		277.5	4.8%	221.5	4.3%
Long-term credit investments					
Senior secured loans	Ares Institutional	123.2	2.1%	106.5	2.1%
	Babson	72.8	1.3%	62.9	1.2%
	Hayfin	44.2	0.8%	20.4	0.4%
	Highbridge	57.1	1.0%	49.6	1.0%
	THL	55.8	1.0%	48.1	0.9%
Loans secured on real assets	Heylo Housing	42.6	0.7%	0.0	0.0%
	Prima	153.5	2.6%	0.0	0.0%
	Westmill	11.7	0.2%	11.9	0.2%
Emerging market debt	Bluebay	128.8	2.2%	81.7	1.6%
	HSBC	58.2	1.0%	47.0	0.9%
	Investec	83.5	1.4%	71.0	1.4%
	Pictet	129.6	2.2%	108.8	2.1%
Credit opportunities	CRC- Christofferson Robb & Co	34.4	0.6%	2.2	0.0%
	EQT	44.3	0.8%	20.0	0.4%
	MFO King Street	54.8	1.0%	47.0	0.9%
	Monarch	53.8	0.9%	48.5	0.9%
	Neuberger Berman	58.8	1.0%	35.5	0.7%
	Pimco Bravo	28.9	0.5%	8.5	0.2%
		1,236.0	21.3%	769.6	14.9%

		31/3/15	%	31/3/14	%
		£m		£m	
Liquid credit (cash and bonds)					
External managers	Babson	226.9	3.9%	60.0	1.2%
	ING	181.9	3.1%	206.6	4.0%
	Janus	0.0	0.0%	120.1	2.3%
	JP Morgan	0.0	0.0%	120.0	2.3%
	In-house	457.0	7.9%	514.6	10.0%
		865.8	14.9%	1,021.3	19.8%
Infrastructure					
Direct	Arclight Energy	35.9	0.6%	30.1	0.6%
	Capital Dynamics	65.6	1.1%	54.1	1.0%
	Cape Byron				
	Capital Dynamics	32.9	0.6%	25.5	0.5%
	Clean Energy				
	Capital Dynamics Red	92.8	1.6%	93.2	1.8%
	Rose				
	Capital Dynamics US	0.0	0.0%	14.3	0.3%
	Solar				
	EQT Infrastructure	13.1	0.2%	12.3	0.2%
	Global Infrastructure	15.9	0.3%	17.2	0.3%
	Partners				
	Highstar Capital	33.4	0.6%	19.3	0.4%
	Icon Infrastructure	29.8	0.5%	25.4	0.5%
	ISQ Global	4.3	0.1%	0.0	0.0%
	Infrastructure				
		323.7	5.6%	291.4	5.7%
Property					
Direct	Knight Frank	531.4	9.1%	450.5	8.7%
Indirect	Gatefold Hayes	12.9	0.2%	0.0	0.0%
	M&G Europe fund	30.1	0.5%	25.3	0.5%
		574.4	9.8%	475.8	9.2%
Portfolio Value		5,813.5	100.0%	5,171.5	100.0%

	31/03/15	31/03/14
	£m	£m
Fixed interest securities		
UK corporate bonds quoted	94.2	76.0
Overseas corporate bonds quoted	54.6	157.0
	<u>148.8</u>	<u>233.0</u>

	31/03/15 £m	31/03/14 £m
Equities		
UK quoted	212.3	231.3
Overseas quoted	1,788.4	1,689.8
	<u>2,000.7</u>	<u>1,921.1</u>

	31/03/15 £m	31/03/14 £m
Index linked securities		
UK quoted	317.9	0.0
	<u>317.9</u>	<u>0.0</u>

	31/03/15 £m	31/03/14 £m
Pooled investment vehicles		
UK managed funds:		
Fixed income funds	58.2	47.0
Venture capital	278.5	264.8
Property funds	12.9	0.0
Overseas managed funds:		
Equity funds	505.0	644.1
Fixed income funds	1,443.8	970.3
Cash funds	0.5	0.0
Property funds	30.1	25.1
Venture capital	411.2	287.6
	<u>2,740.2</u>	<u>2,238.9</u>

	31/03/15 £m	31/03/14 £m
Properties		
UK – freehold	460.6	389.8
UK – long leasehold	70.8	60.7
	<u>531.4</u>	<u>450.5</u>

Property holdings

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

	31/03/15	31/03/14
	£m	£m
Balance as at start of the year	450.5	434.9
Additions:		
Purchases	57.3	15.0
Construction	2.4	0.0
Disposals	(26.1)	(43.3)
Net gain/loss on fair value	47.3	43.9
Balance as at the end of the year	<u>531.4</u>	<u>450.5</u>

Operating leases

The Fund leases out property under operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

	2014/15	2013/14
	£m	£m
Leases expiring in the following year	4.0	2.0
Leases expiring in two to five years	13.1	11.9
Leases expiring after five years	13.5	12.4
Total	<u>30.6</u>	<u>26.3</u>

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

The income is contractually secured against a wide range of tenants who in turn operate in a range of market sectors. Income is generally reviewed to market rent five yearly, and there is also an element of the portfolio income that is indexed or has fixed uplifts (generally being in the range of 2-4% per annum). The portfolio also features a number of vacant properties for which the future income depends on the terms agreed by tenants, and the investment manager is working with letting agents to fill these voids.

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place which is managed by the global custodian and the Fund's internal managers.

Derivative contracts (forward currency positions)

Settlements	Currency bought*	Local value m	Currency sold*	Local value m	Asset value £m	Liability value £m
Up to one month	GBP	300.0	USD	(442.9)	300.0	(298.4)
Up to one month	USD	445.9	GBP	(300.0)	300.4	(300.0)
One to six months	AUD	3.5	USD	(2.8)	1.8	(1.9)
One to six months	USD	30.4	CHF	(28.7)	20.5	(20.1)
One to six months	USD	5.3	AUD	(5.9)	3.6	(3.0)
One to six months	CHF	8.7	USD	(9.2)	6.1	(6.2)
Open forward currency contracts at 31 March 2015					632.4	(629.6)
Net forward currency contracts at 31 March 2015						2.8
Prior year comparative					£m	£m
Open forward currency contracts at 31 March 2014					21.4	(21.3)
Net forward currency contracts at 31 March 2014						0.1

*Currencies are referred to above using International Standards Organisation codes.
 GBP – British Pound, USD – US Dollar, AUD – Australian Dollar, CHF – Swiss Franc

	31/03/15 £m	31/03/14 £m
Cash deposits		
Sterling	35.0	148.0
Foreign currency	25.0	167.5
	<u>60.0</u>	<u>315.5</u>

15. Financial instruments classification

The accounting policy on financial instruments describes how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

Direct property, although included in the total market value of net assets, is excluded from the table since this is categorised as investment property under IAS40 rather than as a financial instrument.

31/03/15	Fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	148.8	-	-
Equities	2,000.7	-	-
Index linked securities	317.9	-	-
Pooled investment vehicles	2,740.2	-	-
Derivative contracts	632.4	-	-
Cash deposits	-	60.0	-
Investment accruals	11.7	-	-
Debtors	-	28.1	-
Total financial assets	5,851.7	88.1	-
Financial liabilities			
Derivative contracts	629.6	-	-
Creditors	-	-	10.9
Total financial liabilities	629.6	-	10.9

31/03/14	Fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	233.0	-	-
Equities	1,921.1	-	-
Pooled investment vehicles	2,238.9	-	-
Derivative contracts	21.4	-	-
Cash deposits	-	315.5	-
Investment accruals	12.4	-	-
Debtors	-	28.3	-
Total financial assets	4,426.8	343.8	-
Financial liabilities			
Derivative contracts	21.3	-	-
Creditors	-	-	11.7
Total financial liabilities	21.3	-	11.7

16. Net gains and losses on financial instruments

The net gain on financial assets at fair value through profit and loss is £634.1m
(2013/14: £59m)

17. Financial instruments – valuation

17.1 Valuation of financial instruments carried at fair value

The valuation of financial instruments carried at fair value has been classified into three levels according to quality and reliability of information used to determine fair values.

17.1.1 Level 1

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

17.1.2 Level 2

Level 2 investments are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Such instruments include bonds secured on affordable housing assets. The technique for valuing these assets is independently verified.

The bonds secured on affordable housing assets are based on long term expectations of interest rates, inflation and credit spreads in the housing association sector.

17.1.3 Level 3

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

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

The value of the overseas indirect property fund investment is based on valuations provided to the overseas indirect property fund in which Lancashire County Pension Fund has invested. These valuations are at the current open market value, as defined by the RICS Appraisal and Valuation Standards. These valuations are performed monthly.

The following table provides an analysis of the financial assets and liabilities (excluding direct property and cash) of the Pension Fund grouped into level 1 to 3 based on the level of which the fair value is observable. Loans and receivables are excluded from this table as they are held at amortised cost.

31/03/15	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss	4,047.9	368.8	1,420.5	5,837.2
Total financial assets				
Financial liabilities				
Financial liabilities at fair value through profit and loss	629.6	-	-	629.6
Total financial liabilities	629.6			629.6

31/03/14	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss	3,314.6	179.9	929.9	4,424.4
Total financial assets	3,314.6	179.9	929.9	4,424.4
Financial liabilities				
Financial liabilities at fair value through profit and loss	21.3	-	-	21.3
Total financial liabilities	21.3			21.3

18. Nature and extent of risks arising from financial instruments

18.1 Risk and risk management

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

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

18.2 Market risk

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

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

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

18.3 Other price risk

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

The Fund is exposed to share and derivatives price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

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

18.3.1 Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risks are reasonably possible for the 2014/15 reporting period.

Asset type	Potential market movements (+/-)
Total bonds (including index linked)	6.0%
Total equities	9.6%
Alternatives	9.6%
Total property	2.1%

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

Asset type	31/03/15 £m	Percentage change %	Value on increase £m	Value on decrease £m
Investment portfolio assets:				
Total bonds (including index linked)	1,968.6	6.0%	2,086.7	1,850.5
Total equities	2,871.7	9.6%	3,147.4	2,596.0
Alternatives	324.3	9.6%	355.4	293.2
Total property	574.4	2.1%	586.4	562.3
Total assets available to pay benefits	5,739.0		6,175.9	5,302.0

Asset type	31/03/14 £m	Percentage change %	Value on increase £m	Value on decrease £m
Investment portfolio assets:				
Total bonds (including index linked)	1,250.3	4.8%	1,310.3	1,190.3
Total equities	2,826.5	11.9%	3,162.8	2,490.1
Alternatives	291.2	3.8%	302.3	280.1
Total property	475.5	2.7%	488.3	462.7
Total assets available to pay benefits	4,843.5		5,263.7	4,423.2

18.4 Interest Rate Risk

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

The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors. The Fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31/03/15	31/03/14
	£m	£m
Cash and cash equivalents	60.0	315.5
Fixed interest securities	1,650.8	1,250.3
Total	1,710.8	1,565.8

18.4.1 Interest rate risk - sensitivity analysis

The Fund has recognised that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 110 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy (1BPS = 0.01%). The Fund's investment advisor has advised that long-term average rates are expected to move less than 110 basis point for one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	Change in year in net assets available to pay benefits		
	31/03/15	+100BPS	-100BPS
	£m	£m	£m
Cash and cash equivalents	60.0	0.6	(0.6)
Fixed interest securities	1,650.8	16.5	(16.5)
Total change in assets available	1,710.8	17.1	(17.1)

Asset type	Change in year in net assets available to pay benefits		
	31/03/14	+100BPS	-100BPS
	£m	£m	£m
Cash and cash equivalents	315.5	3.1	(3.1)
Fixed interest securities	1,250.3	12.5	(12.5)
Total change in assets available	1,565.8	15.6	(15.6)

18.5 Currency risk

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

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

The following table summarises the Fund's currency exposure as at 31 March 2015 and as at the previous year end:

Currency exposure – asset type	31/03/15	31/03/14
	£m	£m
Overseas bonds (including index linked)	1,498.3	1,127.3
Overseas equities	2,513.8	2,466.3
Overseas Alternatives	191.4	155.2
Overseas property	30.1	25.1
Total overseas assets	4,233.6	3,773.9

18.5.1 Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 6.2% (as measured by one standard deviation).

A 6.2% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant (previous year = 6%).

A 6.2% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Change in year in net assets available to pay benefits		
	31/03/15 £m	+6.2% £m	-6.2% £m
Overseas bonds (including index linked)	1,498.3	1,591.2	1,405.4
Overseas equities	2,513.8	2,669.6	2,357.9
Overseas Alternatives	191.4	203.3	179.5
Overseas property	30.1	32.0	28.2
Total change in assets available	4,233.6	4,496.1	3,971.0

Currency exposure - asset type	Change in year in net assets available to pay benefits		
	31/03/14 £m	+6.0% £m	-6.0% £m
Overseas bonds (including index linked)	1,127.3	1,194.9	1,059.7
Overseas equities	2,466.3	2,614.2	2,318.3
Overseas Alternatives	155.2	164.5	145.9
Overseas property	25.1	26.6	23.6
Total change in assets available	3,773.9	4,000.2	3,547.5

18.6 Credit risk

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

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

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

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

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

The Fund's cash holding under its treasury management arrangements at 31st March 2015 was £60m (31 March 2014: £315.5m.) This was held with the following institutions:

Summary	Rating	31/03/15	31/03/14
Bank deposit accounts		£m	£m
Ulster bank	Baa3	0.0	5.0
Northern Trust	A2	30.8	248.0
Svenska Handelsbanken	Aa3	30.0	61.4
Bank current accounts			
Natwest account	Baa2	(0.8)	1.1
Total		60.0	315.5

18.7 Liquidity risks

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

The Fund has immediate access to its cash holdings.

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

All financial liabilities at 31 March 2015 are due within the one year.

19. Additional voluntary contributions (AVC's)

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 2014 to 31 March 2015 for Prudential and 1 September 2013 to 31 August 2014 for Equitable Life and are not included in the Pension Fund accounts in accordance with Regulations 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998.

	Equitable Life £m	Prudential £m	Total £m
Value at start of the year	1.1	19.8	20.9
Income (incl. contributions, bonuses, interest & transfers in)	0.0	5.4	5.4
Expenditure (incl. benefits, transfers out & change in market value)	(0.1)	(4.1)	(4.2)
Value at the end of the year	1.0	21.1	22.1

20. Current assets

	31/03/15 £m	31/03/14 £m
Contributions due - employers	14.4	14.4
Contributions due - members	4.6	4.4
Debtors - bodies external to general government	9.1	9.5
	<u>28.1</u>	<u>28.3</u>

	31/03/15 £m	31/03/14 £m
Analysis of debtors		
Other local authorities	15.6	15.5
NHS bodies	0.0	0.1
Public corporations and trading funds	0.0	0.1
Other entities and individuals	12.5	12.6
	<u>28.1</u>	<u>28.3</u>

21. Current liabilities

	31/03/15 £m	31/03/14 £m
Unpaid benefits	0.1	0.6
Accrued expenses	10.8	11.1
	<u>10.9</u>	<u>11.7</u>

Analysis of creditors	31/03/15	31/03/14
	£m	£m
Other local authorities	4.2	4.0
Other entities and individuals	6.7	7.7
	<u>10.9</u>	<u>11.7</u>

22. Contractual Commitments

The commitments relating to outstanding call payments due to unquoted limited partnership funds held in the venture capital and infrastructure part of the portfolio totalled £529.7m. The amounts 'called' by these funds are irregular in both size and timing and commitments to these partnerships are drawn down over a number of years. The term of 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.

Commitments to outstanding call payments due to certain credit strategies stood at £304.1m. The majority of these amounts are expected to be called over the coming two years and relate to various different investments including direct lending and distressed credit opportunities which are expected to begin repaying capital after 5 years. In order to maintain a steady level of investment in the long term, the Fund will enter into further commitments to fund this type of strategy over the coming years.

The commitments on direct property development contracts relating to properties under construction held in the direct property part of the portfolio totalled £11.3m at 31st March 2015. These amounts are expected to be drawn down over the next 15 months based on valuation certificates.

The commitment on indirect property of £20.7m at 31st March 2015 relates to a property under construction held in an indirect fund. This amount is expected to be drawn down over the next 15 months based on valuation certificates for a scheduled completion in May 2016.

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 2015, Damon Lawrenson, CPFA, was Treasurer to the Pension Fund and Interim Director of Financial Resources for Lancashire County Council.
- The Pension Fund includes 136 scheduled and 184 admitted bodies.
- Members of the Pension Fund Committee, comprising 14 County Councillors, 2 Councillors from Unitary Authorities, 2 Councillors from 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 2014/15. 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.

23.1 Lancashire County Council

The Lancashire County Pension Fund is administered by Lancashire County Council. Consequently there is a strong relationship between the council and the Pension Fund.

The council incurred costs of £4.5m (2013/14: £4.2m) in relation to the administration of the Fund. This includes a proportion of relevant officers' salaries in respect of time allocated to pension and investment issues. The council was subsequently reimbursed by the Fund for these expenses. The council is also the single largest employer of the members of the Pension Fund and contributed £79.5m to the fund in 2014/15 (2013/14: £69.1m). All monies owing to and due from the Fund were paid in year.

23.2 Key management personnel

Paragraph 3.9.4.3 of the Code exempts local authorities from key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the Code (which are derived from the requirements of Regulation 7 (2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit (Wales) Regulations 2005) satisfy the key management disclosure requirements of paragraph 16 of IAS24.

This applies in equal measure to the accounts of the Lancashire County Pension Fund.

The disclosure required by Regulation 7 (2)-(4) of the Accounts and Audit (England) Regulations can be found in the main accounts of Lancashire County Council.

24. Funding arrangements

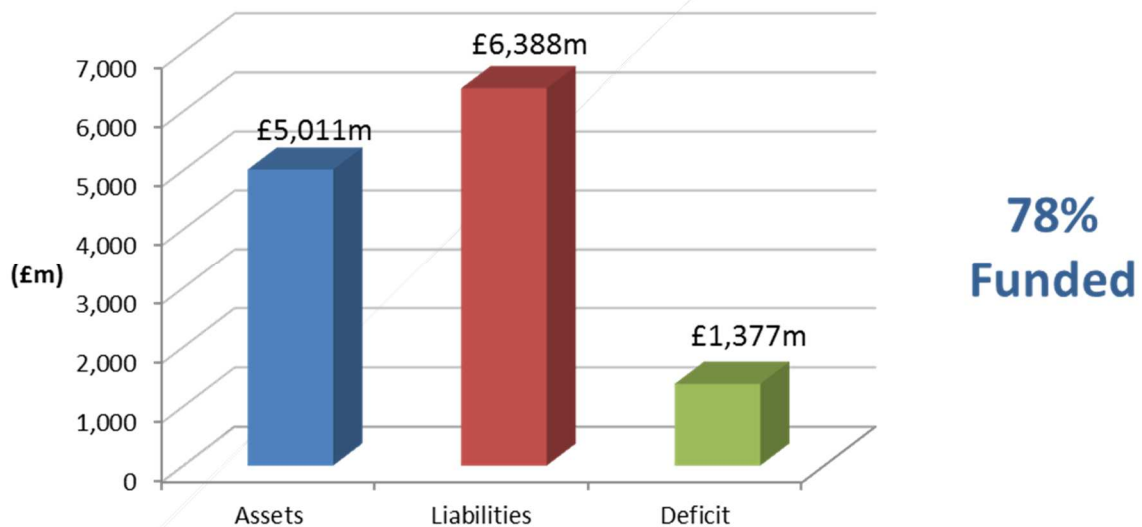
Accounts for the year ended 31 March 2015 - Statement by the Consulting Actuary

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

An actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2013 to determine the contribution rates with effect from 1 April 2014 to 31 March 2017. Full details of the valuation are available as part of the funding strategy statement.

[Your Pension Service - Lancashire Fund Information](#)

On the basis of the assumptions adopted, the Fund's assets of £5,011 million represented 78% of the Fund's past service liabilities of £6,388 million (the "Funding Target") at the valuation date. The deficit at the valuation date was therefore £1,377 million.



The valuation also showed that a common rate of contribution of 13.1% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 82% with a resulting deficit of £1,088 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £65m per annum increasing at 4.1% per annum (equivalent to 7.6% of projected Pensionable Pay at the valuation date) for 19 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

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

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

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

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.8% per annum	5.6% per annum
Rate of pay increases (long term)*	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of that valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

25. Actuarial present value of promised retirement benefits

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	3.9% per annum	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.4% per annum	2.0% per annum

* includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields increased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (3.3% p.a. versus 4.5% p.a.). In addition, the expected long-term rate of CPI inflation fell during the year, resulting in a lower assumption for pension increases at the year-end than at the beginning of the year (2.0% p.a. versus 2.4% p.a.).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £6,917m. The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by approximately £1,251m. Adding interest over the year increases the liabilities by

approximately £309m, and allowing for net benefits accrued/paid over the period (including allowance for the Probation transfer) decreases the liabilities by approximately £107m (including any increase in liabilities arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is £8,370m.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2015

26. Events after the net assets statement date

On 2nd July 2015 the Pension Fund Committee of Lancashire County Council and the Board of the London Pension Fund Authority each separately agreed to seek regulatory approvals for the creation of an Asset and Liability Management Partnership. This partnership, which is a response to the Government's reform agenda for the Local Government Pension Scheme, has the potential to fundamentally change the way in which the two Funds are managed and achieve significant reductions in the cost of running the Funds.

The Partnership will oversee the creation of a pool of investment assets (made up of the assets of the two funds) which will be jointly invested, as well as a pension services organisation which will carry out both investment management and pension administration functions. Both the asset pool and the investment management activities will be regulated by the Financial Conduct Authority.

The Pension Fund Committee of Lancashire County Council and the Board of the LPFA will each make a final decision on the Partnership based on a full business plan at simultaneous meetings during November 2015.

H. 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 2013 which determines contribution rates effective from 1 April 2014 to 31 March 2017.

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 in accordance with the Funding Strategy Statement. 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 is the same as the maximum period of years adopted at the 2010 valuation in accordance with the then published FSS. Where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put into place which requires additional contributions to correct the shortfall.

The valuation (effective from 1 April 2014) revealed a funding level of 78% and an average employer's contribution rate of 13.1% plus a deficit contribution of £81m per annum increasing at 4.1% per annum for 19 years. Since 31 March 2013 there have been significant changes in the financial market position. In particular there has been an increase in gilt yields, which underpin the assessment of the past service liability values and therefore the long term funding target. Considering changes in the major financial factors only, as at 31 August 2013 the impact of market changes has meant the funding level has increased to approximately 82% (from 78% at 31 March).

An extract from the certified Actuarial Valuation produced by Mercer as at 31 March 2013, detailing the breakdown of the 78% funding level is as follows:

	£m	
	31 March 2013	31 March 2010
Total assets	5,011	3,962
Liabilities:		
Active members	2,440	2,221
Deferred pensioners	1,088	614
Pensioners	2,860	2,120
Total liabilities	6,388	4,955
Past service surplus / (shortfall)	(1,377)	(993)
Funding level	78%	80%

The employer contributions for 2014/2015 are based on the 2013 valuation and the recommended employer contributions for the period 1 April 2014 to 31 March 2017 are set out in the Schedule to the Rates and Adjustments 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.

https://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33736&e=e

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 36 of the Administration Regulations

Name of Fund

Lancashire County Pension Fund

Primary Contribution Requirements

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 2014 should be at the rate of 13.1 per cent of Pensionable Pay (including those in respect of members of the LGPS under the 50:50 option).

I hereby certify that, in my opinion, the amount of the employers' contributions payable in each year of the period of three years beginning with 1 April 2014, as set out above, should be individually adjusted as set out in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) unless otherwise noted in a separate agreement with an individual employer, and the contributions in the attached schedule take account of any such agreements.

Further Adjustments

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this 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.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer in total over the 3 years covered by the certificate. Additional contributions or a different pattern of contributions may be paid if requested by the employer concerned at the sole discretion of the Administering Authority as agreed with the Actuary. The total contributions payable by each employer will be subject to a minimum of zero.

The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

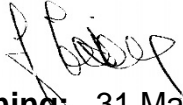
In cases where an element of an existing Scheme employer's deficit is transferred to a new employer on its inception, the Scheme employer's deficit recovery contributions, as shown on the schedule to this Certificate in Appendix H, may be reallocated between the Scheme employer and the new employer to reflect this, on advice of the Actuary and as agreed with the Administering Authority so that the total payments remain the same overall.

The Administering Authority and employer with advice from the Fund's Actuary can agree that contributions payable under this certificate can be sourced under an alternative financing arrangement which provides the Fund with equivalent cash contributions.

Regulation 36(8)

No allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions. Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

Signature:



Date of signing: 31 March 2014

Name: John Livesey

Qualification: Fellow of the Institute and Faculty of Actuaries

Schedule to the Rates and Adjustment Certificate dated 31 March 2014

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Academy at Worden	1.4% plus £12,100	14.5% plus £12,100	1.4% plus £12,600	14.5% plus £12,600	1.4% plus £13,100	14.5% plus £13,100
Accrington & Rossendale College	0.0% plus £254,200	13.1% plus £254,200	0.0% plus £285,700	13.1% plus £285,700	0.0% plus £317,600	13.1% plus £317,600
Accrington Academy	-2.6%	10.5%	-2.6%	10.5%	-2.6%	10.5%
Albany Academy	2.2% plus £21,800	15.3% plus £21,800	2.2% plus £22,700	15.3% plus £22,700	2.2% plus £23,600	15.3% plus £23,600
All Saints C.E. Primary School (Academy)	-2.5% plus £13,700	10.6% plus £13,700	-2.5% plus £14,300	10.6% plus £14,300	-2.5% plus £14,900	10.6% plus £14,900
Alternative Futures Group Ltd	-9.3%	3.8%	-9.3%	3.8%	-9.3%	3.8%
Andron	0.8%	13.9%	0.8%	13.9%	0.8%	13.9%
Andron (Kennington Primary School)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Andron (Ribblesdale High School)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Arnold Schools Ltd	6.5% plus £22,900	19.6% plus £22,900	6.5% plus £23,800	19.6% plus £23,800	6.5% plus £24,800	19.6% plus £24,800

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Bacup Rawtenstall GS (Academy)	0.6% plus £20,500	13.7% plus £20,500	0.6% plus £21,300	13.7% plus £21,300	0.6% plus £22,200	13.7% plus £22,200
Balfour Beatty (Blakewater/Crosshill)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Balfour Beatty (Pleckgate School)	0.5%	13.6%	0.5%	13.6%	0.5%	13.6%
Balfour Beatty Ltd (Darwen Vale)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Balfour Beatty Ltd (Witton Park Cleaning)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Belthorn Primary Academy	4.3% plus £3,700	17.4% plus £3,700	4.3% plus £5,600	17.4% plus £5,600	4.3% plus £7,500	17.4% plus £7,500
Bishop Rawstorne High Academy	1.9% plus £19,100	15.0% plus £19,100	1.9% plus £23,500	15.0% plus £23,500	1.9% plus £27,900	15.0% plus £27,900
Blackburn College	-1.0% plus £215,200	12.1% plus £215,200	-1.0% plus £225,200	12.1% plus £225,200	-1.0% plus £235,500	12.1% plus £235,500
Blackburn St Mary's	-0.1% plus £19,500	13.0% plus £19,500	-0.1% plus £23,400	13.0% plus £23,400	-0.1% plus £27,400	13.0% plus £27,400
Blackburn With Darwen Borough Council	-0.7% plus £4,403,900	12.4% plus £4,403,900	-0.7% plus £4,584,500	12.4% plus £4,584,500	-0.7% plus £4,772,500	12.4% plus £4,772,500
Blackpool & The Fylde College	-0.8% plus £358,400	12.3% plus £358,400	-0.8% plus £373,100	12.3% plus £373,100	-0.8% plus £388,400	12.3% plus £388,400
Blackpool Airport (post 07/04)	6.7% plus £9,000	19.8% plus £9,000	6.7% plus £13,200	19.8% plus £13,200	6.7% plus £17,500	19.8% plus £17,500

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Blackpool Borough Council - excluding schools	-0.8% plus £2,667,000	12.3% plus £2,667,000	-0.8% plus £2,926,000	12.3% plus £2,926,000	-0.8% plus £3,190,000	12.3% plus £3,190,000
Blackpool Borough Council - schools	5.0%	18.1%	5.9%	19.0%	6.8%	19.9%
Blackpool Coastal Housing	-1.5%	11.6%	-1.5%	11.6%	-1.5%	11.6%
Blackpool Fylde Wyre Society for the Blind	7.5% plus £97,300*	20.6% plus £97,300*	7.5%	20.6%	7.5%	20.6%
Blackpool MAT (Anchorholme Academy)	-0.8% plus £27,500	12.3% plus £27,500	-0.8% plus £28,600	12.3% plus £28,600	-0.8% plus £29,800	12.3% plus £29,800
Blackpool MAT (Devonshire Academy)	-0.8% plus £29,600	12.3% plus £29,600	-0.8% plus £30,800	12.3% plus £30,800	-0.8% plus £32,100	12.3% plus £32,100
Blackpool MAT (Park Academy)	-0.8% plus £33,800	12.3% plus £33,800	-0.8% plus £35,200	12.3% plus £35,200	-0.8% plus £36,600	12.3% plus £36,600
Blackpool Sixth Form College	-3.2% plus £4,800	9.9% plus £4,800	-3.2% plus £5,000	9.9% plus £5,000	-3.2% plus £5,200	9.9% plus £5,200
Blackpool Transport Services Ltd	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Blackpool Zoo (Grant Leisure)	5.6%	18.7%	5.6%	18.7%	5.6%	18.7%
Bootstrap Enterprises Ltd	-7.8%	5.3%	-7.8%	5.3%	-7.8%	5.3%
Bowland High Academy Trust	2.8% plus £16,500	15.9% plus £16,500	2.8% plus £22,200	15.9% plus £22,200	2.8% plus £27,900	15.9% plus £27,900
Bulloughs (Our Lady)	4.4%	17.5%	4.4%	17.5%	4.4%	17.5%
Bulloughs (St Augustines)	0.4%	13.5%	0.4%	13.5%	0.4%	13.5%
Bulloughs (St Mary's)	-2.9%	10.2%	-2.9%	10.2%	-2.9%	10.2%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Bulloughs (Whalley Primary)	2.4%	15.5%	3.0%	16.1%	3.7%	16.8%
Bulloughs Cleaning (Our Lady)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Burnley Borough Council	0.2% plus £1,365,500	13.3% plus £1,365,500	0.2% plus £1,421,500	13.3% plus £1,421,500	0.2% plus £1,479,800	13.3% plus £1,479,800
Burnley College	-0.4% plus £84,900	12.7% plus £84,900	-0.4% plus £111,200	12.7% plus £111,200	-0.4% plus £137,600	12.7% plus £137,600
Burscough Parish Council	TBC	TBC	TBC	TBC	TBC	TBC
Calico Housing Ltd	-0.8% plus £223,600	12.3% plus £223,600	-0.8% plus £232,800	12.3% plus £232,800	-0.8% plus £242,300	12.3% plus £242,300
Capita (transfer from Rossendale B.C)	5.6% plus £2,200	18.7% plus £2,200	5.6% plus £5,300	18.7% plus £5,300	5.6% plus £8,400	18.7% plus £8,400
CAPITA Business Services	5.0% plus £258,500	18.1% plus £258,500	5.0% plus £311,100	18.1% plus £311,100	5.0% plus £364,200	18.1% plus £364,200
Cardinal Newman College	0.0% plus £46,500	13.1% plus £46,500	0.0% plus £48,400	13.1% plus £48,400	0.0% plus £50,400	13.1% plus £50,400
Caritas Care Limited	1.9% plus £67,500	15.0% plus £67,500	1.9% plus £70,300	15.0% plus £70,300	1.9% plus £73,200	15.0% plus £73,200
Caterlink Limited (Pleckgate Catering)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Caterlink Ltd (Ripley St Thomas)	4.9%	18.0%	4.9%	18.0%	4.9%	18.0%
Catterall Parish Council	8.2%	21.3%	8.2%	21.3%	8.2%	21.3%
CG Cleaning (Heysham High)	0.7%	13.8%	0.7%	13.8%	0.7%	13.8%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
CG Cleaning (St James the Less)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
CG Cleaning Ltd (Balladen)	4.9%	18.0%	4.9%	18.0%	4.9%	18.0%
CG Cleaning Ltd (St Patrick's)	3.5%	16.6%	3.5%	16.6%	3.5%	16.6%
Chorley Borough Council	-2.0% plus £709,600	11.1% plus £709,600	-2.0% plus £831,900	11.1% plus £831,900	-2.0% plus £955,600	11.1% plus £955,600
Chorley Community Housing Ltd	1.5%	14.6%	2.0%	15.1%	2.5%	15.6%
Church Road Day Care Unit	12.7% plus £3,100	25.8% plus £3,100	12.7% plus £11,900	25.8% plus £11,900	12.7% plus £20,700	25.8% plus £20,700
Clitheroe Royal Grammar School (Academy)	2.9% plus £43,100	16.0% plus £43,100	2.9% plus £51,500	16.0% plus £51,500	2.9% plus £60,000	16.0% plus £60,000
Community and Business Partnership	-0.3%	12.8%	-0.3%	12.8%	-0.3%	12.8%
Community Council of Lancs	7.7% plus £4,400	20.8% plus £4,400	7.7% plus £9,200	20.8% plus £9,200	7.7% plus £13,900	20.8% plus £13,900
Community Gateway Association Ltd	1.8% plus £16,300	14.9% plus £16,300	1.8% plus £20,600	14.9% plus £20,600	1.8% plus £24,900	14.9% plus £24,900
Consultant Caterers Ltd	4.1%	17.2%	4.1%	17.2%	4.1%	17.2%
Contour Housing Group	-6.5%	6.6%	-6.5%	6.6%	-6.5%	6.6%
Creative Support Ltd	-5.2%	7.9%	-5.2%	7.9%	-5.2%	7.9%
Creative Support Ltd (Midway)	1.1%	14.2%	1.2%	14.3%	1.3%	14.4%
CX Ltd	-1.5%	11.6%	-1.5%	11.6%	-1.5%	11.6%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Darwen Aldridge Community Academy	-1.5%	11.6%	-1.5%	11.6%	-1.5%	11.6%
Darwen Town Council	TBC	TBC	TBC	TBC	TBC	TBC
E ON UK PLC	0.0%	13.1%	0.0%	13.1%	0.0%	13.1%
Edge Hill University	-0.7% plus £660,200	12.4% plus £660,200	-0.7% plus £853,900	12.4% plus £853,900	-0.7% plus £1,049,300	12.4% plus £1,049,300
Elite Cleaning and Environment	-0.6%	12.5%	-0.6%	12.5%	-0.6%	12.5%
Enterprise Managed Services	2.8% plus £4,600	15.9% plus £4,600	2.8% plus £4,800	15.9% plus £4,800	2.8% plus £5,000	15.9% plus £5,000
Eric Wright (Highfield HS Catering)	5.6%	18.7%	5.6%	18.7%	5.6%	18.7%
Eric Wright (Highfield HS Site supervisors)	5.6%	18.7%	5.6%	18.7%	5.6%	18.7%
Four Seasons Health Care Group	-2.8%	10.3%	-2.8%	10.3%	-2.8%	10.3%
Fulwood Academy	-1.7%	11.4%	-1.5%	11.6%	-1.3%	11.8%
Fylde Borough Council	-0.6% plus £484,500	12.5% plus £484,500	-0.6% plus £512,900	12.5% plus £512,900	-0.6% plus £542,000	12.5% plus £542,000
Fylde Coast Academy Trust	-8.5%	4.6%	-8.5%	4.6%	-8.5%	4.6%
Fylde Coast Academy Trust MAT (Unity Academy)	-0.8% plus £55,300	12.3% plus £55,300	-0.8% plus £57,600	12.3% plus £57,600	-0.8% plus £60,000	12.3% plus £60,000
Fylde Coast YMCA	-10.1%	3.0%	-10.1%	3.0%	-10.1%	3.0%
Fylde Community Link	1.4% plus £7,400	14.5% plus £7,400	1.4% plus £8,000	14.5% plus £8,000	1.4% plus £8,500	14.5% plus £8,500

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Galloways Society for Blind	5.1% plus £10,300	18.2% plus £10,300	5.1% plus £13,400	18.2% plus £13,400	5.1% plus £16,400	18.2% plus £16,400
Garstang Community Academy	2.7% plus £20,700	15.8% plus £20,700	2.7% plus £25,900	15.8% plus £25,900	2.7% plus £31,100	15.8% plus £31,100
Garstang Town Council	0.9%	14.0%	0.9%	14.0%	0.9%	14.0%
Habergham Eaves Parish Council	TBC	TBC	TBC	TBC	TBC	TBC
Hambleton Primary Academy	-1.7% plus £6,200	11.4% plus £6,200	-1.7% plus £6,500	11.4% plus £6,500	-1.7% plus £6,900	11.4% plus £6,900
Hawes Side Academy	1.7% plus £14,300	14.8% plus £14,300	1.7% plus £15,700	14.8% plus £15,700	1.7% plus £17,100	14.8% plus £17,100
Hodgson Academy	2.8% plus £28,900	15.9% plus £28,900	2.8% plus £36,500	15.9% plus £36,500	2.8% plus £44,100	15.9% plus £44,100
Housing Pendle Ltd	1.3% plus £3,200	14.4% plus £3,200	1.3% plus £8,700	14.4% plus £8,700	1.3% plus £14,200	14.4% plus £14,200
Hyndburn Borough Council	-0.5% plus £816,500	12.6% plus £816,500	-0.5% plus £850,000	12.6% plus £850,000	-0.5% plus £884,900	12.6% plus £884,900
Hyndburn Homes Ltd	1.1%	14.2%	1.3%	14.4%	1.5% plus £800	14.6% plus £800
I Care	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Jewson Ltd (Chorley Homes)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Kirkham Grammar School	2.5% plus £17,600	15.6% plus £17,600	2.5% plus £22,200	15.6% plus £22,200	2.5% plus £26,900	15.6% plus £26,900
Kirkland Parish Council	9.5%	22.6%	9.5%	22.6%	9.5%	22.6%
Lancashire Care Foundation Trust	TBC	TBC	TBC	TBC	TBC	TBC

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Lancashire County Branch Unison	4.4% plus £1,900	17.5% plus £1,900	4.4% plus £2,000	17.5% plus £2,000	4.4% plus £2,100	17.5% plus £2,100
Lancashire County Council - excluding schools	-0.5% plus £15,353,000	12.6% plus £15,353,000	-0.5% plus £15,982,000	12.6% plus £15,982,000	-0.5% plus £16,638,000	12.6% plus £16,638,000
Lancashire County Council - schools	6.9%	20.0%	7.2%	20.3%	7.6%	20.7%
Lancashire Probation Committee	6.0%	19.1%	N/A	N/A	N/A	N/A
Lancaster & Morecambe College	-0.1% plus £129,300	13.0% plus £129,300	-0.1% plus £134,600	13.0% plus £134,600	-0.1% plus £140,100	13.0% plus £140,100
Lancaster City Council	-0.1% plus £1,015,100	13.0% plus £1,015,100	-0.1% plus £1,056,700	13.0% plus £1,056,700	-0.1% plus £1,100,000	13.0% plus £1,100,000
Lancaster Girls Grammar School (Academy)	3.3% plus £32,800	16.4% plus £32,800	3.3% plus £34,100	16.4% plus £34,100	3.3% plus £35,500	16.4% plus £35,500
Lancaster Royal Grammar School (Academy)	3.0% plus £49,200	16.1% plus £49,200	3.0% plus £55,500	16.1% plus £55,500	3.0% plus £61,800	16.1% plus £61,800
Lancaster University	-0.7% plus £561,900	12.4% plus £561,900	-0.7% plus £648,000	12.4% plus £648,000	-0.7% plus £735,200	12.4% plus £735,200
Lancs Fire and Rescue Service	-0.3% plus £229,500	12.8% plus £229,500	-0.3% plus £238,900	12.8% plus £238,900	-0.3% plus £248,700	12.8% plus £248,700
Lancs Sports Partners Ltd	-4.3%	8.8%	-4.3%	8.8%	-4.3%	8.8%
Lancs Workforce Development Partnership	2.5% plus £700	15.6% plus £700	2.5% plus £700	15.6% plus £700	2.5% plus £700	15.6% plus £700
Langdale Free School	-0.8% plus £1,200	12.3% plus £1,200	-0.8% plus £1,200	12.3% plus £1,200	-0.8% plus £1,200	12.3% plus £1,200

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Leisure in Hyndburn	-1.3% plus £45,600	11.8% plus £45,600	-1.3% plus £50,000	11.8% plus £50,000	-1.3% plus £54,500	11.8% plus £54,500
Lend Lease construction EMEA	-0.5%	12.6%	-0.5%	12.6%	-0.5%	12.6%
Liberata UK Ltd (Chorley)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Liberata UK Ltd (Pendle)	4.8% plus £51,000	17.9% plus £51,000	4.8% plus £53,100	17.9% plus £53,100	4.8% plus £55,300	17.9% plus £55,300
Lostock Hall Academy Trust	2.6% plus £21,200	15.7% plus £21,200	2.6% plus £25,200	15.7% plus £25,200	2.6% plus £29,400	15.7% plus £29,400
Lowther Pavilions and Gardens	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Lytham Schools Foundation	3.4% plus £12,000	16.5% plus £12,000	3.4% plus £12,500	16.5% plus £12,500	3.4% plus £13,000	16.5% plus £13,000
Mack Trading Ltd	3.8%	16.9%	3.8%	16.9%	3.8%	16.9%
Maharishi School (Free School)	3.6%	16.7%	3.6%	16.7%	3.6%	16.7%
Marketing Lancashire Ltd	-0.2% plus £3,300	12.9% plus £3,300	-0.2% plus £5,100	12.9% plus £5,100	-0.2% plus £7,000	12.9% plus £7,000
May Gurney Fleet & Passenger Services Limited	-0.8%	12.3%	-0.8%	12.3%	-0.8%	12.3%
Mellor's (Bishop Rawstorne)	4.5%	17.6%	4.5%	17.6%	4.5%	17.6%
Mellor's (Hambleton Primary)	7.3%	20.4%	8.6%	21.7%	9.8%	22.9%
Mellor's (Worden Sports College)	-1.4%	11.7%	-1.4%	11.7%	-1.4%	11.7%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Mellors Catering (Brinscall St John)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Mellors Catering (Fulwood Academy)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Mellors Catering (Parbold)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Mellors Catering (Trinity, St Michaels)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Montgomery High School Academy	-1.7% plus £48,700	11.4% plus £48,700	-1.7% plus £50,700	11.4% plus £50,700	-1.7% plus £52,800	11.4% plus £52,800
Moorside Community PS Academy	-0.5% plus £16,200	12.6% plus £16,200	-0.5% plus £16,900	12.6% plus £16,900	-0.5% plus £17,600	12.6% plus £17,600
Morecambe Town Council	1.7%	14.8%	1.7%	14.8%	1.7%	14.8%
Myerscough College	-1.6% plus £133,400	11.5% plus £133,400	-1.6% plus £167,800	11.5% plus £167,800	-1.6% plus £202,600	11.5% plus £202,600
Nelson and Colne College	-0.6% plus £84,600	12.5% plus £84,600	-0.6% plus £88,100	12.5% plus £88,100	-0.6% plus £91,700	12.5% plus £91,700
New Fylde Housing Ltd	11.3% plus £116,900	24.4% plus £116,900	11.3% plus £121,700	24.4% plus £121,700	11.3% plus £126,700	24.4% plus £126,700
NIC Services Group Ltd	2.6%	15.7%	3.4%	16.5%	4.1%	17.2%
Norbreck Primary Academy	1.8% plus £14,500	14.9% plus £14,500	1.8% plus £16,300	14.9% plus £16,300	1.8% plus £18,200	14.9% plus £18,200
NSL Ltd (Lancaster)	-3.4%	9.7%	-3.4%	9.7%	-3.4%	9.7%
NW Inshore Fisheries	2.6% plus £27,000	15.7% plus £27,000	2.6% plus £28,100	15.7% plus £28,100	2.6% plus £29,300	15.7% plus £29,300

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Office of the Police and Crime Commissioner	-1.6% plus £2,900,000	11.5% plus £2,900,000	-1.6% plus £2,900,000	11.5% plus £2,900,000	-1.6% plus £2,900,000	11.5% plus £2,900,000
Old Laund Booth Parish Council	TBC	TBC	TBC	TBC	TBC	TBC
Parbold Douglas C.E. Academy	2.1% plus £5,700	15.2% plus £5,700	2.1% plus £7,500	15.2% plus £7,500	2.1% plus £9,400	15.2% plus £9,400
Parklands High School Academy	1.8% plus £20,900	14.9% plus £20,900	1.8% plus £21,800	14.9% plus £21,800	1.8% plus £22,700	14.9% plus £22,700
Pendle Borough Council	-0.9% plus £1,247,800	12.2% plus £1,247,800	-0.9% plus £1,299,000	12.2% plus £1,299,000	-0.9% plus £1,352,300	12.2% plus £1,352,300
Pendle Education Trust - Colne Primet	2.3% plus £17,500	15.4% plus £17,500	2.3% plus £18,200	15.4% plus £18,200	2.3% plus £18,900	15.4% plus £18,900
Pendle Education Trust - Walter St	0.8% plus £15,800	13.9% plus £15,800	0.8% plus £16,400	13.9% plus £16,400	0.8% plus £17,100	13.9% plus £17,100
Pendle Leisure Trust Ltd	-1.3% plus £30,400	11.8% plus £30,400	-1.3% plus £31,600	11.8% plus £31,600	-1.3% plus £32,900	11.8% plus £32,900
Penwortham Priory Academy	1.7% plus £18,500	14.8% plus £18,500	1.7% plus £19,300	14.8% plus £19,300	1.7% plus £20,100	14.8% plus £20,100
Penwortham Town Council	-0.3%	12.8%	-0.3%	12.8%	-0.3%	12.8%
Pilling Parish Council	11.2%	24.3%	11.2%	24.3%	11.2%	24.3%
Places for People	2.8%	15.9%	2.8%	15.9%	2.8%	15.9%
Preesall Town Council	TBC	TBC	TBC	TBC	TBC	TBC
Preston Care and Repair	7.7% plus £600	20.8% plus £600	7.7% plus £600	20.8% plus £600	7.7% plus £600	20.8% plus £600

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Preston City Council	-0.3% plus £1,233,600	12.8% plus £1,233,600	-0.3% plus £1,385,600	12.8% plus £1,385,600	-0.3% plus £1,540,100	12.8% plus £1,540,100
Preston College	-1.4% plus £304,000	11.7% plus £304,000	-1.4% plus £316,500	11.7% plus £316,500	-1.4% plus £329,500	11.7% plus £329,500
Preston Council for Voluntary Services	11.5%	24.6%	12.0% plus £1,000	25.1% plus £1,000	12.0% plus £2,200	25.1% plus £2,200
Progress Housing Group	2.8% plus £160,300	15.9% plus £160,300	2.8% plus £166,900	15.9% plus £166,900	2.8% plus £173,700	15.9% plus £173,700
Progress Recruitments (se) Ltd	-3.2%	9.9%	-3.2%	9.9%	-3.2%	9.9%
Queen Elizabeth's Grammar School	7.1% plus £15,600	20.2% plus £15,600	7.1% plus £23,900	20.2% plus £23,900	7.1% plus £32,300	20.2% plus £32,300
Ribble Valley Borough Council	0.9% plus £195,900	14.0% plus £195,900	0.9% plus £203,900	14.0% plus £203,900	0.9% plus £212,300	14.0% plus £212,300
Ribble Valley Homes Ltd	2.7%	15.8%	2.7%	15.8%	2.7%	15.8%
Ripley St Thomas C.E. (Academy)	2.9% plus £34,200	16.0% plus £34,200	2.9% plus £39,900	16.0% plus £39,900	2.9% plus £45,600	16.0% plus £45,600
Roseacre Primary Academy	0.3% plus £18,500	13.4% plus £18,500	0.3% plus £19,300	13.4% plus £19,300	0.3% plus £20,100	13.4% plus £20,100
Rossendale Borough Council	0.9% plus £955,000	14.0% plus £955,000	0.9% plus £994,200	14.0% plus £994,200	0.9% plus £1,035,000	14.0% plus £1,035,000
Rossendale Leisure Trust	1.4% plus £10,100	14.5% plus £10,100	1.4% plus £10,500	14.5% plus £10,500	1.4% plus £10,900	14.5% plus £10,900
Rossendale Transport Ltd	12.1% plus £74,600	25.2% plus £74,600	12.1% plus £110,100	25.2% plus £110,100	12.1% plus £145,700	25.2% plus £145,700

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Runshaw College	-0.3% plus £140,200	12.8% plus £140,200	-0.3% plus £145,900	12.8% plus £145,900	-0.3% plus £151,900	12.8% plus £151,900
School Lettings Solutions	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Service Alliance Ltd (Altham)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Service Alliance Ltd (RCC)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
South Ribble Borough Council	-0.4% plus £1,778,200*	12.7% plus £1,778,200*	-0.4%	12.7%	-0.4%	12.7%
South Ribble Community Leisure	-1.2% plus £73,800	11.9% plus £73,800	-1.2% plus £78,300	11.9% plus £78,300	-1.2% plus £83,000	11.9% plus £83,000
South Shore Academy	-0.8% plus £48,800	12.3% plus £48,800	-0.8% plus £50,800	12.3% plus £50,800	-0.8% plus £52,900	12.3% plus £52,900
St Annes on Sea Town Council	0.0%	13.1%	0.0%	13.1%	0.0%	13.1%
St Christopher's C.E. (Academy)	0.6% plus £60,700	13.7% plus £60,700	0.6% plus £67,600	13.7% plus £67,600	0.6% plus £74,600	13.7% plus £74,600
St Michael's C.E. High (Academy)	5.7% plus £10,400	18.8% plus £10,400	5.7% plus £20,700	18.8% plus £20,700	5.7% plus £31,100	18.8% plus £31,100
St Wilfrid's C.E. Academy	0.7% plus £82,200	13.8% plus £82,200	0.7% plus £85,600	13.8% plus £85,600	0.7% plus £89,100	13.8% plus £89,100
Superclean	4.1%	17.2%	4.1%	17.2%	4.1%	17.2%
Sure Start Hyndburn	-0.7% plus £6,200	12.4% plus £6,200	-0.7% plus £13,400	12.4% plus £13,400	-0.7% plus £20,700	12.4% plus £20,700
Tarleton Academy	1.2% plus £22,800	14.3% plus £22,800	1.2% plus £26,700	14.3% plus £26,700	1.2% plus £30,700	14.3% plus £30,700

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Tauheedul Free Schools Trust	-5.1%	8.0%	-5.1%	8.0%	-5.1%	8.0%
Tauheedul FST (Olive School Blackburn)	-0.7%	12.4%	-0.7%	12.4%	-0.7%	12.4%
Tauheedul FST (Olive School London)	-0.7%	12.4%	-0.7%	12.4%	-0.7%	12.4%
Tauheedul Islam Boys Free School	-6.5%	6.6%	-6.5%	6.6%	-6.5%	6.6%
Thames Primary Academy	-1.6% plus £25,000	11.5% plus £25,000	-1.6% plus £26,000	11.5% plus £26,000	-1.6% plus £27,100	11.5% plus £27,100
The Heights Free School	-0.7% plus £24,800	12.4% plus £24,800	-0.7% plus £25,800	12.4% plus £25,800	-0.7% plus £26,900	12.4% plus £26,900
The Lancashire Colleges Ltd	4.7%	17.8%	4.7%	17.8%	4.7%	17.8%
The Ormerod Home Trust Ltd	6.9% plus £19,100	20.0% plus £19,100	6.9% plus £26,400	20.0% plus £26,400	6.9% plus £33,800	20.0% plus £33,800
Twin Valley Homes Ltd	0.3% plus £157,600	13.4% plus £157,600	0.3% plus £164,100	13.4% plus £164,100	0.3% plus £170,800	13.4% plus £170,800
University of Central Lancashire	-1.0% plus £1,444,400	12.1% plus £1,444,400	-1.0% plus £1,503,600	12.1% plus £1,503,600	-1.0% plus £1,565,200	12.1% plus £1,565,200
University of Cumbria	-1.8% plus £884,000	11.3% plus £884,000	-1.8% plus £914,100	11.3% plus £914,100	-1.8% plus £945,400	11.3% plus £945,400
Vita Lend Lease (BSF ICT)	-0.6%	12.5%	-0.6%	12.5%	-0.6%	12.5%
Vita Lend Lease Ltd	3.3%	16.4%	3.3%	16.4%	3.3%	16.4%
Waterloo Primary Academy	0.5% plus £25,300	13.6% plus £25,300	0.5% plus £26,300	13.6% plus £26,300	0.5% plus £27,400	13.6% plus £27,400

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Wensley Fold CE Primary Academy	-0.7% plus £13,500	12.4% plus £13,500	-0.7% plus £14,100	12.4% plus £14,100	-0.7% plus £14,700	12.4% plus £14,700
West Lancashire Borough Council	0.6% plus £841,100	13.7% plus £841,100	0.6% plus £980,500	13.7% plus £980,500	0.6% plus £1,121,700	13.7% plus £1,121,700
West Lancs Community Leisure	-0.7%	12.4%	-0.4%	12.7%	-0.1%	13.0%
Westcliff Primary School (Academy)	1.2% plus £8,500	14.3% plus £8,500	1.2% plus £10,000	14.3% plus £10,000	1.2% plus £11,500	14.3% plus £11,500
Whitworth Town Council	-1.3% plus £1,700	11.8% plus £1,700	-1.3% plus £2,000	11.8% plus £2,000	-1.3% plus £2,400	11.8% plus £2,400
Wyre Borough Council	0.6% plus £764,900	13.7% plus £764,900	0.6% plus £796,300	13.7% plus £796,300	0.6% plus £828,900	13.7% plus £828,900
Wyre Housing Association	5.2% plus £148,400	18.3% plus £148,400	5.2% plus £198,500	18.3% plus £198,500	5.2% plus £249,000	18.3% plus £249,000

Former Employers	Proportion of Pension Increases to be Recharged %
Blackpool & Fylde Society for the Deaf	100
Burnley & Pendle Development Association	100
Burton Manor Residential College	100
Ex Department of Transport	100

Ex National Health Service	100
Fylde Coast Development Association	100
Lancashire South East Probation Committee	100
Spastics Society	100

Notes:

1. The £ lump sum payments for Blackpool Fylde Wyre Society for the Blind and South Ribble Borough Council are payable in April 2014;
2. The percentages shown are percentages of pensionable pay and apply to all members, including those who are members under the 50:50 option under the LGPS from 1 April 2014;
3. The contributions for Liberata UK Ltd (Chorley) assume the contract will terminate in July 2014. If the contract is extended for any reason then the contributions given above will require revision;
4. The contributions for the Office of the Police and Crime Commissioner will need to be reallocated between that employer and the Office of the Chief Constable on its admission to the Fund. The allocation will be determined by the Office of the Police and Crime Commissioner and the Administering Authority acting on actuarial advice;
5. The total contributions payable by each employer each year will be subject to a minimum of zero;
6. In cases where an element of an existing Scheme Employer's deficit is transferred to a new employer on its inception, the Scheme Employer's deficit recovery contributions shown in this certificate may be reallocated between the Scheme Employer and the new employer to reflect this, on advice from the actuary.
7. There are a number of additional employers who no longer had any active members within the Fund as at the valuation date. Any final contribution requirement for these employers will be assessed by the Fund in due course on the basis of actuarial advice.

I. Contacts

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Benefits and other Administrative Issues

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J. Glossary

Accounting policies

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

Accrual

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

Active management

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

Actuarial strain

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

Actuarial Valuation

An actuary formally reviews the assets and liabilities of the pension scheme and produces a report on the scheme's financial position.

Actuary

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

Additional voluntary contributions (AVC's)

This is an extra contribution a member can pay to their own pension scheme to increase future pension benefits.

Administering authority

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

Admitted bodies

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

Alternative investments

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

Asset allocation

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

Assumed pensionable pay

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

Auditor

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

Auto enrolment

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

Benchmark

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

Bid price

The price a buyer pays for a stock.

Bonds

Certificate of debt, paying a fixed rate of interest, issued by companies, governments or government agencies.

Career average revalued earnings (CARE) scheme.

The pension at retirement will relate to your average salary over your career (while paying into the pension scheme). More precisely, it is based on pensionable earnings, increased in line with inflation as measured by the consumer price index (CPI).

Cash and cash equivalents

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

Collateral

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

Conflicts of interest

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

Consumer Price Index (CPI)

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

Corporate Governance

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

Creditors

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

Credit strategies

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

Currency forward

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

Current assets and liabilities

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

Custody /Custodian

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

Debtors

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

Defined benefit

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

Emerging markets

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

Equities

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

ESG (environmental, social and corporate governance)

A set of standards for a company's operations that socially conscious investors use to screen investments. Environmental criteria looks at how a company performs as a steward of the natural environment. Social criteria examines how a company manages relationships with its employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits and internal controls and shareholder rights. ESG is the catch-all term for the criteria used in what has become known as socially responsible investing. Socially responsible investing is among several related concepts and approaches that influence and, in some cases govern, how asset managers invest portfolios.

Financial instrument

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

Fixed interest securities

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

Funding level

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

Index-linked securities

Investments in stock where the interest payments and the final redemption proceeds are linked to the Retail Price Index. Such stocks provide protection against inflation.

Infrastructure

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

Investment management expenses

All expenses relating to managing the Fund's investments.

Investment strategy

Investors long-term distribution of assets among various asset classes taking into consideration, goals of the investor, attitude to risk and timescale.

Liabilities

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

Market value

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

Myners review

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

OTC

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

Pooled investment vehicles

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

Private equity

Shares in un-quoted companies.

Property

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

Related party

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

Socially responsible investment

Investments which take into consideration social and environmental factors, as well as financial factors.

Statement of investment principles

The SIP sets out details of the investment policy being followed by a pension scheme. Includes certain specific statements such as the kinds of investments held and the balance between them, risk and expected returns, realisations of investments, socially responsible investments and corporate governance policy.

Stock lending

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

Transfer values

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

Triennial actuarial valuation

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

Venture capital

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