Pre meeting briefing for Committee members – please note that the meeting will be preceded by a briefing on IAS19 liabilities starting at 10.00am in Committee Room 'A'.

Lancashire County Council

Pension Fund Committee

Friday, 1st December, 2023 at 10.30 am in Committee Room 'A' - The Tudor Room, County Hall, Preston

Agenda

Part I (Open to Press and Public)

No.	Item	
1.	**Welcome and Apologies**	
2.	**Disclosure of Pecuniary and Non-Pecuniary Interests** Members are asked to consider whether they need to disclose any pecuniary and non-pecuniary interest in matters appearing on the agenda. If a member requires advice on declarations of interest he/she is advised to contact Josh Mynott, Democratic Services (telephone 01772 534580) in advance of the meeting.	
3.	**Minutes of the meeting held on 15th September 2023.** The Committee is asked to confirm the attached copy of the Minutes from the meeting held on 15th September 2023 an accurate record and for the Chair to sign them. Note – the meeting on 16th November 2023 was subsequently cancelled and the date/time used for a briefing for members of the Committee on the Local Pensions Partnership Governance review.	(Pages 1 - 8)
4.	**Budget Monitoring 2023/24 – Q2**	(Pages 9 - 14)
5.	**Local Pensions Partnership Annual Report and Accounts**	(Pages 15 - 70)
6.	**Lancashire County Pension Fund Strategic Plan 2023/24 - Progress Update**	(Pages 71 - 96)

7. **Pension related training for members of the Committee.** (Pages 97 - 100)

8. **Responsible Investment Report** (Pages 101 - 130)

9. **Urgent Business**

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

10. **Date of Next Meeting**

The next meeting will be held on 8th March 2024 in Committee Room 'A' – The Tudor Room at County Hall, Preston, starting at 10.30am and will be preceded by a briefing for Committee members starting at 10.00am (topic to be confirmed).

11. **2024/25 programme of meetings and additional meeting.** (Pages 131 - 132)

12. **Exclusion of Press and Public**

The Committee is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the press and public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

Part II (Not open to Press and Public)

13. **Local Pensions Partnership Administration Update** (Pages 133 - 188)

14. **Lancashire County Pension Fund - Risk Register** (Pages 189 - 224)

15. **Local Pensions Partnership - Shareholder Update** (Pages 225 - 240)

16. **Investment Context Report** (Pages 241 - 252)

17. Investment Performance Report (Pages 253 - 282)

Local Pension Partnership representatives to leave the meeting at this point.

18. Investment Panel Report (Pages 283 - 290)

19. Local Pensions Partnership Investments Ltd - Defined Benefit Liabilities (Pages 291 - 298)

20. Independent Investment Advisers - strategic objectives (Pages 299 - 308)

21. Independent Investment Adviser to the Pension Fund- contract extension (Pages 309 - 310)

22. Lancashire County Pension Fund Procurement Update - Contracts (Pages 311 - 316)

H MacAndrew
Director of Law and Governance

County Hall
Preston

Lancashire County Council

Pension Fund Committee

Minutes of the Meeting held on Friday, 15th September, 2023 at 10.30 am in Committee Room 'C' - The Duke of Lancaster Room, County Hall, Preston

Present:

County Councillor Eddie Pope (Chair)

County Councillors

M Brown	J Fillis
J Burrows	N Hennessy*
M Clifford	G Mirfin
F De Molfetta	M Salter
C Edwards	A Schofield

R Woollam

*Replaced County Councillor J Mein for this meeting only.

Co-opted members

Councillor M Jackson, Blackburn with Darwen Borough Council
Councillor D Borrow, City and Borough Councils
Councillor M Dad BEM JP, City and Borough Councils
Ms J Eastham, Further Education/Higher Education Institutions
Mr P Crewe, Trade Unions
Ms S Roylance, Trade Unions

In attendance:

Mr S Greene, Head of Pension Fund, Lancashire County Council.
Mr R Cathey, Principal Lawyer, Lancashire County Council.
Ms A Devitt, Independent Investment Adviser.
Ms M George, Independent Investment Adviser.
Mr S Basnett, Senior Manager, Grant Thornton.
Mr M Neville, Senior Democratic Services Officer, Lancashire County Council.
Mr C Rule, Chief Executive, Local Pensions Partnership.
Ms J Darbyshire, Managing Director, Local Pensions Partnership Administration.
Mr J Peach, Head of Client Management, Local Pensions Partnership Investment.

1. Welcome and Apologies

The Chair welcomed Mr M Wynn, Executive Director of Resources (who was attending the meeting as an observer) and Mr W Bourne, who was due to retire as Chair of the Lancashire Local Pension Board in October 2023. On behalf of the

Committee the Chair thanked Mr Bourne for his contributions over many years to the work of both the Pension Board and the Committee.

Apologies for absence were received from Co-opted member Councillor M Smith.

2. Disclosure of Pecuniary and Non-Pecuniary Interests

No disclosures of Pecuniary/Non-Pecuniary interest were made at this point in the meeting.

3. Minutes of the last meeting.

Mr Neville informed the Committee that since the last meeting confirmation had been received that Councillor M Jackson had replaced Councillor E Whittingham as the Co-opted member representing Blackburn with Darwen Council. He also confirmed that Councillor D Borrow and Councillor M Dad would continue as the Co-opted members representing City and Borough Councils.

Resolved: That the updates regarding Co-opted members are noted and the Minutes of the meeting held on 16th June 2023 confirmed as an accurate record and signed by the Chair.

4. Budget Monitoring 2023/24 – Q1

The Head of Fund presented a report on the financial performance of the Fund for the three-month period to 30th June 2023 together with a forecast for the year ending 31st March 2024.

Resolved: That the financial results of the Lancashire County Pension Fund for the 3 months to 30th June 2023, together the forecast variances, as set out in the report presented, is noted.

5. External Audit 22/23

Mr S Basnett, Senior Manager from Grant Thornton, presented a report on the external audit plan for 2022/23. In considering the report the Committee noted the proposed audit fees and Mr Basnett explained that the increase reflected additional work associated with new audit standards and the requirement to test newly implemented pension administration and financial systems to check the transfer of data into the new systems.

Resolved:

1. That the 2022/23 external audit plan for the Lancashire County Pension Fund, as set out in the Appendix to the report presented, is noted.

2. That the Head of Fund circulate further information on the additional areas of work to be included in the audit and the associated increase in fees to members of the Committee outside of the meeting.

6. LCPF Breaches and Complaints 2022-23

The Head of Fund presented a report which summarised the Lancashire County Pension Fund Breaches for the period 1st April 2022 to 31st March 2023 and confirmed that the figures were in line with expectations and those of other Funds.

Resolved: That the report on Lancashire County Pension Fund Breaches for the period 1st April 2022 to 31st March 2023 is noted.

7. LCPF Annual Report 2022/23

The Committee considered a draft copy of the Lancashire County Pension Fund Annual Report for the year ended 31st March 2023 which included the statement of accounts for the Fund (within the Lancashire County Council Statement of Accounts) and the Annual Report of the Lancashire Local Pension Board.

The Head of Fund informed the Committee that the external audit opinion would be provided and updated after the publication date and the statement of accounts would be considered by the Audit Risk and Governance Committee on 16th October 2023. It was also noted that the Pension Board would review the draft Annual Report at the meeting on 17th October 2023, and that a summary document of the Annual Report would be produced ahead of the publication date of 1st December 2023.

Resolved:

1. That the minor amendments highlighted in yellow to the Governance Compliance Statement in Section 'C' of Appendix 'A' to the report presented are approved.

2. That, subject to any minor changes, the inclusion of an updated audit opinion and small accounting updates to be agreed by the Head of Fund, the draft Lancashire County Pension Fund Annual Report 2022/23 set out at Appendix 'A' to the report presented is approved for publication on or before 1st December 2023.

8. Pension related training for Committee members

A report was presented on pension related training involving members of the Committee which had taken place since the last meeting. Mr Crewe reported that the PLSA Local Authority Conference in June 2023 had been informative, and he recommended that members of the Committee attend similar events in the future.

Resolved: That the report is noted.

9. Responsible Investment Report

The Head of Fund presented a detailed report on responsible investment matters covering Q2 (April to June 2023) and reminded the Committee that there would be an internal Responsible Investment workshop including content on the Taskforce on

Climate related Financial Disclosures at 1.00pm on 3rd October 2023 in The Exchange at County Hall, Preston.

Resolved: That the update on responsible investment matters during Q2, as set out in the report presented, is noted.

10. Investment Panel - Updated Terms of Reference

The Head of Fund informed the Committee that following a review the Investment Panel had agreed some minor amendments to the wording of its Terms of Reference which had subsequently been approved by Full Council on 13th July 2023 and included in the Constitution of the County Council.

Resolved: That the Committee note the revised Terms of Reference for the Investment Panel set out at Appendix 'A' to the report presented.

11. Urgent Business

No items of business were raised under this heading.

12. Date of Next Meeting

It was reported that with the agreement of the Chair arrangements had been made for an additional meeting of the Committee to be held at 2.00pm on Thursday 16th November 2023 in The Savoy Suite, The Exchange, County Hall, Preston.

The Committee noted that the subsequent scheduled meeting would be held on Friday 1st December 2023 in Committee Room 'A' – The Tudor Room at County Hall, Preston, starting at 10.30am.

13. Exclusion of Press and Public

Resolved: That the press and public be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in paragraphs 1 and 3 of Part 1 of Schedule 12A to the Local Government Act, 1972. It is considered that in all the circumstances the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

14. Local Pensions Partnership Administration Update

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Ms J Darbyshire, Managing Director at Local Pensions Partnership Administration Ltd (LPP), presented a detailed report on the performance of the pension administration service against standard/targets during the 3 months to 30th June 2023 together with a performance update for July/August 2023.

In considering the report Members of the Committee expressed concerns about the continued service disruption experienced by some scheme members/employers following the implementation of a new pension administration service at LPP. In addition, feedback was provided on complaints handling, helpline surveys and employer engagement. Existing performance measures were also discussed, and it was reported that the Pension Board would review such measures before reporting back to the Committee.

It was noted that collaboration between LPPA, the Pensions Team and the County Council had enabled most Benefit Statements to be issued on time.

Resolved: That the comments of the Committee regarding performance of the pension administration service against standards and targets during 2022/23, as set out in Appendices 'A' and 'B' to the report presented is noted.

15. Appointment of a new Employer representative on the Lancashire Local Pension Board

Exempt information as defined in Paragraphs 1 and 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

A report was presented on the proposed appointment of a new employer representative for the Unitary, City and Borough Councils and Police/Fire bodies on the Lancashire Local Pension Board.

Resolved: That the appointment of a new employer representative for the Unitary, City and Borough Councils and Police/Fire bodies on the Lancashire Local Pension Board, as set out in the report presented, is noted, and recommended to Full Council for approval.

16. Local Pensions Partnership Update

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Committee considered an update report on activity by the Local Pensions Partnership (LPP) and its subsidiaries up to 30th June 2023 including a position statement by LPPI in response to the Department for Levelling Up, Housing and Communities consultation on LGPS investment pooling.

Resolved: That the updates on the activity and financial position of the Local Pensions Partnership and its subsidiaries, as set out in the report presented, are noted.

17. Investment Context Report

Exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Ms Devitt, Independent Investment Adviser to the Fund, presented her report on the macro-economic factors which influence investment markets including inflation, interest rates and credit ratings.

Resolved: That the update on the macro-economic factors that influence the investment market in which the Lancashire County Pension Fund operates is noted.

18. Investment Performance Report

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

Ms George, Independent Investment Adviser to the Fund, presented a report on the performance of the Fund in Q2 which included the performance of individual asset allocations against benchmarks, information on cashflow, and the current funding level. Regarding the total portfolio return over different periods Ms George reported that the expected return over 3 to 5 years remained strong and above benchmarks.

In response to a query regarding investment by the Fund into the Preston, South Ribble and Lancashire City Deal the Chair reported that a report would be presented to a future meeting.

Resolved:

1. That the summary of the Fund's performance in Q2 (April to June 2023) as set out in Appendix 'A' to the report presented, is noted.

2. That a report on investment by the Fund into the Preston, South Ribble and Lancashire City Deal be presented to a future meeting.

Representatives from the Local Pensions Partnership left the meeting at this point.

19. Investment Panel Report

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Head of Fund presented a report on the matters discussed at the Investment Panel held on 15th June 2023.

Resolved: That the Minutes of the Investment Panel on 15th June 2023 are noted.

20. Investment Pooling Consultation

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Committee considered a report on the draft response by the Fund to the Department for Levelling Up, Housing and Communities consultation on Local Government Pension Service investment pooling.

A summary of the Lancashire County Pension Fund position in relation to the various themes in the consultation was presented and it was reported that the Fund was significantly more advanced in terms of the pooling of investments than other LGPS Funds and had achieved good fee savings as a result. It was noted that the draft response had been discussed with the Leader and leader of the opposition and that a final response would be submitted before the end of the consultation on 2nd October 2023.

Resolved: That, subject to any minor amendments, the draft response to the DLUCH consultation on Local Government Pension Service investment pooling, as set out at Appendix 'B' to the report presented, is approved for submission before the end of the consultation period on 2nd October 2023.

21. Local Pensions Partnership Governance Review

Exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972. It was considered that in all the circumstances of the case the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Head of Fund presented an update on the Governance Review and informed the Committee that as part of the project the Articles of Association for the Local Pensions Partnership Ltd had been reviewed to reflect changes to the funding arrangement and the composition of the LPP Board.

It was further reported that an updated Shareholder Agreement would be presented to the Committee at a meeting arranged for 16th November 2023 with the final version expected to be presented to Full Council on 14th December 2023 for approval.

Resolved:

1. That the revised Articles of Association for the Local Pensions Partnership Ltd, as set out at Appendix 'A' to the report presented, are approved.

2. That the next steps in updating the Shareholder Agreement, as set out in the report presented, are approved.

H MacAndrew
Director of Law and Governance

County Hall
Preston

Lancashire County Council

Pension Fund Committee
Meeting to be held on Friday, 1 December 2023

Electoral Division affected:
N/A;

Budget Monitoring 2023-24 – Q2
(Appendix 'A' refers)

Contact for further information:
Sean Greene, Head of Fund, Sean.Greene@lancashire.gov.uk

Executive Summary

This report sets out the income and expenditure of the Fund for the 6-month period to 30 September 2023 and provides a forecast for the year ending 31 March 2024.

Recommendation

The Committee is asked to review the financial results for the 6 months to 30 September 2023 and note the budget and forecast variances, as set out in the report.

Detail

Background and Advice

The budget for the financial year ending 31 March 2024 was approved by the Pension Fund Committee on 10th March 2023. The budget was based on the information available at that time and the forecast provided in Appendix 'A' gives the latest estimate of expenditure and income for the financial year in light of updated information to date.

The forecast for the year ending 31 March 2024 indicates that money available for investment will be less than that set out in the budget for the same period. Details are shown in Appendix 'A' with significant variances by budget line set out below.

Contribution's income

Actual £290.8m (Budget £404.1m, revised forecast at Q2 £409.7m)

The employer and employee contributions have remained largely in line with the budget, albeit that the budget for employer contributions has been adjusted to reflect prepayments received in the first quarter (see below). Some of the variance between budget and actuals for employer contributions is due to one employer opting to make the full 3-year prepayment for which Officers had not initially budgeted. There has now been an agreement on the local government pay settlement for 2023/24 with the impact – on employer and employee contributions - expected to be seen in Q3. The contributions forecast is therefore based on the pay increase included in the budget.

The actuals include prepaid contributions of £183.5m for the 3-year period (from 2023/24 to 2025/26) which were received from 1st April 2023.

Transfers In

Actual £7.9m (Budget £15.4m, forecast at Q2 £15.6m)

Income from transfers is dependent on the number and timing of new members joining the Fund and is not an item that can be predicted with great accuracy. The actual is within the anticipated range.

Investment income

Actual £90.3m (Budget £220.0m, forecast at Q2 £220.0m)

Investment income consists mainly of income from the pooled investment funds (95% of the budget). Also included are direct property rental income, interest, foreign exchange differences and tax refunds.

Over the 6 months to 30 September 2023 investment income received has been below budget by £20.0m. This variance is largely due to the Infrastructure pool which is under budget by £20.0m, Private Equity and Credit are both also below budget whilst Global Equity is above budget. During the second quarter, investment income received has accelerated compared to Q1 as it has been £4m above expectations and therefore the forecast figure has not been altered at this point in the budget cycle.

Total benefits payable

Actual £174.8m (Budget £345.8m, forecast at Q2 £349.6m)

The forecast for the year is broadly in line with budget, with an overall adverse variance due to both monthly and lump sum pensions being marginally in excess of budget.

Transfers out

Actual £11.5m (Budget £16.1m, forecast at Q2 £19.5m)

The cost of transfers out of the Fund is dependent on the number and timing of members transferring their benefits to other funds. The actual is broadly in line with expectations.

Investment management expenses

Actual £51.7m (Budget £130.5m, forecast at Q2 £132.7m)

Investment management expenses encompass fees related to the ongoing management, custody, and performance of investments.

Management fees
Management fees (related to ongoing management) are expected to directly relate to the value of the assets. At the point that the budget is set, management fees are estimated based on asset values at that point projected forwards. Actual experience during the year to date has shown that asset values have increased which is in line with the projection. During the 6 months to 30 September 2023, the value of the Fund's assets has increased from £10.8 billion to £11.0 billion, and this asset performance has resulted in a slight increase in management fees, however, due to the delays to closing the 2022/23 general ledger, it has allowed the Fund to post further prior year fees into the prior financial year, resulting in lower costs being seen in 2023/24.

Performance fees
Performance related fees are highly difficult to estimate as they are dependent on returns generated over a particular period, there are specific thresholds to be met before being payable and provisions whereby prior performance fees can be returned to investors. As such, it is the Fund's policy not to forecast performance-related fees. Rather, the budget/estimate for the current year is based on the previous year's actual performance fees subject to some relevant adjustments. Differences between budgeted / estimated fees and actual fees are likely to be exacerbated by periods of market volatility under this approach.

Overall position

The 6-month actuals to 30th September 2023 do appear low in relation to the annual budget.

Overall, the investment management fees are below budget in Q2. Part of the reason for this is due to the delay (for some fees) between fees actually being incurred and the invoicing of fees to the Fund for payment. In normal circumstances, the prior year's general ledger would have been closed early in the year and – after that closure point – any fees related to the prior year which were invoiced at a later stage would appear in the current year budget. This is not the case for the year 2023/24. The previous year's general ledger has remained open for longer this year and so 2022/23 fees invoiced at a later stage are allocated to the year 2022/23 and do not appear in this budget.

Fund administration and oversight and governance fees

Actual £3.2m (Budget £7.1m, forecast at Q2 £6.7m)

These cover the cost for administration expenses payable to Local Pensions Partnership Administration Limited comprises core administration services, charged on a cost per member basis as well as costs such as staff, legal and actuarial fees incurred in running the fund.

The fees are forecasted to be below budget as a smoothing arrangement has been agreed with LPPA for the provision of the administration services.

Appendices

Appendix 'A' is attached to this report. For clarification they are summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix 'A'	2023/24 Budget Monitoring Report – quarter ended 30th September 2023

Consultations

Local Pensions Partnership Investments Limited has been consulted for investment management fee and investment income analysis.

Implications:

This item has the following implications, as indicated:

Risk management

The full year financial performance will be included in the Fund's annual report and statement of accounts for the year ended 31 March 2024. Regular budget monitoring is a key control for the Fund and assists in the financial management of the Fund, providing an indication of significant variances from expectations and informing future budgets.

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

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Lancashire County Pension Fund
Fund Account - Year ending 31 March 2024

	PRIOR YEAR ACTUAL Year ended 31 March 2023 £'000	BUDGET Year ending 31 March 2024 £'000	BUDGET 6 months ended 30 September 2023 £'000	ACTUAL 6 months ended 30 September 2023 £'000	FORECAST Year ending 31 March 2024 £'000	FORECAST VARIANCE Year ending 31 March 2024 £'000	FORECAST VARIANCE Year ending 31 March 2024 % of budget	FAVOURABLE / ADVERSE
INCOME								
Contributions Receivable								
From Employers								
Future service rate contributions	(91,195)	(319,400)	(249,900)	(251,338)	(325,960)	(6,560)	(2.1%)	FAV
Deficit recovery contributions	(6,237)	(2,400)	(1,200)	(1,213)	(2,425)	(25)	(1.1%)	FAV
Pension strain / augmented pensions	(1,623)	(4,059)	(2,029)	(1,019)	(3,048)	1,011	24.9%	ADV
From Employees	(73,413)	(78,230)	(39,115)	(37,255)	(78,235)	(5)	(0.0%)	FAV
Total contributions receivable	**(172,468)**	**(404,088)**	**(292,244)**	**(290,824)**	**(409,668)**	**(5,580)**	**(1.4%)**	FAV
Transfers in	(17,744)	(15,436)	(7,718)	(7,866)	(15,584)	(148)	(1.0%)	FAV
Total Investment Income	(198,954)	(220,043)	(110,021)	(90,300)	(220,043)	0	0.0%	FAV
TOTAL INCOME	**(389,166)**	**(639,567)**	**(409,983)**	**(388,990)**	**(645,294)**	**(5,727)**	**(0.9%)**	FAV
EXPENDITURE								
Benefits Payable								
Pensions	266,123	291,981	145,991	147,018	294,036	2,055	0.7%	ADV
Lump Sum Benefits	47,956	53,781	26,890	27,776	55,552	1,772	3.3%	ADV
Total benefits payable	**314,079**	**345,762**	**172,881**	**174,794**	**349,589**	**3,827**	**1.1%**	ADV
Transfers out	18,165	16,104	8,052	11,456	19,509	3,404	21.1%	ADV
Refund of Contributions	749	892	446	336	782	(109)	(12.3%)	FAV
Fund administrative expenses								
Administrative and processing expenses:								
Total administrative expenses (includes LPP expenses)	4,190	5,300	2,650	2,414	4,947	(353)	(6.7%)	ADV
Total administrative expenses	**4,190**	**5,300**	**2,650**	**2,414**	**4,947**	**(353)**	**(6.7%)**	ADV
Investment management expenses								
Investment management fees:								
LPP directly invoiced investment management fees	560	500	250	224	448	(52)	(10.3%)	FAV
DIRECTLY INVOICED non LPP investment management fees - direct holdings	172	190	95	87	174	(16)	(8.4%)	FAV
Investment management fees on pooled investments	110,048	125,000	62,500	46,738	125,000	0	0.0%	FAV
Custody fees	64	60	30	25	60	0	0.0%	FAV
Commission, agents charges and withholding tax	11,056	1,749	875	3,025	3,900	2,151	122.9%	ADV
Property expenses	3,610	3,000	1,500	1,591	3,091	91	3.0%	ADV
Total investment management expenses	**125,510**	**130,499**	**65,250**	**51,691**	**132,674**	**2,174**	**1.7%**	FAV
Oversight and Governance expenses								
Performance measurement fees (including Panel)	113	84	42	44	90	6	7.1%	ADV
Lancashire Local Pensions Board	9	15	8	8	15	0	0.0%	ADV
Other advisory fees (including abortive fees)	113	100	50	44	100	0	0.0%	FAV
Actuarial fees	368	220	130	115	220	0	0.0%	FAV
Audit fees	40	40	20	26	51	11	27.5%	ADV
Legal & professional fees	148	130	65	22	130	0	0.0%	ADV
LCC staff recharges	962	1,121	560	484	1,048	(73)	(6.5%)	FAV
Write offs	53	100	50	0	100	0	0.0%	FAV
Bank charges	7	6	3	3	6	0	0.0%	ADV
Total oversight and governance expenses	**1,813**	**1,816**	**928**	**746**	**1,760**	**(56)**	**(3.1%)**	FAV
TOTAL EXPENDITURE	**464,505**	**500,373**	**250,206**	**241,437**	**509,260**	**8,887**	**1.8%**	FAV
MONEY TO BE AVAILABLE FOR (OR WITHDRAWN FROM) INVESTMENT BEFORE REALISED AND UNREALISED PROFITS AND LOSSES ON INVESTMENTS	**75,339**	**(139,194)**	**(159,777)**	**(147,553)**	**(136,034)**	**3,160**	**(2.3%)**	ADV

Appendix A

Lancashire County Council

Pension Fund Committee
Meeting to be held on Friday, 1 December 2023

Electoral Division affected:
N/A;

Local Pensions Partnership Annual Report and Accounts
Appendix 'A' refers

Contact for further information:
Junaid Laly, Special Projects Pensions Lead, 01772 532767,
Junaid.Laly2@lancashire.gov.uk

Brief Summary

The shareholder agreement for the Local Pension Partnership Limited requires the shareholder to receive the Annual Report and Accounts for the Partnership.

The Annual Report and Accounts for the year ended 31 March 2023 (a copy of which is set out at Appendix 'A') were approved by the Local Pensions Partnership Limited Board on 27th September 2023 and, at the time of producing this report, are due to be filed with Companies House within the coming weeks.

Recommendation

The Committee is asked to comment on the content of the 2022/23 Annual Report and Accounts for the Local Pensions Partnership Limited as set out at Appendix 'A' to this report.

Detail

The Pension Fund Committee is charged with overall governance of the Fund and overseeing the investment and administration functions operated within the Local Pensions Partnership Limited (LPP).

The shareholders agreement requires the shareholder to receive the Annual Report and Accounts for LPP and the Terms of Reference of the Pension Fund Committee state that the Committee should receive the annual accounts for the LPP.

The Annual Report and Accounts for the year ended 31 March 2023 are attached at Appendix 'A'.

The report includes a strategic report and the financial statements of the company.

Financial Position:

LPP's Annual General Meeting took place on 25th October 2023 – the External Auditor Grant Thornton was re-appointed for a further year, the Accounts were received and the group statutory directors were re-appointed.

LPP Group Annual Report and Accounts 2022-23 is provided at Appendix A for noting.

In summary financial performance is in line with expectations and reporting to shareholders throughout the year.

- LPP Group made a marginal profit of £0.5m (ignoring the impact of pension liabilities) which reinforces the drive for financial stability.

- LPPA broadly broke even, in line with budget (again ignoring pension liabilities)

- LPPI contributed to the marginal profit. (Ignoring pension liabilities)

The above results ignore LPP Group pension liabilities which remain volatile. The topic of pension liabilities is subject to a further discussion with shareholders and a separate Committee Agenda Item.

Appendices

Appendix 'A' is attached to this report. For clarification it is summarised below and referenced at relevant points within this report.

Appendix	**Title**
Appendix 'A'	Annual Report and Financial Statements for year ended 31 March 2023

Consultations

Local Pensions Partnership Limited

Implications:

This item has the following implications, as indicated:

Risk management

Annual accounts of LPP are to be received by the Pension Fund Committee under its Terms of Reference.

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

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate

N/A

Local Pensions Partnership Ltd

Annual Report and Financial Statements

for the year ended 31 March 2023

Registration number: 09830002

Contents

Directors

Alan Schofield
Charles Edwards
Fiona Stark
Robert Branagh
Terence Jagger

Company Secretary

Greg Smith

Registered Office

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Registration number: 09830002

Independent Auditors

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Principal activities

Local Pensions Partnership Ltd (LPP) strives to be an exceptional pension services provider.

Formed in 2016, we are a provider of pension administration and investment management services to some of the largest UK local government and public sector pension funds.

LPP initially launched as a collaboration between Lancashire County Council (LCC) and London Pensions Fund Authority (LPFA), ahead of the Government plan to create asset pools from the 89 funds which make up the Local Government Pension Scheme (LGPS). LCC and LPFA took the decision to pool their assets to reduce cost and improve performance and to widen the opportunities that come with scale. LPP is now one of eight national Local Government pools.

Today LPP manages around £24bn of pensions assets on behalf of three LGPS clients including the committed capital of GLIL Infrastructure LLP (GLIL). We also provide pensions administration services for more than 655,000 LGPS, Police and Firefighters' pension scheme members across over 2,100 employers.

Section 172(1) statement 2022-23

LPP is required to publish a statement explaining key decisions that have been taken during the year and how the Directors have discharged their duty to promote the success of the Company.

Board and Committee papers, that require decisions to be made, include a statement on how the decision will assist the Directors in the discharge of their obligations under section 172 of the Companies Act 2006. This requirement for all key papers assists both the Directors in their decision making, and in embedding the consideration of section 172 in the culture of the business and its decision making at senior management level where papers are written. Additionally, all Board and Committee papers require authors to consider corporate social responsibility, which would include any impact on the community and/or the environment.

Directors are mindful of the impact on stakeholders when making decisions. The Group considers its stakeholders to be its two shareholders; staff; investments and pensions administration clients; the members and employers of those clients, where relevant; suppliers of key services and goods to the LPP Group, such as software; regulatory bodies; and the Government.

LPP is committed to maintaining a reputation for high standards of business conduct and does so with its commitment to good standards of corporate governance as described in the corporate governance statement and in its application of the Wates principles.

The key decisions taken during 2022-23 are outlined below and are important steps in the long-term success of the Company. The table describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) when performing their duty under section 172 of the Companies Act 2006 to promote the success of the Company when making key decisions.

More generally, LPP seeks to build positive relationships with suppliers by ensuring it acts as a responsible client. This means effective procurement, engagement and operating without payment delays.

Section 172(1) statement 2022-23 (continued)

Key decisions taken across the Group	Impact on stakeholders
LPP Board Approval of the LPPI and LPPA 2022/25 Business Plans	Shareholders: The approved plan provides our shareholders with a clear vision of our strategic direction, aligned to agreed shareholder objectives. Staff: For our employees, these business plans serve as a roadmap, setting clear goals and objectives. This contributes to a sense of purpose and direction, promoting productivity and job satisfaction. Investments and Pension Administration Clients: With solid business plans in place, our clients can feel confident in our long-term stability and commitment to continuous improvement. Members and Employers of Clients: The business plans ensure our services remain reliable and efficient, meeting the investment and pension administration needs of our clients' members and employers. Regulatory Bodies: The business plan demonstrates our commitment to proactive planning and regulatory compliance via “robust foundations” strategic goal.
LPP Group Remuneration – Remuneration Responsibilities transferring to LPPI and LPPA with the closure of the Group Remuneration and Nomination Committee. **Restructure of the LPP Board to have greater shareholder representation.**	Shareholders: The restructure of the LPP Board provides shareholders with increased presence on the LPP Board. This will assist with the direct oversight of subsidiaries and reduces the need for certain informal shareholder meetings. Staff: The transfer of remuneration responsibilities to LPPI and LPPA will result in greater proximity between the member of staff and those determining pay decisions. Regulatory Bodies: remuneration activities require compliance with all relevant financial and employment regulations. This decision demonstrates the Group's commitment to maintaining regulatory compliance and in particular the establishment of a remuneration committee dedicated to LPPI provides clearer decision making within LPPI from a regulatory perspective.

Section 172(1) statement 2022-23 (continued)

Cyber Strategy and Principles	Recognizing the increasing importance of cybersecurity in today's digital landscape, the Group has decided to adopt a comprehensive Cyber Strategy and Principles. This decision reflects our continued commitment to safeguarding our systems, data, and stakeholders from cyber threats and ensuring the resilience of our operations. <u>Impact on Stakeholders:</u> Shareholders: The adoption of robust Cyber Strategy and Principles enhances shareholder confidence by demonstrating our proactive approach to mitigating cyber risks. It helps protect shareholder investments and ensures the long-term stability and continuity of the business. Staff: The Cyber Strategy and Principles provide clear guidelines and protocols for staff to follow, promoting a culture of cybersecurity awareness and responsibility. This enhances the overall security posture of the company and protects staff members from potential cyber threats. Investments Clients: Clients can have increased confidence in the security of information held due to the implementation of a comprehensive Cyber Strategy. This strengthens their trust in our organisation and differentiates us as a reliable partner. Members and Employers of Clients: The adoption of a robust Cyber Strategy safeguards the personal and financial data of members and employers, providing them with peace of mind and protection against potential cyber risks. This contributes to the overall satisfaction and trust in our services. Regulatory Bodies: The adoption of a comprehensive Cyber Strategy demonstrates our commitment to compliance with regulatory requirements related to cybersecurity. It strengthens our relationship with regulatory bodies and enhances our reputation as a responsible and secure organisation.

Section 172(1) statement 2022-23 (continued)

LPPI: Adoption of Net Zero Carbon Investing	In a significant step embracing environmental responsibility and sustainable investment practices, LPPI has made a Net Zero commitment. The decision to become a signatory to the Net Zero Asset Manager Initiative aligns LPPI with global efforts to combat climate change and demonstrates our commitment to incorporating environmental, social, and governance (ESG) factors into our investment decisions. Impact on Stakeholders: Shareholders: The commitment to move towards Net Zero is aligned with LPPI seeking to preserve shareholder value through focus on the systemic issue of climate change. Investments Clients: Clients will benefit from sustainable portfolio management that is aligned with global efforts to combat climate change, enhancing trust and customer satisfaction. Members and Employers of Clients: The adoption of a Net Zero commitment reassures members and employers that their investments are being managed responsibly and in line with their values. Regulatory Bodies: The commitment to Net Zero demonstrates our proactiveness in adopting good practice aligned with emerging regulations related to climate change and the consideration of ESG factors, enhancing our standing with regulators. Government: Our commitment to Net Zero stewardship supports government initiatives and policies aimed at combatting climate change and promoting sustainable practices.

Strategic plan 2020-25

The Strategic Plan can be summarised in three key objectives:

- prioritise financial stability and sustainability
- deliver excellent investment performance in excess of LPPI's client targets and benchmarks, and
- focus on improving the member and employer experience

Key projects delivered during 2022-23 which align to our strategy are outlined below. LPPI and LPPA have subsidiary specific strategic business plans which outline how each part of the business will meet the overall Group Strategy. The Group Shareholders helpfully provided LPP with clarified shareholder objectives during the year.

Key strategic deliverables achieved 2022-23

Robust financial performance: Overall the LPP Group made a marginal operating profit (pre-tax, pre-pension liability obligation), supporting LPP's drive for robust financial performance. As standalone subsidiaries LPPI made a marginal operating profit (pre-tax and pre-pension liability) and LPPA made a marginal (pre-tax and pre-pension liability obligation) operating loss. The operating loss made by LPPA was broadly in line with budget and was expected given the significant investment in the pension administration system.

Investment cost savings against the pre-pooling position for LCPF, LPFA, and RCBPF have been published. In aggregate LPPI has achieved £113m (as at 31st March 2022) of savings compared with the pre-pooling position.

Pension Liabilities: LPPI ran a project to investigate options to manage its FRS102 pension liabilities. Discussions with Group Shareholders remain on-going.

Responsible investment: Responsible Investment has been integrated with the investment process and high-quality dashboards published quarterly. In addition, LPPI is a signatory to the FRC's Stewardship Code, has made a commitment to net zero by 2050 in relation to LPPI's assets under management and publishes a Responsible Investment Annual Report which is available on the LPP website. During 2022-23 LPPI ran a ESG project in preparation for reporting in line with TCFD (Task Force for Climate Related Financial Disclosures) obligations.

Investment performance: LPPI achieved its strategic target to outperform shareholder client policy portfolio (strategic asset allocation) benchmark over the 1, and 5 year periods. The marginal underperformance over the 3-year period is notably impacted by the Public Equity portfolio being underweight in the sectors which rebounded strongly following the disruption during the Covid pandemic.

Initiatives delivered in line with LPPI's Strategy Business Plan have matured elements of LPPI's operating model, including:

- A Net Zero roadmap and LPPI's first public targets
- Investment in investment systems and data to compile a functional model and optimise LPPI's existing applications
- Completion of an investment product review to validate client preferences and investment opportunities
- Governance enhancements, including delivery of a Type 2 AAF
- Advancing employee value proposition including reward, learning and development, and recognition

Pension administration performance: Activity across LPPA during 2022 was dominated by Project Pace which has been the project to implement the new pension administration system. Despite an aggressive timeframe, the project was delivered on target and in line with the agreed budget. The new system followed a review undertaken in 2020 which highlighted a number of key risks, including the use of multiple systems which did not interface and a desire to achieve greater value for money. The new system Universal Pensions Manager (UPM) was implemented over two phases during 2022-23. Due to the anticipated business disruption service level agreements with clients were relaxed during the implementation periods. From the start of 2023-24 LPPA is operating back in line with the usual service standards.

Future strategic direction

The Boards of LPPI and LPPA have re-assessed the strategic deliverables for the coming year. No significant strategic shifts are anticipated.

LPPI has agreed a subsidiary specific Business Plan which is consistent with the Group Strategy but puts the deliverables in an LPPI specific focus and context. This includes a focus on business maturity and improvements to the operating platform in line with discussions with clients.

LPPA has also agreed a Strategic Business Plan which focuses on delivering to client expectations and modernising the member and employer experience. An Efficiency and Service Improvement Plan will be rolled out to achieve the benefits from moving to the new pension administration system. LPPA continues to be acutely aware of the risks posed by cyber security threats and is seeking to build on the Cyber Essentials Plus accreditation. Staff training and development continues to be a priority.

Principal risks

LPP's risk framework aims to:

- Establish and operate an effective risk management / internal control environment including risk identification, assessment, monitoring and the development of actions arising
- Establish, operate and report a regular program of Group-wide risk analysis, stress testing, scenario development, thematic review and reverse stress testing
- Integrate risk management into the culture of the Group

LPPI and LPPA each have their own dedicated risk and compliance functions. These are responsible for applying the above risk framework across the subsidiaries. The LPP Board is responsible for identifying key risks facing LPP which are not already owned by the LPPI and LPPA Boards. This will typically be risks associated with achieving the Group Strategy, relations with stakeholders and Group financial resilience.

During 2022-23 the main risks across the Group which were managed were in relation to:

- The implementation of Project Pace and the new pension administration system
- The War in Ukraine and the associated impact on global markets, resulting in a short-term fall in income for LPPI and short-term challenges with client investment performance, and
- LPPI's regulatory capital position and the impact of staff LGPS pensions on the Group and specifically LPPI.

Looking forward LPP will continue to monitor the legislative landscape in relation to asset pooling in the UK and respond accordingly to government guidance.

Staff engagement

Communication and engagement surveys have been issued periodically and have demonstrated overall high levels of staff engagement. Wellness and diversity initiatives have been progressed.

- LPPA and LPPI engagement scores were 6.9 and 7.7 on the Peakon Scale.
- LPPA and LPPI participated in initiatives to improve diversity across the Group such as LPPI's participation in the 10,000 Black Interns programme. Further information can be found sub entities annual report and accounts.

Executive remuneration across the Group

LPP is committed to reporting the total remuneration of its Directors and higher earners. The remuneration disclosure goes beyond what legislation requires and reflects LPP's commitment to transparency. The table below shows total remuneration (base salary plus incentives plus pension or cash alternative) of 'higher earners' (employees earning over £100,000) across the LPP Group.

Range	No. of Employees
£100,001 – £150,000	32
£150,001 – £200,000	13
£200,001 – £250,000	2
£250,001 – £300,000	4
£300,001 – £350,000	3
£350,001 – £400,000	2
£400,001 – £450,000	1
£450,001 – £500,000	0
£500,001 – £550,000	0
£550,001 – £600,000	1

Environmental initiatives

LPPI has signed up to the Planet Mark initiative and has been awarded its accreditation for its third year. During 2022-23 LPPI has been collecting data from across its different business areas to produce its business operations carbon emissions report. LPPA will be evaluating its own business position during 2023 and will determine a plan of action in the upcoming year.

LPPI has produced a Responsible Investment Report for the third year running which can be found on LPP's website. This covers topics such as LPPI's approach to responsible investment, our beliefs, voting, investor engagement and our Climate Change Disclosure/TCFD reporting.

Corporate governance statement

The LPP website provides information on LPP's Governance Framework. LPP is now operating a model whereby the core operational activities are fully carried out by LPPI and LPPA. The LPP Board is responsible for the oversight of the subsidiaries plus Group performance, strategy and shareholder engagement.

Conflicts of interest and independence

The process by which Directors' conflicts might be authorised is set out in detail in the relevant Articles of Association. Conflicts of interest policies are also in place, ensuring a proper process for the identification, consideration of, authorisation and appropriate recording of any conflicts of interest. These policies are reviewed regularly, and any amendments approved by the respective Board. Directors declare any conflicts at the start of each Board or Committee meeting to be recorded in the minutes of the meeting and the conflicts of interest register.

This report was approved by the Board of Directors on 27 September 2023 and signed on their behalf.

Fiona S. Stark

Fiona Stark
Director
28 September 2023

The Directors present their report and financial statements for the year ended 31 March 2023.

Directors

The following persons served as Directors during the year and up to the Statement of Financial Position signing date. The LPP Board underwent a restructure in January and February 2023 to increase the shareholder representation on the Board.

Robert Branagh	(Appointed from 1 January 2023)
Sally Bridgeland	(Resigned from 22 February 2023)
Charles Edwards	(Appointed from 1 January 2023)
Terence Jagger	
Sir Peter Rogers	(Resigned 31 July 2022)
Chris Rule	(Resigned from 22 February 2023)
Alan Schofield	
Fiona Stark	(Appointed from 1 August 2022)
Adrian Taylor	(Resigned from 22 February 2023)

Directors' Responsibilities

The Directors are responsible for preparing the Strategic report, the Directors' report, and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law, the Directors have elected to prepare the financial statements in accordance with United Kingdom applicable law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the Directors must not approve the financial statements, unless they are satisfied, they give a true and fair view of the situation of the Group, and of the profit and loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the Group keeps adequate accounting records that are sufficient to show and explain the Group's transactions; disclose with reasonable accuracy at any time the financial position of the Group; enable them to ensure that its financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Corporate Governance Arrangements

LPP's Directors have agreed to the adoption of the Wates Corporate Governance Principles for the Group and although not meeting the threshold requiring the provision of a statement of corporate governance arrangements, LPP's Directors wish to report on LPP's application of these principles and have done so though the provision of a detailed report on LPP's website.

Results and dividends

Excluding the impact of the FRS102 defined benefit charge, LPP Group made a profit after tax of £670k (2022 – profit after tax of £1,701k) and LPP entity a loss after tax of £2,387k (2021 – loss after tax of £792k). Including the FRS102 defined benefit charge, LPP Group made a loss after tax of £3,782k (2021 – loss after tax of £1,945k) and LPP entity a loss after tax of £2,523k (2021 – loss after tax of £1,000k).

No dividends were paid during the year (2021 - £nil) and no recommendation is made to pay a final dividend.

Capital

LPP has an issued share capital of 25,000,002 ordinary shares of £1. The shareholders are Lancashire County Council and London Pensions Fund Authority, and each holds 12,500,001 fully paid ordinary shares of £1 in value. Of its 12,500,001 shares, Lancashire County Council holds 12,500,000 of these acting in its capacity as administering authority for the Lancashire County Pension Fund.

Going concern

After making enquiries in relation to the Group's forecasts and projects, the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future and that, therefore, it is appropriate to adopt the going concern basis in preparing the financial statements.

Expected future developments

Expected future developments are set out in the strategic report.

Political or charitable donations

None.

Research and Development

No research and development expenditure was made during the year (2022 - nil).

Financial Instrument Risk

The Group does not use hedging or financial risk management instruments and all cash is held within bank accounts with highly rated financial institutions.

Business relationships

Information on business relationships is provided in the Section 172(1) statement.

Employee engagement and representation

Organisational-wide changes are communicated to employees and major strategic projects are discussed on a regular basis. LPP's business subsidiaries (LPPI and LPPA) also held regular strategic update sessions for all employees, supplemented with informal 'Open Door' sessions where employees are encouraged to put questions to the Executive Management Teams.

Further information on employee engagement is provided in the Section 172(1) statement.

Disabled employees

LPP is committed to ensuring equality of opportunity and access in both its employment and service arrangements.

LPP's aim is to promote diversity within its workforce and ensure that services meet the different needs of staff and clients at all times.

Of LPP Group's employees, 8% have reported some form of disability. As a Group, the aim is to ensure fairness and equality towards all applicants through objective based recruitment practices and family friendly policies to support staff during changing circumstances. This includes flexible working arrangements to support participation in religious and/or cultural events, to care for dependents or where reasonable adjustments are required to roles/working patterns to support declared disabilities. Training methods and environments are tailored to support staff with declared disabilities including delivering the training with the support of sign language.

Post balance sheet events

None.

Disclosure of information to auditors

Each of the persons who is a Director at the date of the approval of this report confirms that:

1. So far as the Directors are aware, there is no relevant audit information of which the Group's auditor is unaware; and

2. The Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. Grant Thornton UK LLP was reappointed as auditor of the Company, in accordance with s487 of the Companies Act 2006 by a written shareholder resolution via LPP AGM (Annual General Meeting) on 25 October 2022.

This report was approved by the Board of Directors on 27 September 2023 and signed on their behalf.

Fiona S. Stark

Fiona Stark
Director
28 September 2023

Opinion

We have audited the financial statements of Local Pensions Partnership Ltd (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2023, which comprise the consolidated income statement, the consolidated and the company statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2023 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as higher inflation and interest rates, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the group and the parent company and the industry in which it operates. We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and management. We determined that the most significant laws and regulations were United Kingdom Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006;

- We enquired of the directors and management including legal and compliance to obtain an understanding of how the group and the parent company is complying with those legal and regulatory frameworks and whether there were any instances of non-compliance with laws and regulations and whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of the minutes of the group and the parent company company's board and audit and risk committee meetings;

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included an evaluation of the risk of management override of controls. Audit procedures performed by the engagement team in connection with the risks identified included:

- evaluation of the design and implementation of controls that management has put in place to prevent and detect fraud;

- testing journal entries, including manual journal entries processed at the year-end for financial statements preparation; and

- challenging the assumptions and judgements made by management in its significant accounting estimates.

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

Auditor's responsibilities for the audit of the financial statements (continued)

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
- understanding of, and practical experience with, audit engagements of a similar nature and complexity, through appropriate training and participation;
- knowledge of the industry in which the group and the parent company operates; and
- understanding of the legal and regulatory frameworks applicable to the group and the parent company.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
- the group and the parent company's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
- the rules and interpretative guidance issued by the Financial Conduct Authority applicable to the group and the parent company and the scope of its authorisation; and
- the group and the parent company's control environment, including the policies and procedures implemented to comply with the requirements of its regulator, including the adequacy of the training to inform staff of the relevant legislation, rules and other regulations of the regulator, the adequacy of procedures for authorisation of transactions, internal review procedures over the group and the parent company's compliance with regulatory requirements, the authority of, and resources available to the compliance officer and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

- This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Paul Flatley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
28 September 2023

Local Pensions Partnership Ltd
Consolidated Income Statement
for the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Turnover	6	44,071	41,404
Administrative expenses		(49,034)	(44,298)
Other operating income		255	599
Operating loss	**7**	**(4,708)**	**(2,295)**
Interest receivable	9	264	3
Loss before taxation		**(4,444)**	**(2,292)**
Taxation	10	662	347
Loss for the financial year		**(3,782)**	**(1,945)**

Group

	Notes	2023 £'000	2022 £'000
Loss for the financial year		**(3,782)**	**(1,945)**
Other comprehensive income			
Remeasurement of defined benefit obligation	18	39,122	8,793
Total tax on components of other comprehensive income	10	(2,919)	(384)
Other comprehensive income for the year, net of tax		**36,203**	**8,409**
Total comprehensive income for the year		**32,421**	**6,464**

Company

	Notes	2023 £'000	2022 £'000
Loss for the financial year		**(2,523)**	**(1,000)**
Other comprehensive income			
Remeasurement of defined benefit obligation	18	6,965	2,203
Other comprehensive income for the year, net of tax		**6,965**	**2,203**
Total comprehensive income for the year		**4,442**	**1,203**

Local Pensions Partnership Ltd
Consolidated Statement of Financial Position
as at 31 March 2023

LPP
Local Pensions Partnership

	Notes	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	11	4,323	3,423
Tangible assets	12	292	456
Post-employment benefits	18	1,384	-
		5,999	**3,879**
Current assets			
Debtors	15	11,080	12,227
Cash at bank and in hand		28,800	28,668
		39,880	**40,895**
Creditors: amounts falling due within one year	16	(7,830)	(6,653)
Net current assets		**32,050**	**34,243**
Total assets less current liabilities		**38,049**	**38,122**
Creditors: amounts falling due after more than one year	17	(600)	(493)
Post-employment benefits	18	-	(32,601)
Net assets		**37,449**	**5,028**
Capital and reserves			
Share capital	19	25,000	25,000
Profit and loss account		12,449	(19,972)
Total equity		**37,449**	**5,028**

The notes on pages 25 to 50 form part of these financial statements.

The financial statements were approved by the Board of Directors on 27 September 2023 and signed on their behalf.

Fiona S. Stark

Fiona Stark
Director
28 September 2023

Local Pensions Partnership Ltd
Company Statement of Financial Position
as at 31 March 2023

	Notes	2023 £'000	2022 £'000
Fixed assets			
Intangible assets	11	54	119
Tangible assets	12	43	165
Investment in subsidiaries	13	17,115	19,450
Debt investments	14	1,300	-
		18,512	**19,734**
Current assets			
Debtors	15	623	984
Cash at bank and in hand		3,001	3,867
		3,624	**4,851**
Creditors: amounts falling due within one year	16	(209)	(271)
Net current assets		**3,415**	**4,580**
Total assets less current liabilities		**21,927**	**24,314**
Post-employment benefits	18	-	(6,829)
Net assets		**21,927**	**17,485**
Capital and reserves			
Share capital	19	25,000	25,000
Profit and loss account		(3,073)	(7,515)
Total equity		**21,927**	**17,485**

The notes on pages 25 to 50 form part of these financial statements.

The financial statements were approved by the Board of Directors on 27 September 2023 and signed on their behalf.

Fiona S. Stark

Fiona Stark
Director
28 September 2023

Local Pensions Partnership Ltd
Consolidated Statement of Changes in Equity
for the year ended 31 March 2023

	Share capital	Profit and Loss Account	Total
	£'000	£'000	£'000
At 1 April 2021	**25,000**	**(26,436)**	**(1,436)**
Loss for the year	-	(1,945)	**(1,945)**
Other comprehensive income for the year	-	8,409	**8,409**
Total comprehensive income for the year	**-**	**6,464**	**6,464**
At 31 March 2022	**25,000**	**(19,972)**	**5,028**
At 1 April 2022	**25,000**	**(19,972)**	**5,028**
Loss for the year	-	(3,782)	**(3,782)**
Other comprehensive income for the year	-	36,203	**36,203**
Total comprehensive income for the year	**-**	**32,421**	**32,421**
At 31 March 2023	**25,000**	**12,449**	**37,449**

Local Pensions Partnership Ltd
Company Statement of Changes in Equity
for the year ended 31 March 2023

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 April 2021	**25,000**	**(8,718)**	**16,282**
Loss for the year	-	(1,000)	**(1,000)**
Other comprehensive income for the year	-	2,203	**2,203**
Total comprehensive income for the year	**-**	**1,203**	**1,203**
At 31 March 2022	**25,000**	**(7,515)**	**17,485**
At 1 April 2022	**25,000**	**(7,515)**	**17,485**
Loss for the year	-	(2,523)	**(2,523)**
Other comprehensive income for the year	-	6,965	**6,965**
Total comprehensive income for the year	**-**	**4,442**	**4,442**
At 31 March 2023	**25,000**	**(3,073)**	**21,927**

Consolidated Statement of Cash Flows
for the year ended 31 March 2023

	2023 £'000	2022 £'000
Operating activities		
Loss for the financial year	**(3,782)**	**(1,945)**
Adjustments for:		
Tax on loss on ordinary activities	(662)	(347)
Depreciation	295	456
Amortisation of intangible assets	604	409
Loss on disposal of fixed assets	3	72
Pensions movement in the year	5,137	4,335
Increase in debtors	(949)	(1,737)
Increase in creditors	1,224	1,023
Cash generated from operating activities	**1,870**	**2,266**
Corporation tax (paid)/recovered	(100)	202
Net cash generated from operating activities	**1,770**	**2,468**
Investing activities		
Payments to acquire intangible fixed assets	(1,504)	(2,512)
Payments to acquire tangible fixed assets	(134)	(231)
Cash used in investing activities	**(1,638)**	**(2,743)**
Net movement in cash and cash equivalents		
Cash generated from operating activities	1,770	2,468
Cash used in investing activities	(1,638)	(2,743)
	132	**(275)**
Cash and cash equivalents at 1 April	**28,668**	**28,943**
Cash and cash equivalents at 31 March	**28,800**	**28,668**
Cash and cash equivalents comprise:		
Cash at bank	**28,800**	**28,668**

1 General information

The Company is a private company limited by shares and is incorporated (as a limited liability company under the laws of England and Wales) in the UK. The Registered Office is located at First Floor, 1 Finsbury Avenue, London, EC2M 2PF.

2 Basis of measurement and preparation of financial statements

The financial statements of LPP and its subsidiaries, Local Pensions Partnership Investments Ltd (LPPI) and Local Pensions Partnership Administration Ltd (LPPA), (together 'the Group'), have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102") and the Companies Act 2006.

The financial statements are presented in sterling (£) which is the functional and presentational currency of the Company and rounded to the nearest £'000 except where otherwise stated.

In these financial statements, the Company is a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash flow statement and related notes
- Disclosure of key management personnel compensation
- Categories of financial instruments
- Items of income, expenses, gains, or losses relating to financial instruments
- Exposure to and management of financial risks relating financial instruments

The Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

3 Going concern

The Group manages and monitors its capital and liquidity, and various assessments and stresses are applied to those positions to understand potential impacts of market downturns. Based upon the available information, the Directors consider that the Group remains financially strong.

The Directors have taken into consideration the guidance provided by the Financial Reporting Council ("FRC") on 'Going Concern and Liquidity Risk' published in April 2016. The Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for a period of, but not limited to, 12 months from the date of approval of the financial statements. Therefore, they have considered it appropriate to continue to adopt the going concern basis of accounting when preparing the financial statements.

Potential implications of the macroeconomic climate on the Group

The Directors, together with their advisors, have been actively monitoring the potential impacts on the Group arising from macroeconomic uncertainties such as the conflict between Ukraine and Russia.

Some specific measures have been taken during this time including remote working and re-validation of business continuity plans implemented by the Group.

The Group's transactions are in Sterling, therefore the Directors do not feel that the Group is exposed to any foreign exchange risk or macroeconomic risks as a result of the ongoing conflict between Ukraine and Russia.

The Directors have considered the inherent risks mentioned above and do not believe that any material uncertainties relating to these events, individually or collectively, will impact the Group's ability to continue as a going concern.

4 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of Preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention. The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

(b) Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings' results made up to 31 March 2023. A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

All intra-group transactions, balances, income, and expenses are eliminated on consolidation.

(c) Investment in subsidiaries and associates

Investment in a subsidiary company is held at cost less accumulated impairment losses.

(d) Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method.

The intangible fixed assets are amortised over the following useful economic lives:

- Software costs - length of licence or 3 years

(e) Tangible fixed assets

Tangible assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Costs includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is calculated, using the straight-line method, to allocate the depreciable amount over their residual values over their estimated useful lives, as follows:

- Fixtures and Fittings 3 to 5 years
- Office equipment 3 to 5 years
- IT equipment 3 to 5 years

(f) Debtors

These amounts generally arise from the normal operating activities of the Group. Debtors that are receivables within one year are recorded at the undiscounted amount expected to be received.

4 Summary of significant accounting policies (continued)

(g) Cash at bank and in hand

Cash at bank and in hand also includes deposits held at call with banks and other short-term highly liquid investments with original maturities of three months. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

(h) Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank

(i) Leases

Leases are classified as finance leases whenever the terms of the lease transfers substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Rental payments under operating leases are charged to the income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

(j) Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

(k) Taxation

Current tax is recognised for corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

The tax charge (credit) is presented either in income statement, other comprehensive income or equity depending on the transaction that resulted in the tax charge (credit).

(l) Turnover

Turnover is measured at the fair value of the consideration received or receivable, net of discounts and value added taxes. Turnover includes revenue earned from the rendering of investment, administration, risk management and corporate services.

4 Summary of significant accounting policies (continued)

(m) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Inter and intra company debtors and creditors

These amounts generally arise from normal operating activities within the Group. Due to the short-term nature of these receivables and payables usually less than one year, the carrying amount is the same as the fair value.

(o) Employee benefits

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined benefit pension plan

Participation by Group employees in two administered defined benefit pension scheme funds began on 8 April 2016. Contributions from the employer are payable to the schemes and are charged to the profit and loss account in the period to which they relate.

A defined benefit scheme defines the pension benefit that the employee will receive on retirement, usually dependent upon factors such as length of service and remuneration.

The liability is recognised in the statement of financial position in respect of the defined benefit scheme as the present value of the defined benefit obligation at the reporting date less the fair value of the scheme assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on AA rated corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments (‘discount rate’).

The fair value of plan assets is measured in accordance with FRS102 fair value hierarchy and in accordance with the Group’s policy for similar held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions together with the return on scheme assets, less amounts included in net interest, are disclosed as ‘Remeasurements of net defined benefit obligations’.

The cost of the defined benefit scheme, recognised in the income statement as employee costs, except where included in the cost of an asset, comprises:

- the increase in pension benefit liability arising from employee service during the period; and
- the cost of plan introductions, benefit changes, curtailments, and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the income statement as an expense.

Annual bonus Plan

The Group operates an annual bonus scheme for its employees. An expense is recognised in the income statement when the Group has legal or constructive obligation to make payments under the scheme as a result of past events and a reliable estimate of the obligation can be made.

5 Significant judgements and estimates

(a) Sources of estimation uncertainty

The preparation of the financial statements requires management to make significant judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and are reflected in the judgements made about carrying amounts of assets and liabilities that are not objectively verifiable.

Actual results may differ from the estimates made. Estimates and underlying assumptions are reviewed on an ongoing basis and where necessary are revised to reflect current conditions. The accounting estimates discussed in this section are those considered to be particularly critical to an understanding of the financial statements of the Company and Group because their application places the most significant demands on our ability to judge the effect of inherently uncertain matters on the financial results.

(b) Sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts to the assets and liabilities within the next financial year are addressed below.

(i) Taxation

The Group establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. The amount of such provisions is based on various factors including interpretations of tax regulations.

Estimation is required by management to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with an assessment of the effect of future tax planning strategies.

(ii) Pensions liability

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. Two consulting actuaries were engaged to provide the Group with expert advice about the assumptions to be applied. However, because these judgements cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

(iii) Useful economic life

The Group estimates useful economic life of tangible assets based on the number of years they are likely to remain in service for based on condition at time of purchase and nature of use.

The Group’s intangible assets are deemed to have a finite life in line with legal or contractual provisions and consideration of our historical experience in renewing or extending similar arrangements.

5 Significant judgements and estimates (continued)

(iv) Impairment in subsidiaries

The Company has assessed at the reporting date whether there is any indication of impairment in the carrying value of its investments in subsidiaries. As a result, the Company estimated the recoverable amount of LPPA to ascertain if impairment at the year-end was required.

In establishing the recoverable amount, both the value in use and fair value less costs to sell methods were considered, with the value in use method being deemed appropriate. Following value in use calculations performed using third-party support, and following an internal review process, an impairment was deemed appropriate of £2,335,339, which reduced the carrying value of the investment in LPPA to £4,114,661 at year-end.

Due to the variables involved in the value in use calculations, there is a risk that the carrying amount of the investment could be adjusted within the next financial year.

6 Analysis of turnover

	2023 £'000	2022 £'000
Investment management fees	27,922	26,688
Pension administration fees	16,149	14,716
Total	**44,071**	**41,404**
Geographical analysis		
UK	**44,071**	**41,404**

7 Operating Loss

	2023 £'000	2022 £'000
Operating Loss is stated after charging:		
Wages and salaries	23,584	22,228
Social security costs	2,768	2,343
Defined benefit pension costs	7,581	6,266
Other pension costs	570	498
Other staff costs	68	-
Staff costs charged to profit and loss	**34,571**	**31,335**
Reorganisation expense	416	806
Loss on disposal of tangible assets	3	68
Loss on disposal of intangible assets	-	4
Impairment of trade receivables	-	15
Operating lease charges	1,681	1,568

7 Operating Loss (continued)

	2023 £'000	2022 £'000
Included within administration expenses are:		
Audit services:		
Fees payable for the audit of the Company and the Group's consolidated financial statements	36	33
Audit of the Company's subsidiaries	89	81
Non-audit services:		
Audit-related assurance services	8	8
Total	**133**	**122**

8 Directors and employees

	2023 £'000	2022 £'000
The emoluments for Group Directors were as follows:		
Aggregate remuneration	**2,432**	**2,191**
The number of Group Directors who are members of a defined benefit pension scheme	1	1

	2023 £'000	2022 £'000
Highest paid Group Director (included in the above figures)		
Total amount of emoluments	554	518
Other pension costs	31	31
Total	**585**	**549**

The average Group headcount (including Directors) during the year was 398 (2022: 395).

The Group headcount as at 31 March 2023 was 419 (2022: 415).

9 Interest receivable and similar income

	2023 £'000	2022 £'000
Bank interest received	**264**	**3**

10 Taxation

Analysis of charge in year	**2023 £'000**	**2022 £'000**
Current tax:		
UK Corporation tax charge on profits for the year	-	333
Adjustments in respect of previous years	36	(151)
Total current tax charge	**36**	**182**
Deferred tax:		
Origination and reversal of timing differences	(575)	(446)
Adjustments in respect of previous years	(123)	196
Impact of change in tax rate	-	(279)
Total deferred tax:	**(698)**	**(529)**
Total tax credit in the income statement	**(662)**	**(347)**

Tax included in statement of comprehensive income

	2023 £'000	**2022 £'000**
Deferred tax:		
Origination and reversal of timing differences	2,919	675
Impact of change in tax rate	-	(291)
Total tax charge in statement of comprehensive income	**2,919**	**384**

Reconciliation of tax charge

	2023 £'000	**2022 £'000**
The differences between the tax assessed for the year and the standard rate of corporation tax are explained as follows:		
Loss before tax	**(4,444)**	**(2,292)**
Loss multiplied by the standard rate of tax in the UK of 19% (2020: 19%)	(844)	(436)
Effects of:		
- Unrecognised deferred tax	376	337
- Expenses not deductible for tax purposes	32	93
- Adjustments to tax charge in respect of prior years	36	(151)
- Adjustments to tax charge in respect of prior years: deferred tax	(124)	196
- Re-measurement of deferred tax - change in UK tax rate	(138)	(279)
- Tax rate differential on deferred tax		(107)
Tax credit for the year	**(662)**	**(347)**

10 Taxation (continued)

The Finance Act 2021 will increase the rate of corporation tax from 19% to 25% with effect from 1 April 2023. Where provided, deferred tax has been restated and provided for at 25% to reflect this. Where deferred tax has not been recognised on deferred tax assets, this is because it is not probable that future taxable profits will be available to cover those assets. The amount not recognised (including remeasurement of prior year balances) at 25% is £881k.

11 Intangible assets

Group	**Assets under Construction £'000**	**Software £'000**	**Total £'000**
Cost			
At 1 April 2022	**87**	**4,284**	**4,371**
Transfers	(1,256)	1,256	-
Additions	1,451	53	1,504
At 31 March 2023	**282**	**5,593**	**5,875**
Accumulated amortisation			
At 1 April 2022	**-**	**948**	**948**
Amortisation during the year	-	604	604
At 31 March 2023	**-**	**1,552**	**1,552**
Net book value at 1 April 2022	**87**	**3,336**	**3,423**
Net book value at 31 March 2023	**282**	**4,041**	**4,323**

Company	**Software £'000**	**Total £'000**
Cost		
At 1 April 2022	**650**	**650**
At 31 March 2023	**650**	**650**
Accumulated amortisation		
At 1 April 2022	**531**	**531**
Amortisation during the year	65	65
At 31 March 2023	**596**	**596**
Net book value at 1 April 2022	**119**	**119**
Net book value at 31 March 2023	**54**	**54**

12 Tangible assets

Group	Leasehold improvements	Fixtures, fittings, & office equipment	IT equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2022	**267**	**212**	**1,385**	**1,864**
Additions	-	5	131	134
Disposals	-	-	(11)	(11)
At 31 March 2023	**267**	**217**	**1,505**	**1,987**
Accumulated depreciation				
At 1 April 2022	**224**	**161**	**1,023**	**1,408**
Depreciation for the year	25	34	238	295
On disposals	-	-	(8)	(8)
At 31 March 2023	**249**	**195**	**1,253**	**1,695**
Net book value at 1 April 2022	**43**	**51**	**362**	**456**
Net book value at 31 March 2023	**18**	**22**	**252**	**292**

Company	Leasehold improvements	Fixtures, fittings, & office equipment	IT equipment	Total
		£'000	£'000	£'000
Cost				
At 1 April 2022	**267**	**158**	**931**	**1,356**
Disposals	-	(1)	1	-
At 31 March 2023	**267**	**157**	**932**	**1,356**
Accumulated depreciation				
At 1 April 2022	**224**	**123**	**844**	**1,191**
Depreciation for the year	25	18	79	122
At 31 March 2023	**249**	**141**	**923**	**1,313**
Net book value at 1 April 2022	**43**	**35**	**87**	**165**
Net book value at 31 March 2023	**18**	**16**	**9**	**43**

13 Investment in Group undertakings

	Company 2023 £'000	2022 £'000
Opening cost at 1 April	**20,300**	**17,000**
Investments during the year	-	3,300
Closing cost at 31 March	**20,300**	**20,300**
Accumulated impairment	(3,185)	(850)
Net book value at 31 March	**17,115**	**19,450**

	Type of Capital held	Proportion held	Nature of business
Subsidiaries - direct			
Local Pensions Partnership Administration Ltd	Equity	100%	Administration Services
Local Pensions Partnership Investments Ltd	Equity	100%	Investments
Subsidiaries - indirect			
LPPI Scotland (No.1) Ltd	Equity	100%	Investments
LPPI Scotland (No.2) Ltd	Equity	100%	Investments
LPPI Diversifying Strategies GP Limited	Equity	100%	General Partner
LPPI PE GP (No.1) LLP	Debt	100%	General Partner
LPPI PE GP (No.2) LLP	Debt	100%	General Partner
LPPI PE GP (No.3) LLP	Debt	100%	General Partner
LPPI Infrastructure GP LLP	Debt	100%	General Partner
LPPI Credit GP Limited	Equity	100%	General Partner
Associate - indirect			
The London Fund GP LLP	Debt	49%	General Partner

Country of incorporation for all entities is United Kingdom.

14 Debt Investments

	Company 2023 £'000
Cost	
At 1 April 2022	**-**
Investments during the year	1,300
At 31 March 2023	**1,300**

In accordance with the loan facility agreement in place between LPPA and its parent company, LPP, £1,300,000 was drawn down by LPPA on 21 March 2023.

15 Debtors

	Company		Group	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade debtors less than one year	-	3	5,894	4,534
Amounts owed by Group undertakings	612	391	-	-
Corporation tax	-	34	45	-
Deferred taxation (Note 20)	-	-	-	2,143
Other taxes and social security costs	-	498	-	-
Other debtors	-	-	235	216
Prepayments and accrued income	10	58	4,906	5,334
Total	**622**	**984**	**11,080**	**12,227**

Amounts owed by Group undertakings are unsecured, interest free, no fixed repayment date and repayable on demand.

Group trade debtors are stated after provisions for impairment of £26,257 (2022: £31,782).

Company trade debtors are stated after provisions for impairment of £nil (2022: £7,884).

16 Creditors: amounts falling due within one year

	Company		Group	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Trade creditors	9	54	646	832
Amounts owed to Group undertakings	-	78	-	-
Corporation tax	-	-	-	18
Deferred taxation (Note 20)	-	-	79	-
Other taxation and social security	18	-	782	86
Other creditors	2	1	671	269
Accruals and deferred income	180	138	5,316	4,970
Provisions	-	-	336	479
Total	**209**	**271**	**7,830**	**6,653**

Amounts owed to Group undertakings are unsecured, interest free, no fixed repayment date and repayable on demand.

17 Creditors: amounts falling due after more than one year

	Company		Group	
	2023 **£'000**	**2022** **£'000**	**2023** **£'000**	**2022** **£'000**
Deferred remuneration	**-**	**-**	**600**	**493**

18 Post-employment benefits

The LGPS is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme Regulations 2013 and currently provides benefits based on career average revalued earnings. Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website and the Fund's membership booklet. There are currently uncertainties in relation to LGPS benefits due to the McCloud and Sargeant judgements and the 2016 cost cap process. Currently, each member contributes a proportion of their salary to the scheme, between 5.5% to 12.5% per annum depending on their rate of pay. LPP and its subsidiaries, as the employing bodies, also contribute to the scheme as determined by each Fund's respective Fund actuary on the employee's behalf, currently between 12.0% and 14.9% of salary p.a. The liabilities of the LGPS attributable to the Group are included in the Consolidated Statement of Financial Position.

In accounting for the defined benefit schemes, the Group has applied the principle that no pension assets are invested in the Group's own financial instruments or property.

The schemes in the UK typically expose the Company to actuarial risks such as: investment risk, interest rate risk, inflation risk, longevity risk and salary risk, as follows:

- Investment risk. The Funds hold investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges;
- Interest rate risk. The Funds' liabilities for accounting purposes are assessed using long-dated market yields on high quality corporate bonds to discount future liability cashflows. As the Funds hold assets such as equities the value of the assets and liabilities may not move in the same way;
- Inflation risk. The benefits under the Funds are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation;
- Longevity risk. If the members live longer than assumed a deficit will emerge. There is also other demographic risk; and
- Salary risk. The present value of the defined benefit scheme liability is calculated by reference to the future salaries of plan participants, as such, an increase in the salary of the plan participants will increase the plan's liability.

18 Post-employment benefits (continued)

Post-employment benefits summary

	31 March 2023			
	LPP £'000	**LPPA £'000**	**LPPI £'000**	**Total £'000**
Fair value of plan assets	-	29,443	15,442	**44,885**
Defined benefit obligation	-	(27,774)	(15,727)	**(43,501)**
Net defined benefit liability	**-**	**1,669**	**(285)**	**1,384**

	31 March 2022			
	LPP £'000	**LPPA £'000**	**LPPI £'000**	**Total £'000**
Fair value of plan assets	8,840	25,906	12,791	**47,537**
Defined benefit obligation	(15,669)	(42,051)	(22,418)	**(80,138)**
Net defined benefit liability	**(6,829)**	**(16,145)**	**(9,627)**	**(32,601)**
Charge to income statement	(6,965)	(20,480)	(11,677)	**(39,122)**
Credit to statement of comprehensive income	136	2,666	2,335	**5,137**

Management considers the significant actuarial assumptions with regards to the determination of the defined benefit obligation to be the discount rate, inflation, the rate of salary increases and mortality. Sensitivity analysis is provided below, based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming all other assumptions are held constant.

The sensitivities have been derived in the same manner as the defined benefit obligation as at 31 March 2023. A comprehensive actuarial valuation of the Group's pension schemes, using the projected unit credit method, was last carried out on 31 March 2023 for LPP and 31 March 2022 for its subsidiaries. Under this method each participant's benefits are attributed to years of service, taking into consideration future salary increases and the scheme's benefit allocation formula. Thus, the estimated total pension to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credited service.

The defined benefit obligation as at 31 March 2023 is calculated on the actuarial assumptions agreed as at that date. The sensitivities are calculated by changing each assumption in turn following the methodology above with all other things held constant. The change in the defined benefit obligation from updating the single assumption represents the impact of that assumption on the calculation of the defined benefit obligation.

18 Post-employment benefits (continued)

LPP	LPFA 2023 %	2022 %
The principal actuarial assumptions used were as follows:		
Discount rate	4.8	2.6
Future salary increases	3.9	4.2
Future pension increases (CPI)	2.9	3.2
Inflation assumption (RPI)	3.7	3.7

	LPFA 2023	2022
Longevity at age 65 for current pensioners		
- Men	21.4	21.1
- Women	24.7	24.4
Longevity at age 65 for future pensioners		
- Men	23.1	23.3
- Women	25.7	26.1

	LPFA 2023 £'000	2022 £'000
Post-employment benefits summary		
Fair value of plan assets	-	8,840
Defined benefit obligation	-	(15,669)
Net defined benefit liability	**-**	**(6,829)**

18 Post-employment benefits (continued)

The defined benefit pension scheme on the Company Statement of Financial Position is as follows:

	LPFA 2023 £'000	2022 £'000
Reconciliation of defined benefit obligation		
Defined benefit obligation at start of year	**15,669**	**16,528**
Current service cost	30	42
Past service cost	-	72
Benefits paid	(172)	(150)
Contributions by employees	7	7
Interest cost	405	337
Scheme settlements	(7,771)	(66)
Remeasurements		
Effect of changes in financial assumptions	(4,863)	(1,134)
Effect of changes in demographic assumptions	(574)	-
Effect of experience adjustments	(2,731)	33
Defined benefit obligation at end of year	**-**	**15,669**

	LPFA 2023 £'000	2022 £'000
Reconciliation of fair value of plan assets		
Fair value of plan assets at beginning of year	**8,840**	**7,704**
Benefits paid	(172)	(150)
Interest income on scheme assets - employer	228	157
Administrative expenses and taxes	(3)	(10)
Employer contributions	12	47
Contributions by employees	7	7
Scheme settlements	(7,709)	(17)
Remeasurements		
Return on scheme assets less interest income	(114)	1,102
Effect of changes in other actuarial gains	(1,089)	-
Fair value of plan assets at end of year	**-**	**8,840**

18 Post-employment benefits (continued)

	LPFA 2023 £'000	2022 £'000
Analysis of assets		
Equities	-	4,237
Private equity	-	794
Diversifying strategies	-	939
Real Estate	-	793
Infrastructure	-	901
Fixed income	-	245
Credit	-	720
Cash and other	-	211
Total assets	**-**	**8,840**

	LPFA 2023 £'000	2022 £'000
Defined benefit costs recognised in income statement		
Current service cost	30	42
Past service cost	-	72
Net interest on defined liability	177	180
Administrative expenses and taxes	3	10
Scheme settlements	(62)	(49)
Total defined benefit costs recognised in income statement	**148**	**255**

	LPFA 2023 £'000	2022 £'000
Defined benefit (gain)/loss recognised in other comprehensive income		
Return on scheme assets less interest income	114	(1,102)
Effect of changes in financial assumptions	(4,863)	(1,134)
Effect of changes in demographic assumptions	(574)	-
Effect of experience adjustments	(2,731)	33
Effect of changes in other actuarial gains	1,089	-
Total defined benefit gain recognised in other comprehensive income	**(6,965)**	**(2,203)**

18 Post-employment benefits (continued)

Reconciliation of funded position:

	LPFA £'000
Net defined benefit liability at start of the year	**(6,829)**
Expense recognised in profit and loss	(210)
Gain recognised in other comprehensive income	6,965
Transfer of assets and liabilities	62
Employer contributions	12
Net defined benefit liability at end of the year	**-**

No amounts were included in the cost of assets (2022: £Nil).

No amounts included in assets relate to property leased by the Company (2022: £Nil).

LPPA	**LPFA**		**LCPF**	
	2023	**2022**	**2023**	**2022**
	%	**%**	**%**	**%**
The principal actuarial assumptions used were as follows:				
Discount rate	4.8	2.6	4.7	2.8
Future salary increases	3.9	4.1	4.2	4.7
Future pension increases (CPI)	2.9	3.1	2.7	3.3
Inflation assumption (RPI)	3.7	3.6	3.3	4.0

	LPFA		**LCPF**	
	2023	**2022**	**2023**	**2022**
Longevity at age 65 for current pensioners				
- Men	20.7	21.6	21.5	22.3
- Women	22.9	23.8	23.8	25.0
Longevity at age 65 for future pensioners				
- Men	22.4	22.9	22.8	23.0
- Women	25.1	25.3	25.6	26.8

18 Post-employment benefits (continued)

	LPFA 2023 £'000	2022 £'000	LCPF 2023 £'000	2022 £'000
Post-employment benefits summary				
Fair value of plan assets	7,351	7,621	22,092	18,285
Defined benefit obligation	(8,293)	(15,063)	(19,481)	(26,988)
Net defined benefit liability	**(942)**	**(7,442)**	**2,611**	**(8,703)**

	LPFA 2023 £'000	2022 £'000	LCPF 2023 £'000	2022 £'000
Reconciliation of defined benefit obligation				
Defined benefit obligation at start of year	**15,063**	**15,082**	**26,988**	**23,190**
Current service cost	651	825	2,627	2,266
Past service cost	-	-	72	-
Benefits (paid) / received	(640)	(45)	(69)	480
Contributions by employees	113	115	486	427
Interest cost	377	310	760	519
Scheme introductions	304	-	-	-
Remeasurements				
Effect of changes in financial assumptions	(7,762)	(1,246)	(14,966)	(667)
Effect of changes in demographic assumptions	(458)	-	(631)	713
Effect of experience adjustments	645	22	4,214	60
Defined benefit obligation at end of year	**8,293**	**15,063**	**19,481**	**26,988**

	LPFA 2023 £'000	2022 £'000	LCPF 2023 £'000	2022 £'000
Reconciliation of fair value of plan assets				
Fair value of plan assets at beginning of year	**7,621**	**6,302**	**18,285**	**14,284**
Benefits (paid) / received	(640)	(45)	(69)	480
Interest income on scheme assets - employer	190	132	534	335
Administrative expenses and taxes	(2)	(8)	(43)	(37)
Employer contributions	191	196	1,161	956
Contributions by employees	113	115	486	427
Scheme introductions	94	-	-	-
Remeasurements				
Return on scheme assets less interest income	(92)	929	1,738	1,840
Effect of changes in other actuarial gains	(124)	-	-	-
Fair value of plan assets at end of year	**7,351**	**7,621**	**22,092**	**18,285**

18 Post-employment benefits (continued)

	LPFA		LCPF	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Analysis of assets				
Equities	3,700	3,653	10,539	8,791
Private equity	573	685	1,834	1,507
Diversifying strategies	639	809	243	172
Real Estate	714	684	2,275	1,887
Infrastructure	919	776	3,446	2,083
Fixed income	76	211	309	795
Credit	721	621	3,203	2,447
Cash and other	9	182	243	603
Total assets	**7,351**	**7,621**	**22,092**	**18,285**

	LPFA		LCPF	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Defined benefit costs recognised in income statement				
Current service cost	651	825	2,627	2,266
Past service cost	-	-	72	-
Net interest on defined liability	187	178	226	184
Administrative expenses and taxes	2	8	43	37
Scheme introductions	210	-	-	-
Total defined benefit costs recognised in income statement	**1,050**	**1,011**	**2,968**	**2,487**

	LPFA		LCPF	
	2023	**2022**	**2023**	**2022**
	£'000	**£'000**	**£'000**	**£'000**
Defined benefit (gain)/loss recognised in other comprehensive income				
Return on scheme assets less interest income	92	(929)	(1,738)	(1,840)
Effect of changes in financial assumptions	(7,762)	(1,246)	(14,966)	(667)
Effect of changes in demographic assumptions	(458)	-	(631)	713
Effect of experience adjustments	645	22	4,214	60
Effect of changes in other actuarial gains	124	-	-	-
Total defined benefit gain recognised in other comprehensive income	**(7,359)**	**(2,153)**	**(13,121)**	**(1,734)**

18 Post-employment benefits (continued)

Sensitivity analysis

The sensitivity to principal assumptions used to measure the scheme liabilities are set out below:

Approximate increase to defined benefit obligation

	LPFA		LCPF	
	%	£'000	%	£'000
0.10% decrease in discount rate	2.48%	206	2.16%	421
0.10% increase in long-term salary increases	0.54%	45	0.44%	86
0.10% increase in pension increases	1.99%	165	2.44%	476
+1.00 year in life expectancy assumption	2.69%	223	1.92%	374

Reconciliation of funded position:

	LPFA £'000	LCPF £'000	Total £'000
Net defined benefit liability at start of the year	**(7,442)**	**(8,703)**	**(16,145)**
Expense recognised in profit and loss	(1,050)	(2,968)	(4,018)
Gain recognised in other comprehensive income	7,569	13,121	20,690
Transfer of assets and liabilities	(210)	-	(210)
Employer contributions	191	1,161	1,352
Net defined benefit (liability)/asset at end of the year	**(942)**	**2,611**	**1,669**

No amounts were included in the cost of assets (2022: £Nil).

No amounts included in assets relate to property leased by LPPA (2022: £Nil).

Total Post-employment benefits position

	2023 £'000	2022 £'000
Fair value of plan assets	29,443	25,906
Defined benefit obligation	(27,774)	(42,051)
Net defined benefit (asset)/liability	**1,669**	**(16,145)**

18 Post-employment benefits (continued)

LPPI	LPFA 2023 %	2022 %	LCPF 2023 %	2022 %
The principal actuarial assumptions used were as follows:				
Discount rate	4.8	2.6	4.8	2.8
Future salary increases	3.9	4.1	4.2	4.7
Future pension increases (CPI)	2.9	3.1	2.8	3.3
Inflation assumption (RPI)	3.7	3.6	3.4	4.0

	LPFA 2023	2022	LCPF 2023	2022
Longevity at age 65 for current pensioners				
- Men	22.1	23.0	21.5	22.3
- Women	24.5	24.4	23.8	25.0
Longevity at age 65 for future pensioners				
- Men	23.5	24.3	22.8	23.7
- Women	25.9	25.8	25.6	26.8

	LPFA 2023 £'000	2022 £'000	LCPF 2023 £'000	2022 £'000
Post-employment benefits summary				
Fair value of plan assets	10,505	8,549	4,937	4,242
Defined benefit obligation	(10,780)	(15,656)	(4,947)	(6,762)
Net defined benefit liability	**(275)**	**(7,107)**	**(10)**	**(2,520)**

	LPFA 2023 £'000	2022 £'000	LCPF 2023 £'000	2022 £'000
Reconciliation of defined benefit obligation				
Defined benefit obligation at start of year	**15,656**	**14,522**	**6,762**	**6,197**
Current service cost	2,481	2,404	309	309
Benefits (paid) / received	(167)	(1)	-	-
Contributions by employees	504	482	76	77
Interest cost	406	294	192	137
Scheme introductions/(settlements)	35	(770)	-	-
Curtailments	171	-	389	-
Remeasurements				
Effect of changes in financial assumptions	(12,727)	(1,321)	(3,491)	(168)
Effect of changes in demographic assumptions	(273)	-	(140)	196
Effect of experience adjustments	4,694	46	850	14
Defined benefit obligation at end of year	**10,780**	**15,656**	**4,947**	**6,762**

18 Post-employment benefits (continued)

	LPFA		LCPF	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Reconciliation of fair value of plan assets				
Fair value of plan assets at beginning of year	**8,549**	**6,675**	**4,242**	**3,495**
Benefits (paid) / received	(167)	(1)	-	-
Interest income on scheme assets - employer	232	143	127	79
Administrative expenses and taxes	(3)	(9)	(5)	(5)
Employer contributions	760	648	526	159
Contributions by employees	504	482	76	77
Scheme (settlements)/introductions	11	(422)	-	-
Remeasurements				
Return on scheme assets less interest income	(112)	1,033	(29)	437
Effect of changes in other actuarial gains	731	-	-	-
Fair value of plan assets at end of year	**10,505**	**8,549**	**4,937**	**4,242**

	LPFA		LCPF	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Analysis of assets				
Equities	5,288	4,098	2,351	2,037
Private equity	818	768	410	348
Diversifying strategies	914	908	54	38
Real Estate	1,020	767	434	369
Infrastructure	1,314	871	770	484
Fixed income	108	237	69	182
Credit	1,029	696	716	568
Cash and other	14	204	133	216
Total assets	**10,505**	**8,549**	**4,937**	**4,242**

	LPFA		LCPF	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Defined benefit costs recognised in income statement				
Current service cost	2,481	2,404	309	275
Past service cost	171	-	389	-
Net interest on defined liability	174	151	65	42
Administrative expenses and taxes	3	9	5	6
Scheme (settlements)/introductions	24	(348)	-	-
Total defined benefit costs recognised in income statement	**2,853**	**2,216**	**768**	**323**

18 Post-employment benefits (continued)

	LPFA 2023 £'000	LPFA 2022 £'000	LCPF 2023 £'000	LCPF 2022 £'000
Defined benefit (gain)/loss recognised in other comprehensive income				
Return on scheme assets less interest income	112	(1,033)	29	(437)
Effect of changes in financial assumptions	(12,727)	(1,321)	(3,491)	(168)
Effect of changes in demographic assumptions	(273)	-	(140)	196
Effect of experience adjustments	4,694	46	850	14
Other actuarial gains	(731)	-	-	-
Total defined benefit gain recognised in other comprehensive income	**(8,925)**	**(2,308)**	**(2,752)**	**(395)**

Sensitivity analysis

The sensitivity to principal assumptions used to measure the scheme liabilities are set out below:

Approximate increase to defined benefit obligation

	LPFA %	LPFA £'000	LCPF %	LCPF £'000
0.10% decrease in discount rate	2.93%	316	2.14%	106
0.10% increase in long-term salary increases	0.09%	10	0.73%	36
0.10% increase in pension increases	2.89%	312	2.39%	118
+1.00 year in life expectancy assumption	2.62%	282	1.82%	90

Reconciliation of funded position:

	LPFA £'000	LCPF £'000	Total £'000
Net defined benefit liability at start of the year	**(7,107)**	**(2,520)**	**(9,627)**
Expense recognised in profit and loss	(2,853)	(768)	(3,621)
Gain recognised in other comprehensive income	8,949	2,752	11,701
Transfer of assets and liabilities	(24)	-	(24)
Employer contributions	760	526	1,286
Net defined benefit liability at end of the year	**(275)**	**(10)**	**(285)**

No amounts were included in the cost of assets. (2021: £Nil).

No amounts included in assets relate to property leased by LPPI (2021: £Nil).

Total Post-employment benefits position

	2023 £'000	2022 £'000
Fair value of plan assets	15,442	12,791
Defined benefit obligation	(15,727)	(22,418)
Net defined benefit liability	**(285)**	**(9,627)**

19 Share Capital

	Number	£'000
Ordinary shares of £1 each allotted and fully paid		
At 1 April 2022	**25,000,002**	**25,000**
Issued during the year	-	-
At 31 March 2023	**25,000,002**	**25,000**

During the year no ordinary shares were issued.

There are three classes of ordinary shares. X shares have no voting rights but have full rights in respect of dividends and distributions. Only A and B shares have full rights in the Company with respect to voting, dividends and distributions.

20 Deferred taxation

	2023 £'000	2022 £'000
The provision for deferred tax consists of the following deferred tax assets:		
Accelerated capital allowances	(109)	(143)
Post-employment benefits	30	2,286
Total asset	**(79)**	**2,143**

21 Capital and other commitments

	2023 £'000	2022 £'000
Contracts for future capital expenditure not provided in the financial statements	**178**	**822**

LPPA issued a promissory note to Lancashire County Council (LCC) on 23rd March 2023 in the sum of £178,400 + VAT. Payable on demand, the promissory note would only become due in the event that LPPA and LCC did not enter into a lease of premises located at Christ Church Precinct, County Hall, Preston by 1st June 2023. The promissory note ceased to have effect when a ten-year lease was signed on 1st June 2023.

The Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

Payment due	2023 £'000	2022 £'000
Not later than one year	1,337	1,592
Later than one year and not later than five years	1,866	2,291
Total	**3,203**	**3,883**

22 Related party transactions

In accordance with Section 33 of FRS102, the Company is exempt from disclosing related party transactions with other companies that are wholly owned within the Group.

The Key Management Personnel emoluments paid by the Group total £4,314,204 (2022 - £3,945,481) for the

The Directors of LPP had no transactions with the Company or its subsidiaries during the year other than service contracts and Directors' liability insurance. A summary of Directors' remuneration is disclosed in the notes to the accounts.

23 Contingent liabilities

There are no contingent assets or liabilities (2022: £Nil).

24 Controlling party

The Company is a joint venture and its ultimate parents and controlling parties are LPFA and LCC. These financial statements are available upon request from the Company Secretary, Local Pensions Partnership Ltd, First Floor, 1 Finsbury Avenue, London EC2M 2PF.

25 Events after the end of the reporting period

There are no known Post Balance Sheet Events at the point of publication.

Lancashire County Council

Pension Fund Committee
Meeting to be held on Friday, 1 December 2023

Electoral Division affected: N/A;

Lancashire County Pension Fund Strategic Plan 2023/24 - Progress Update
(Appendices 'A' and 'B' refer)

Contact for further information:
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Brief Summary

The Committee approved the Fund's Strategic Plan at its meeting in March 2023. This report provides the committee with an in-year review of the progress on the activity undertaken to date.

Recommendation

The Committee is asked to consider and comment on the report.

Background

At its meeting in March 2023, the Committee approved the 12-month Strategic Plan for the Fund. The plan is structured around five dimensions that impact on the operations of Lancashire County Pension Fund successfully.

- Governance - To ensure that the Fund is transparent, open, and accountable to our stakeholders for our decisions and ensure the effective operation of the framework of control and the understanding and addressing of the risks to which the Fund is exposed.
- Funding and Investment - the long-term objective is for the Fund to maintain a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. In addition, be a responsible asset owner and preserve the long-term resilience of the Fund
- Administration - Processes for maintaining member contribution records and for the accurate and timely calculation and processing of benefits.
- Communication - Processes for communicating both with scheme members and employers and promoting the benefits of participation in the scheme.

- Shareholder – To ensure that LPP and its subsidiaries are positioned to successfully deliver administration and investment services and to operate appropriate governance structures, processes and controls on the LPP board.

The strategic plan for reference is at Appendix 'A' which provides the detail around the activity undertaken to date.

Progress to date
Appendix 'B' provides a summary of the progress on projects undertaken by the Fund this year. These projects are mainly the critical activities for core responsibilities.

The Fund has progressed significantly with a number of projects throughout the year and some of the key highlights are below:

- A new Investment Strategy Statement for the Fund which was updated in light of the 2022 valuation. The strategy will support the Fund in maintaining a healthy funding level.

- Successful procurement exercise for Actuarial Services and progress made to date on the Custodian tender.

- Thought Leadership – The Fund produced a detailed response to the LGPS Pooling consultation which was shared with the Pension Fund Committee at an earlier meeting.

- Treasury Management – Development and implementation of a new treasury management policy for the Fund and associated reporting to the Investment Panel.

- LPP Governance Review – An update on the activity around this project was provided to the Committee as a briefing on 16th November 2023 which included an update on progress. The Articles of Association have been updated and were approved at the meeting of the Committee in September 2023.

- Fund Resourcing Review – The Fund has undertaken a review of resourcing and taken steps to deal with the governance resourcing gap. The Fund is continuing with this resourcing activity.

However, the Fund team have experienced some challenges with significantly more activity around the administration and LPP Governance Review projects than expected/planned. Administration review activity (although not directly under the remit of the Fund) has been undertaken as the Fund – in conjunction with other teams within LCC and Local Pensions Partnership Administration Limited - has a responsibility to ensure that there are appropriate administration processes are in place and that member experience is improved.

This has had an impact on undertaking some of the activity outlined in the strategic plan.

Appendices

Appendix	Title
Appendix 'A'	LCPF Strategic Plan 2023/24
Appendix 'B'	LCPF Strategic Plan Summary 2023/24

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The Strategic Plan will assist in management of risks faced by the Fund.

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

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

Reason for inclusion in Part II, if appropriate

N/A

Lancashire County Pension Fund

Strategic Plan 2023/24

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Appendix A

10th March 2023

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Lancashire County Council as administering authority of Lancashire County Pension Fund

Contents

Introduction

The Lancashire County Pension Fund (LCPF/the Fund) is the means of pension saving and the provider of retirement security for approximately 183,000 Fund members and over 300 employers across the County. With assets of approximately £11bn invested to provide retirement security for members.

This Strategic Plan sets out the mission statement and key objectives of the Fund, together with planned priorities – it sets out details of what we plan to do to achieve our objectives in five areas over the next year.

A Strategic Plan will be reviewed by the Pension Fund Committee each year and progress will be reported on this plan at a future Pension Fund Committee meeting during 2023/24, with some details included in the 2023/24 Annual Report. This will provide the Pension Fund Committee with oversight of progress made.

We need to set ourselves clear objectives and plan our work to achieve them. This will allow the Officers a clear vision of objectives over the next 12 months and a detailed plan can be developed to achieve these objectives together with appropriate allocation of resources.

The Fund works closely in conjunction with a number of service providers including Local Pensions Partnership Administration Limited (LPPA) who deliver pension services to employers and Fund members on our behalf, Local Pensions Partnership Investment Limited (LPPI) who provide investment services to the Fund and Mercer who provide actuarial services to the Fund. All providers are key to the Fund successfully implementing this strategic plan.

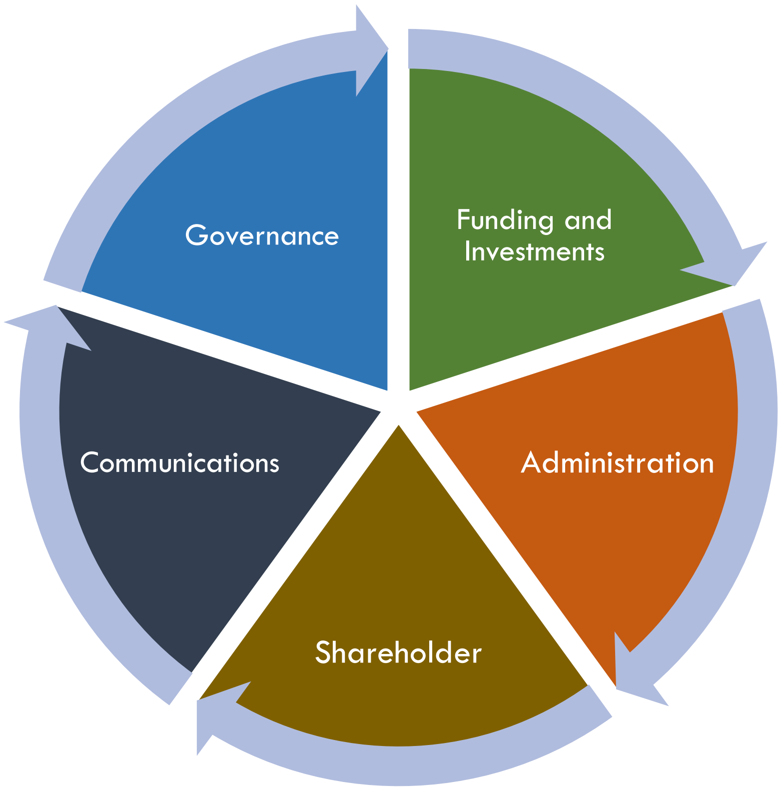
The Strategic Plan for 2023/24 is a focused plan which identifies activity that the Fund will aim to undertake over the next 12 months.

Mission Statement

Our core purpose is to effectively manage and govern the Lancashire County Pension Fund delivering a high-quality member and employer experience so allowing Fund members to benefit from financial security during retirement.

The following sections of this plan set out the objectives we are aiming to achieve within each of these groups and the key initiatives over the next 12 months to achieve objectives.

Core Purpose



Shareholder Responsibility (Pension Fund Committee)

Lancashire County Pension Fund has an additional role as a Shareholder of Local Pensions Partnership Limited to approve and discuss certain shareholder matters.

In this strategic plan for the Fund, we have included an addition key initiative as Shareholder duties fall under the responsibility of the Pension Fund Committee.

The following sections of this plan set out the objectives we are aiming to achieve within each of these groups and the key initiatives over the next 12 months to achieve objectives. A summary outlining the key priorities/initiatives is provided on page 5. Further detail on priorities/initiatives falling within each of the areas of governance, funding, administration, and communication are provided in the following annexes.

Reviews of the LCPF 2023/24 Strategic Plan

The Fund Strategic Plan will support the Fund Officers to prioritise projects throughout the next year. Some projects outlined in the plan will require decisions for approval from the Pension Fund Committee and input and oversight from the Local Pension Board. At appropriate points throughout the plan the officers will provide progress reports to the above Governance forums and where required request approval from Pension Fund Committee. The Local Pension Board workplan is aligned with the Strategic Plan to ensure projects are reviewed at relevant points.

Summary of LCPF 2023/24 Strategic Plan

Approach to Prioritising (Key)

Must	Critical activities for core responsibilities. If not done, there will be an immediate and detrimental impact to the Fund and/or members
Should	Important but not necessarily in the short term. Should and need to do this to fulfil the responsibilities of the Fund, but there is no immediate impact to the Fund and members
Could	Desirable but not necessary, or optional. We could do this if the resources are available and it would have a positive impact, but it is not essential to fulfil the responsibilities to the Fund
Would/Won't	Would Like To Do or Will not do. A 'nice to have' in an ideal world - This is on our wish list but is the lowest priority

Ref	Project	Outcome	New[1]	Priority	Timeframe
Governance					
1	**General Code of Practice (GCoP)** Fund compliance with requirements of GCoP[2] - enhanced requirements under this code compared with the existing code, for example cyber security		✓	**Must**	**31st July 2023**
2	**Task Force on Climate Related Financial Disclosures (TCFD)** Fund compliance with requirements of TCFD[3] - requirement for adequate Fund governance/reporting. Actuarial requirements to report climate scenario analysis		✓	**Must**	**31st March 2024**
3	**Good Governance Project[4]** Fund compliance with requirement of SAB Good Governance. Minimum governance requirements, some of which will be enhancements compared to current position		✓	**Must**	**31st March 2024**
4	**Cyber Security** Fund compliance with cyber requirements and best practice. To date reliance on providers. Now tPR require accountability with the Fund		✓	**Must**	**31st March 2024**
56	**Fund Resourcing Review** Improved Resourcing of Fund Team with a Workforce Plan. Identification of resourcing gaps within the Fund team and recruit to any gaps			**Should**	**30th September 2023**

[1] Additional requirements on Fund resourcing compared to activity undertaken 3/5 years ago
[2] GCoP - The Pension Regulators new code which deals with governance and administration of pension schemes and will replace the Code of Practice 14
[3] TCFD – Framework to promote better disclosure of climate-related risks and more informed investment decisions
[4] Scheme Advisory Boards Good Governance Project aims to support in improving the Funds Governance Structure and Practices

6~~5~~	**Committee & Board** Managing high turnover of LPB members and Chair during 23/24. Better engagement by the PFC ahead of it being mandated		**Should**	**31st March 2024**
7	**Thought Leadership** Respond to Consultations in matters that may be of impact to the Fund. Number of consultations increasing. To date reliance on LPP to respond. Fund to increase role	✓	**Should**	**31st March 2024**
Funding and Investment				
8	**Investment Strategy Statement (ISS)** Updated ISS in light of 2022 valuation developments and strategic asset allocation		**Must**	**30th June 2023**
9	**Procurement Activity - Actuarial Services Contract/Custodian Contract -** Implementation of new actuarial services and custodian contracts that supports the Fund objectives		**Must**	**30th September 2023/31st March 2024**
10	**Accounts and Audit** Assurance on key aspects of Fund management/ Annual Report		**Must**	**30th November 2023**
11	**IIA performance & objectives** Set strategic objectives for IIAs in accordance with regulatory requirements	✓	**Must**	**31st December 2023**
12	**Treasury Management** Updated policy together with regular reporting to Investment Panel		**Should**	**30th September 2023**
13	**Responsible Investment Reporting** Improved reporting requirements for Responsible Investments		**Should**	**31st December 2023**
14	**Funding and Valuation** Employer covenant assessment - clear understanding of risk exposure for the Fund in respect of employers with no taxpayer backing or guarantee	✓	**Should**	**31st March 2024**
15	**Local Investments** Proactive approach, review strategic position, implementing actual opportunities. Accountability at Fund level and implementation by Knight Frank Investment Management, LPPI other	✓	**Could**	**TBC**
Administration				
16	**McCloud** Fund compliance with requirements of McCloud resolution	✓	**Must**	**31st March 2024**
17	**Dashboard** Fund compliance with requirements of Pensions Dashboard implementation	✓	**Must**	**31st March 2024**
18	**Pensions Administration Strategy** Improved Pensions Administration Strategy		**Must**	**31st March 2024**
19	**Overpayments Reconciliation** Reduced overpayment balance on the fund accounts		**Should**	**30th September 2023**

20	**Supplier Management** Clearly defined oversight of Pension Fund suppliers	✓	**Should**	**31st March 2024**
21	**Service Based review** Service and cost benefits of UPM system are realised and are in alignment with Fund objectives.	✓	**Should**	**31st March 2024**
22	**LCPF Policy Reviews and Employer Discretions** Workplan produced to undertake review of Fund and employer discretions		**Should**	**31st March 2024**
Communications				
23	**Communications Strategy** Developed Communications Strategy for the Fund.	✓	**Must**	**31st March 2024**
24	**Employer Engagement** Improved employer relationship management with key decision makers at scheme employers. Related to 14		**Could**	**TBC**
Shareholder				
25	**LPP Governance Review** Implementation of revised SHA. Implemented new governance arrangements of LPP Board. Although LCC has governance role in respect of LPP, it is noted that shareholder work – including the review - requires resourcing from the pensions team.	✓	**Should**	**31st December 2023**

Annex 1 - Governance

Governance is about having the right decision makers, structures and processes to enable effective and timely decisions including robust management of potential risks to the Fund.

Our objectives in this area are:

- To be transparent, open and accountable to our stakeholders for our decisions, ensuring they are robust and evidence based;
- To develop and review strategies and policies to ensure high-quality and effective governance;
- To ensure that the Pension Fund is effectively managed, and the Local Pension Board and Pension Fund Committee are provided with the necessary information and training for effective decision making;
- To deliver a high-quality governance service focusing on compliance with regulatory requirements and embrace best practice where appropriate;
- To effectively manage the risk framework in collaboration with internal and external stakeholders.

Ref	Project	Actions	Governance	Timeframe
1	**General Code of Practice (GCoP)** Fund compliance with requirements of GcoP - enhanced requirements under this code compared with the existing code, for example cyber security	• Finalise impact assessment • Secure board approval for areas of improvement • Work towards compliance by prioritising mandatory modules and in particular any areas of non-conformance	• Local Pension Board	31st July 2023
2	**Task Force on Climate Related Financial Disclosures (TCFD) -** Fund compliance with requirements of TCFD - requirement for adequate Fund governance /reporting. Actuarial requirements to report climate scenario analysis	• Undertake impact assessment on TCFD requirements for the Fund • Analyse draft regulations covering governance and reporting requirements. • Determine Fund responsibilities and LPPI activities • Climate change scenario analysis • Compliance with TCFD reporting requirements by December 2024	• Pension Fund Committee	31st March 2024

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3	**Good Governance Project –** Fund compliance with requirement of SAB Good Governance. Minimum governance requirements, some of which will be enhancements compared to current position	• Comprehensive gap analysis of the good governance project requirements compared to existing Fund practice, with identification of actions • Develop a timeline to work towards full compliance following receiving draft regulations around April 2023	• Pension Fund Committee/ Local Pension Board	31st March 2024
4	**Cyber Security –** Fund compliance with cyber requirements and best practice. To date reliance on providers. Now tPR require accountability with the Fund	• Obtain updated assessment of Fund's resilience from Aon • Identify gaps in resilience and produce action plan of key priorities • Review risk score and focus on addressing controls required to mitigate risks	• Pension Fund Committee/Local Pension Board	31st March 2024
5	**Fund Resourcing Review –** Improved Resourcing of Fund Team with a Workforce Plan. Identification of resourcing gaps within the Fund team and recruit to any gaps.	• Identify current and future resource challenges for the Fund • Develop Fund team structure with recommendations of any new roles • Recruit new roles to the Fund Team based on new structure if required	• Pension Fund Committee	31st December 2023
6	**Committee and Board –** Managing high turnover of LPB members and Chair during 23/24. Better engagement by the PFC ahead of it being mandated.	• Fund Officers to provide support from pre-allocation/appointment of the Committee/Board members and during membership • Analyse individual training needs as well as Fund requirements and develop annual training plan • Develop Fund training strategy setting out approach to delivery, assessment and recording of training (Good Governance Requirement)	• Pension Fund Committee/Local Pension Board	31st March 2024
7	**Thought Leadership** Respond to Consultations in matters that may be of impact to the Fund. Number of consultations increasing. To date reliance on LPP to respond. Fund to increase role	• Impact assess emerging consultations during 2023/24 to determine if a Fund response is required • Draft response and seek input from key stakeholders, including Pension Fund Committee • Develop Officer knowledge of current consultation matters via conferences, etc	• Pension Fund Committee/Local Pension Board	31st March 2024

Annex 2 – Funding and Investment

Funding is the process of ensuring that the Fund has sufficient assets to provide benefits as they fall due

Our objectives in this area are:

- To achieve optimal investment performance and ensure that assets are sufficient to meet the Fund's liabilities;
- To achieve, as far as possible, stable and affordable employer contribution rates;
- To be a responsible asset owner to preserve the long-term resilience of the Fund.

Ref	Project	Actions	Governance	Timeframe
8	**Investment Strategy Statement (ISS) -** Updated ISS in light of 2022 valuation developments	• Review the Fund's Long Term investment strategy to support maintaining a 100% funding level • Publish an updated investment strategy statement • Undertake a review of the strategic asset allocation which will form part of the ISS	• Pension Fund Committee	30th June 2023
9	**Procurement Activity - Actuarial Services Contract/Custodian Contract -** Implementation of new actuarial services and custodian contracts that supports the Fund objectives	• Seek approval from Pension Fund Committee in relation to the Procurement process for recruiting the Fund Actuary and Custodian • Tender for the new Actuarial Service Provider/Custodian • Undertake review of tender responses and appoint appropriate actuary/custodian	• Pension Fund Committee	30th September 2023/31st March 2024
10	**Accounts and Audit -** Assurance on key aspects of Fund management/ Annual Report.	• Improve engagement between the Fund Team and Internal Audit to work together on scope of audits, agreed actions and timescales • Review requirements of impending new CIPFA guidance on Pension Fund annual reports • Implement new CIPFA requirements from implementation date	• Pension Fund Committee	30th November 2023

11	**IIA performance & Objectives -** Set strategic objectives for IIAs in accordance with regulatory requirements	• Review and redevelop strategic objectives for the Independent Investment Advisors[5] • Submit new objectives to the Financial Conduct Authority	• Pension Fund Committee	31st December 2023
12	**Treasury Management -** updated policy together with regular reporting to Investment Panel	• Review and revise the Funds existing Treasury Management Policy • Review processes to ensure adequate monitoring of cash-flow for the Fund • Develop regular reporting in relation to Treasury Management to Investment Panel	• Pension Fund Committee	30th September 2023
13	**Responsible Investment Reporting** Improved reporting requirements for Responsible Investments	• Collaborate with LPPI to agree metrics for Responsible Investment Reporting to ensure it meets the requirements set out in the Responsible Investment Policy • Review reporting via the Responsible Investment Dashboard and implement updated dashboard.	• Pension Fund Committee	31st December 2023
14	**Funding and Valuation -** Employer covenant assessment - clear understanding of risk exposure for the Fund in respect of employers with no taxpayer backing or guarantee	• Inter-valuation periodic reviews of changing employer base and any other employer requests • Implementation of risk mitigations where required • Potentially consider investment approaches outlined in Funding Strategy Statement consultation responses	• Pension Fund Committee	31st March 2024
15	**Local Investment**	• TBC	• Pension Fund Committee	TBC

[5] This refers to the key requirements of the Competition and Markets Authority (CMA) Order on the provision of investment consultancy and fiduciary management services to pension scheme trustees.

Annex 3 – Administration

Administration is the process through which the information required to maintain members' pension records, collect contributions due, give members good quality information in order to make appropriate decisions on their benefits, and calculate and pay their benefits in an accurate and timely way is undertaken.

Our objectives in this area are:

- To deliver a high quality, cost-effective, user-friendly and informative service to all members, potential members and employers at the point where it is needed;
- To ensure that benefits are paid, and contributions collected accurately and on time;
- To demonstrate compliance with all relevant regulatory requirements;
- To ensure that data/information is handled securely and used only for authorised purposes.

Ref	Project	Actions	Governance	Timeframe
16	**McCloud** - Fund compliance with requirements of McCloud resolution	• Collaborate with LPPA in reviewing project plan for McCloud resolution • Understand LPPAs process in undertaking the McCloud resolution • Track progress of LPPA activity for this project and ensure successful delivery	• Pension Fund Committee/Local Pension Board	31st March 2024
17	**Dashboard -** Fund compliance with requirements of Pensions Dashboard implementation	• Identify activity required for various staging dates of Dashboard • Review project plan from LPPA • Understand LPPA solution for the Dashboard • Discuss impact of contractual arrangements in the event of non-conformance.	• Pension Fund Committee/Local Pension Board	31st March 2024

		• Track activity from LPPA regarding progress and ensure successful project delivery		
18	**Pensions Administration Strategy (PAS) -** Improved Pensions Administration Strategy	• Review and update current PAS. • Engage with Employers and LPPA as appropriate • Consider action for employer non-compliance and LPPA role in supporting the Fund in managing compliance	• Pension Fund Committee/Local Pension Board	31st March 2024
19	**Overpayments Reconciliation –** Reduced overpayment balance on the fund accounts	• Analysis of historic overpayments on Pension Fund accounts to get detailed understanding overpayments • Attempt to recover overpayments where feasible.	• Pension Fund Committee	30th September 2023
20	**Supplier Management -** Clearly defined oversight of Pension Fund suppliers	• Identify role of the Fund in supplier management • Review current contracts, identify any gaps and revise if required • Evidence based Quality Assurance of service received	• Pension Fund Committee/Local Pension Board	31st March 2024
21	**Service Based Review -** service in alignment with Fund objectives[6]	• Compare areas for improvement identified following Aon assessment of Administration with LPPA service improvement plan. • Monitor SLA performance and ensure it is in line with administration services agreement.	• Pension Fund Committee/Local Pension Board	31st March 2024
22	**LCPF Policy Reviews and Employer Discretions -** Workplan produced to undertake review of Fund and employer discretions	• Develop a workplan which incorporates bitesize reviews of the LCPF Discretions Policy • Engage with LPPA to undertake a thorough review of employer discretions	• Pension Fund Committee/Local Pension Board	31st March 2024

[6] LPPA is undertaking a UPM Benefits Realisation activity that may have relevance/dependency to this initiative

Annex 4 – Communication

Communication is the process by which we ensure that Fund members and employers are aware of their benefits and of their responsibilities and of the overall performance of the Fund. It is also the process by which we promote the benefits of the Fund.

Our objectives in this area are:

- Ensure transparency and openness with all stakeholders including the Local Pension Board and Pension Committee ensuring robust and evidence-based communications;
- To ensure employers are aware of their responsibilities to their employees and the Fund;
- To ensure Fund communications comply with statutory requirements and promote the overall performance of the Fund;
- Provide simple and relevant communications including promotion of the benefits of the Fund to members and their employers;
- Communicate with all stakeholders in an appropriate way, treating everyone fairly and taking advantage of different communication channels.

Ref	Project	Actions	Governance	Timeframe
23	**Communication strategy -** Develop Communications Strategy for the Fund	• Understanding communication needs/objectives of members and employer and develop/implement strategy • Gap analysis of existing communications and identify changes to ensure scheme members have cohesive pensions engagement journey via LPPA, LCPF and other parties' communications and engagement. • Consider different approaches to communications with members and employer • Defined roles and responsibilities with LPPA	• Pension Fund Committee/Local Pension Board	31st March 2024
24	**Employer Engagement** - improved relationship management with key decision makers at scheme employers	• Develop a post valuation employer engagement plan targeting senior officers. • Develop a programme of events for employer engagement	• Pension Fund Committee/Local Pension Board	TBC

Annex 5 – Shareholder

Pensions administration and investment functions are delivered on behalf of the Fund by Local Pensions Partnership Limited (LPP) and its subsidiary companies. This company is part-owned by Lancashire County Council as administering authority with associated ownership and governance duties.

Our objectives in this area are:

- To ensure that LPP and its subsidiaries are positioned to successfully deliver administration and investment services that support the Fund's objectives;
- To operate appropriate governance structures, processes and controls within LPP including shareholder representation on the LPP Board;
- To provide clear, long-term target outcomes for the LPP Board and management and ensure delivery against these outcomes.

Ref	Project	Actions	Governance	Timeframe
25	**LPP Governance Review** [7]- implementation of new Shareholder focused governance arrangement of LPP	• Implementation of recommendations from LPP Governance review • Implement and review revised governance setup for new model • Revise shareholder agreement and articles of association • Develop new reporting format for LPP Board meetings	• Full Council	31st December 2023

[7] The HoF has the responsibility of overseeing this Project to completion. This undertakes a large proportion of the Funds time to fulfil this activity.

Glossary

PFC – The Pension Fund Committee the body of elected councillors and other representatives of employers and scheme members responsible for making the key decisions about the management of the Fund.

LCPF –Lancashire County Pension Fund.

LGPS- Local Government Pension Scheme. This is a statutory scheme with regulations stipulating the benefits available.

LPB – The Local Pension Board, a body of 4 employer and 4 scheme member representatives together with an Independent Chair who are responsible for overseeing the work of the County Council as Administering Authority for the Fund and making recommendations for improvement.

LPP - The Local Pensions Partnership is a collaboration between two LGPS funds – Lancashire County Pension Fund and London Pensions Fund Authority. It covers both investment (LPPI) and administration activities (LPPA).

LPPI – Local Pensions Partnership Investment.

LPPA – Local Pension Partnership Administration

TPR – The Pensions Regulator who is responsible for ensuring that all public sector pension schemes adhere to proper standards of governance and service quality.

Stakeholders – Employers, Active Members, Deferred Members, Retirement Members and Survivors and Dependents.

SAB – The Scheme Advisory Board is a statutory body who seek to encourage best practice, transparency and co-ordinates standards and technical issues across the LGPS

Lancashire County Pension Fund

LCPF Strategic Plan Summary 2023/24

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Appendix B

Lancashire County
Pension Fund

Key:	
Pension Fund Committee	■
Investment Panel	▲
Local Pension Board	●

Progress Indicator:	
On Track	●
Minor Lag	●
Significant Lag	●
Completed	✓
Not Started	▭

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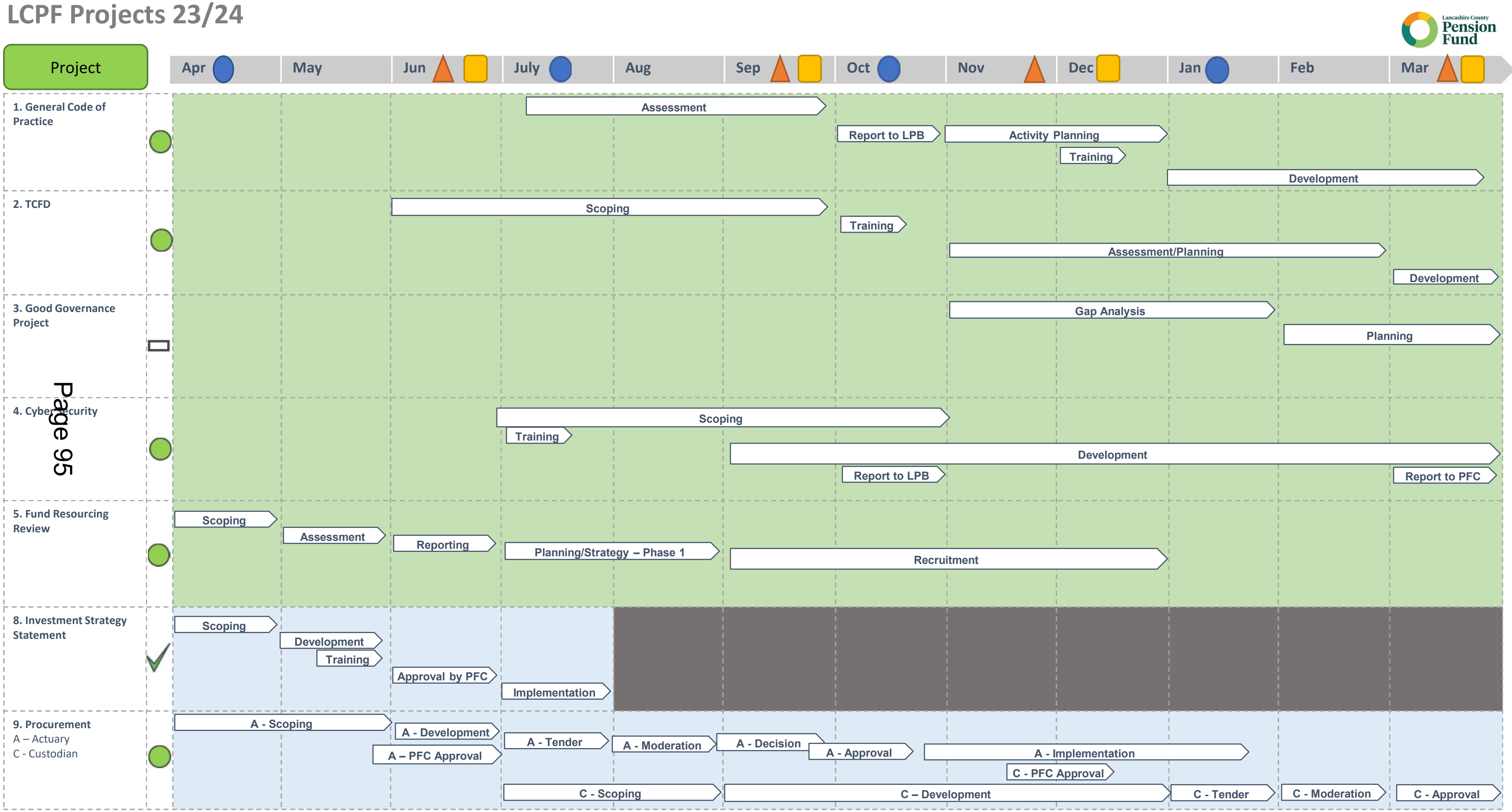
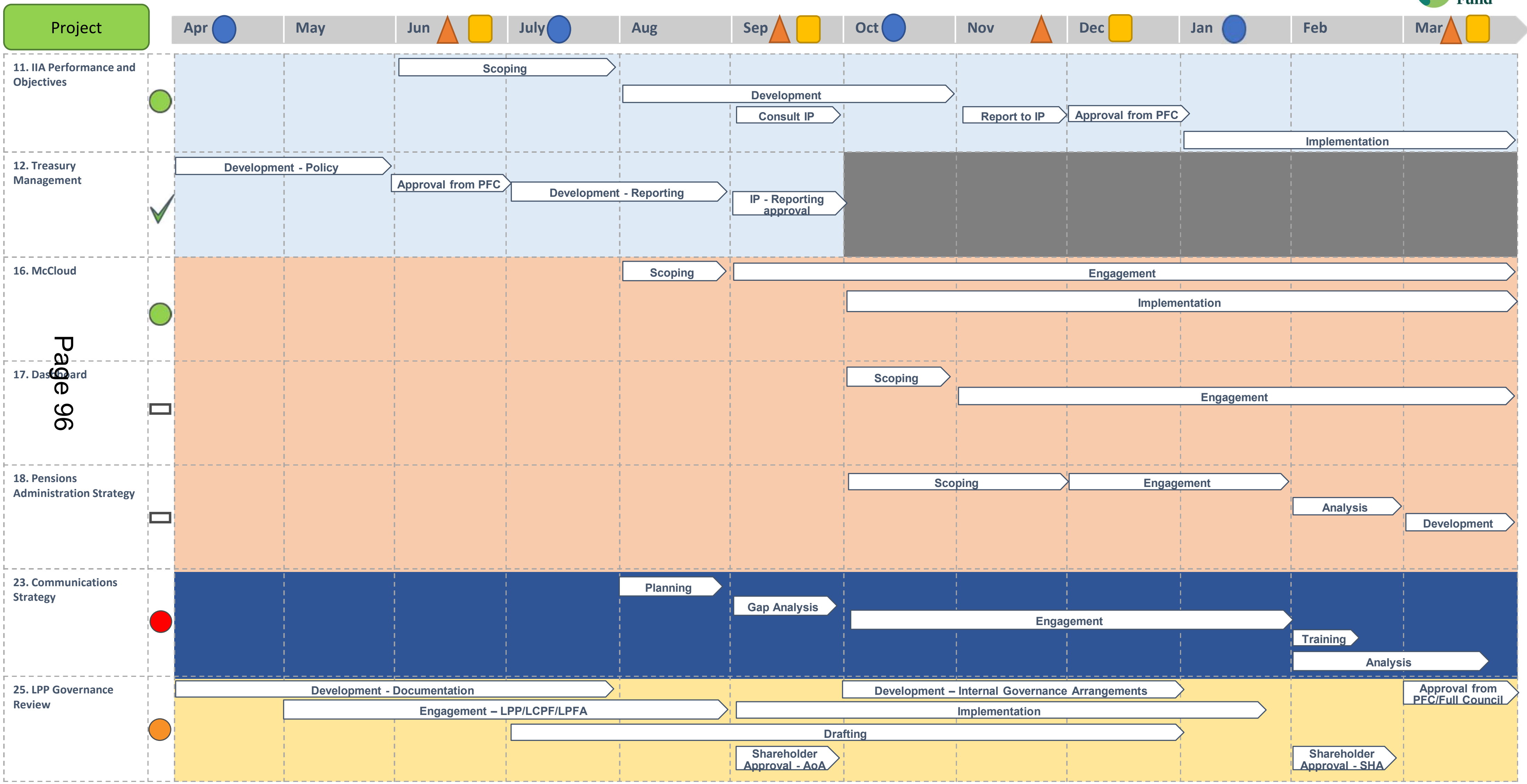
LCPF Projects 23/24



LCPF Projects 23/24



Lancashire County Council

Pension Fund Committee
Meeting to be held on Friday, 1 December 2023

Electoral Division affected:
None;

Pension related training for members of the Committee.

Contact for further information:
Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer,
mike.neville@lancashire.gov.uk

Brief Summary

An update on pension related training involving members of the Committee since the last meeting.

Recommendation

The Committee is asked to consider the report and any feedback from individual members in relation to training they have received.

Detail

The Training Plan sets out the approach to supporting the learning/development needs of individuals with responsibility for the strategic direction, governance, and oversight of the Fund through their membership of the Pension Fund Committee. Since the last meeting members of the Committee have participated in the following pension related conference/events.

25th September 2023 – Briefing on the Lancashire County Pension Fund and Local Pensions Partnership for new members of the Committee. Attended by County Councillor G Mirfin and County Councillor E Pope (as a presenter).

3rd October 2023 Internal Workshop on Responsible Investment and Task Force on Climate-Related Financial Disclosures.
Participants - County Councillors M Clifford, F De Molfetta, C Edwards, G Mirfin, E Pope, M Salter, and R Woollam and Co-opted members Councillor D Borrow, and Mr P Crewe.

17th-19th October 2023 PLSA Annual Conference.
Attended by County Councillor E Pope.

8th November 2023 Internal Workshop – Local Pensions Partnership Technical Update.
Participants - County Councillors J Burrows M Clifford, F De Molfetta, J Mein, G Mirfin, E Pope, M Salter, A Schofield and Co-opted members Councillor Mr P Crewe and Ms S Roylance.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Without the required knowledge and skills, those charged with governance and decision making may be ill-equipped to make informed decisions regarding the direction and operation of the Pension Fund.

The Training Plan seeks to apply best practice and to ensure compliance with guidance from CIPFA and the Pensions Regulator. Failing to implement an adequate Training Plan and regularly review the effectiveness of training arrangements would place the County Council (as Administering Authority) at risk of non-compliance with the Pensions Regulator's Code of Practice No. 14 (Governance and administration of public service pension schemes) and the legislative requirements that this code interprets.

Financial

Decisions made by the Pension Fund Committee have direct financial implications for the Fund. The Fund's Training Plan forms part of its governance and risk management arrangements which seek to ensure that the members of the Pension Fund Committee are well-informed, confident, and knowledgeable participants who work effectively and consistently in the best interests of the Fund and its stakeholders.

The cost of attendance, together with associated travel and subsistence costs, were met by the Lancashire County Pension Fund.

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

Paper	Date	Contact/Tel
Approvals for attendance at external Conferences and Events.by the Head of Fund under the Scheme of Delegation to Heads of Service.	25th August 2023	Mike Neville (01772) 533431
Attendance sheet for internal pension related workshop.	25th September 2023 3rd October 2023 8th November 2023	Mike Neville (01772) 533431

Reason for inclusion in Part II, if appropriate.
N/A

Lancashire County Council

Pension Fund Committee
Meeting to be held on Friday, 1 December 2023

Electoral Division affected: N/A;

Responsible Investment Report
Appendices 'A' and 'B' refer

Contact for further information:
Catherine Hunt, (01772) 533757, Senior Governance Officer,
catherine.hunt2@lancashire.gov.uk

Brief Summary

Responsible Investment encompasses a range of stewardship activities associated with Lancashire County Pension Fund (the Fund) fulfilling its duty to act in the best long-term interests of fund beneficiaries.

Set out at Appendix 'A' is a report from the Local Pensions Partnership Investments Limited which provides the Committee with an update on responsible investment matters during the third quarter of 2023 (July to September).

Recommendation

The Committee is asked to comment on this report.

Detail

The report at Appendix 'A' has been prepared by the Head of Responsible Investment at Local Pensions Partnership Investments Limited (LPPI) and provides information on how the Fund is being supported to fulfil its commitment to long term responsible asset ownership in line with the approach set out within its Investment Strategy Statement and the Responsible Investment Policy.

Attached as Appendix 'B' is the dashboard style report together with the qualitative overview of LPPI stewardship activities for the third quarter of 2023 (July - September).

Other matters of note for the Committee:

- Compared with Q2 2023, the following Climate Change metrics are:

- Brown exposure has increased from 2.38% to 2.47% of the portfolio. The biggest contribution to the increased exposure comes from the Listed Equities asset class. The figures reflect a mark-to-market increase in the value of Brown positions held in the portfolio. This has increased listed equities' Brown exposure from 0.37% in Q2 to 0.44% of the portfolio in Q3 2023.

- There has been a decrease in green activities from 5.34% to 5.18% of the portfolio. The biggest contributor to the decreased exposure is from the Infrastructure asset class. The figures reflect a mark-to-market decrease in the value of Green position held in the portfolio. This has decreased infrastructure's Green exposure from 5.14% in Q2 to 4.92% of the portfolio in Q3 2023.

  Investments in renewable energy generation from wind, solar, hydro, and waste make up 83% of total Green exposure, and 95% of Green exposure is via Infrastructure assets.

- In September, LPPI was a signatory to an investor letter to the Prime Minister Rishi Sunak in response to the UK Government's announcement of changes in net zero policy. The letter reinforced the need for an enabling policy environment (providing certainty, consistence, clarity and continuity on policy) which supports investors to make long-term investment and asset allocation decisions in line with their fiduciary duty to clients and beneficiaries, and to manage risk and opportunities to maintain the long-term financial value of their assets.

- LPPI successfully submitted its Annual Report on Stewardship and Responsible Investment (2022/23) to the Financial Reporting Council (FRC). The report will be published on the LPPI website in Q1 2024 and the FRC will assess LPPI's report and confirm (in early 2024) whether it meets the standard required for retaining signatory status.

- LPPI signed up as a founding participant of Nature Action 100 and has put their name forward to be the lead engager on 3 of the initial 100 companies under focus which are within the internal equities portfolio. This is a new global investor engagement effort focused on driving greater corporate ambition and action to tackle nature and biodiversity loss.

Local Authority Pension Fund Forum (LAPFF)

The LAPFF business meeting and AGM on 4th October 2023 was held online due to train strikes. The following items were covered:

- **LAPFF Executive Elections for 2023** - the results of the LAPFF nomination process and election were announced confirming the Chair of the Lancashire Pension Fund Committee (and existing LAPFF executive member) County Councillor E Pope, will continue in his role for a further year.
- **Liability Driven Investment Strategies ("LDI")** – a report was presented at the business meeting following the publication of the findings and conclusions of two Parliamentary Committees (one House of Lords, one House of Commons) into the liability driven investment bond market crisis of September 2022.

- **Water Companies and Sewage Pollution**- LAPFF has engaged with a number of companies regarding the use of storm overflow drains which are intended to stop water backing up into people's homes but have resulted in sewage being released into waterways. LAPFF will be continuing to engage with companies to ensure that reputational risks and regulatory scrutiny around environmental performance are addressed.
- **Mining and Human Rights** engagements continue with Anglo American, BHP, Glencore, Rio Tinto, and Vale and with a new mining company, Grupo Mexico. This new engagement has arisen as LAPFF was approached by community members affected by a 2014 leak at one of the company’s tailings ponds in Sonora, Mexico.

Papers from the AGM and dates of future meetings can be made available on request.

The annual LAPFF conference is due to take place between 6th and 8th December 2023. A representative of the Pension Fund will attend, and issues covered will include the listing rules review, modern day slavery, climate emergency, the ESG backlash in the USA, the 'Great Pay Divide, the EV supply chain, biodiversity crisis and 'Getting to net zero: the role of alternatives'.

Taskforce on Climate-related Financial Disclosures (TCFD) Consultation

LPPI delivered a workshop on Responsible Investment and TCFD reporting on 3rd October 2023. This outlined the 'what, why and when' of the new reporting requirements effective from 1st December 2024. A recording of the workshop is available in the Pension Library and the pensions team have included this workstream within the strategic plan.

Appendices

Appendices 'A' and 'B' are attached to this report. For clarification they are summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix 'A'	LPPI Responsible Investment Report Q3 2023
Appendix 'B'	LPPI Dashboard Q3 2023

Consultations

Local Pensions Partnership Investments Limited

Implications:

This item has the following implications, as indicated:

Risk management

It is an important component of good governance that the Fund is an engaged and responsible investor committed to actions which are in the best long-term interests of fund members and beneficiaries.

The monitoring of investee companies and the promotion of good corporate governance practices can help to reduce the risk of unexpected losses resulting from poor oversight and lack of independence.

Responsible investment practices underpin the fulfilment of the Fund's fiduciary responsibilities to Fund beneficiaries and are implemented in practice through the advisory and investment management services provided by Local Pensions Partnership Investments Limited.

Quarterly Reports provide information to the Pension Fund Committee on the stewardship of the Fund's assets by Local Pensions Partnership Investments Limited and enable the Committee to monitor the activities undertaken.

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

Paper	Date	Contact/Tel
Robeco Active Ownership Report Q2-2023	01/07/23 to 30/09/23	Catherine Hunt (01772) 533757

Reason for inclusion in Part II, if appropriate

N/A

Lancashire County Pension Fund (LCPF) Responsible Investment Report – Q3 2023

This report has been prepared by LPPI for Lancashire County Pension Fund (LCPF) as a professional client.

1. Introduction

This report on Responsible Investment (RI) is a companion to the LPPI RI Dashboard (Appendix B) and the Quarterly Active Ownership Report (available from the online Pensions Library).

It covers stewardship in the period 1st July - 30th September 2023 plus insights on current and emerging issues for client pension funds.

R This symbol indicates a term explained in the reference section at the end of this report.

Key takeaways for the period:

- In Q3 2023 LPPI voted on 95% company proposals, supporting 88% of these.
- Investments in Brown sectors (extraction, transportation, storage, supply, and generation of energy from fossil fuels) are 2.47% of the portfolio.
- Investments in Green sectors (renewable energy generation, clean technology, and decarbonising activities) are 5.18% of the portfolio.
- In September, LPPI was a signatory to an investor letter to the Prime Minister Rishi Sunak in response to the UK Government's announcement of changes in net zero policy.
- LPPI signed up as a founding participant of Nature Action 100 and has put our name forward to be the lead engager on 3 of the initial 100 companies under focus which are within the internal equities portfolio.
- LPPI successfully submitted its Annual Report on Stewardship and Responsible Investment (2022/23) to the Financial Reporting Council.

2. RI Dashboard – Portfolio Characteristics

This section of the report shares key takeaways from the RI Dashboard at Appendix B.

Asset class metrics (*Dashboard pages 1 & 2*) offer insights on the composition of the portfolio and its general characteristics. See the summary for Q3 2023 outlined below.

The Real-World Outcomes section of the dashboard features examples of socially beneficial investments and this quarter the focus is on Private Equity. Pages 6-7 share information on a selection of investments within the LCPF portfolio which are developing solutions based in the UK and abroad.

Listed equities (Dashboard p1)

Sector Breakdown

Categorised by GICS[R] the largest sectoral exposures for the GEF are Information Tech. (22%), Financials (17%), and Industrials (15%).

Comparing the GEF with its benchmark (MSCI ACWI)[R] gives insight into how sector exposures for the fund differ from a global market index. The length of each horizontal bar indicates by how much exposures differ in total (+ or –) compared with the benchmark, which is the outcome of active managers making stock selection decisions rather than passively buying an index.

Top 10 Positions

The top 10 companies (10 largest positions) make up 23% of the total LPPI GEF.

In Q3 2023 Microsoft remains the largest holding in the GEF. Visa, Nestle, Alphabet, Accenture all remain in the top five, although Alphabet and Accenture have both moved up 1 position and Nestle has moved down 2 positions. Adobe and Intuit have moved up 4 and 1 positions respectively. Rockwell Auto, LVMH and Adobe were replaced by the London Stock Exchange, Moody's Corp and Booking Holdings, which makes up the last positions in the top 10.

Portfolio ESG Score

The GEF's Portfolio ESG score remained stationary at 5.6 between Q2 and Q3. In the same period the equivalent score for the benchmark also remained stationary at 5.5.

Transition Pathway Initiative (TPI)

Monitoring against TPI[R] Management Quality ratings confirms the GEF continues its relatively low exposure to highly carbon intensive activities with minimal changes in ratings since Q2. By value, the coverage of the GEF represented within the globally high emitting companies under TPI assessment has decreased from 11.6% to 11.0%, between Q2 and Q3. This reduction is due to the overall value of the GEF reducing between Q2 and Q3 and not because of the churn in coverage of the GEF under the TPI universe.

The number of GEF companies in scope of TPI scoring has increased by 1 since Q2 2023, changing from 30 to 31. This increase reflects 2 companies dropping out of scope as they are no longer in the portfolio, and 3 companies entering the GEF portfolio which are within the TPI universe.

Of the 31 companies in TPI scope:

- 90% (by value) are rated TPI 3 and above – demonstrably integrating climate change into their operational planning (TPI3) and into their strategic planning (TPI 4). This is down from 91% in Q2 2023, which is a general reflection of the churn in coverage of the GEF under the TPI universe.

- 8 companies are scored below TPI 3 and are under monitoring.

Governance Insights

These metrics provide insights on governance issues for the GEF using data from ISS DataDesk (Institutional Shareholder Services) our provider of shareholder voting services.

This quarter we have included a timeseries graph in the RI Dashboard (Page 1), showing the past performance of the governance insights between Q1 2022 to Q3 2023. This allows us to compare changes annually, which provides a more impactful period to make a comparison against.

Women on the board: A measure of gender diversity confirming the average proportion of female board members for companies in the GEF (where data is available).

In Q3 2023, an average of 31% of board members were female in the GEF, which is up from 29% in Q3 2022. There was a coverage of 85% data availability (up from 83% in Q3 2022), which was a result of several companies not being in scope of the ISS database.

Board independence: The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence as a route to an appropriate breadth of ideas, skills and experiences being drawn upon.

In Q3 2023, on average 69% of board members were independent in the GEF, which is uncharged from Q3 2022. There was a coverage of 85% data availability (up from 83% in Q3 2022), which was a result of several companies not being in scope of the ISS database.

Say-on-pay: The average level of investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

In Q3 2023, an average of 89% were in support for say on pay (up from 88% in Q3 2022), which indicates a high proportion of investors were supportive of the pay policies of investee companies. There was a coverage of 70% data availability (down from 72% in Q3 2022), which was a result of several companies not being in scope of the ISS database.

<u>Other asset classes (Dashboard p2)</u>

Private Equity

The geographical exposure continued to have a strong United States presence, increasing from 50% exposure in Q2 to 53% in Q3 2023. The largest sectoral exposure continued to be Information Technology, remaining at 29% in Q3 2023.

Infrastructure

The geographical exposures to UK based infrastructure slightly increased, moving from 46% exposure in Q2 to 49% in Q3 2023. The largest sectoral exposure remained in Traditional Energy, Renewable Energy, Waste, which makes up 38% of the portfolio.

Real Estate

Sector and geographical exposures remained similar to those reported in Q2 2023. The portfolio continued to be largely deployed in the UK, making up 74% of the portfolio. The largest sectoral exposure continued to be Industrial assets, making up 40% of the portfolio.

Green & Brown Exposures

Calculation of the Fund's exposure to Green and Brown activities focusses specifically on equity assets (Listed Equity, Private Equity, and Infrastructure) plus corporate bonds within Fixed Income. As a result, in Q3 2023, 73.7% of the total portfolio is in scope of Green and Brown. Figures give an indication, rather than a precise measure, as an assistance to reviewing the overall position.

Green activities are those directly contributing to real world decarbonisation, principally through renewable energy generation, but include other activities supporting lower emissions including district heating, and waste management. Brown activities are those directly involved with extracting, transporting, storing, and otherwise supplying fossil fuels, or using them to generate energy.

The dashboard presents information on the trend in Green and Brown exposures (commencing in Q4 2019). Quarterly changes in Green and Brown exposure reflect multiple factors at play including funds reaching maturity, assets being revalued, and investments being made and sold. The total value of the Lancashire County Pension Fund (LCPF) portfolio (as the denominator) also affects Brown and Green % shares quarterly.

Compared with Q2 2023, Brown exposure has slightly increased from 2.38% to 2.47%. The biggest contribution to the increased exposure comes from the Listed Equities asset class. The figures reflect a mark-to-market increase in the value of Brown positions held in portfolio. This has increased listed equities' Brown exposure from 0.37% in Q2 to 0.44% of the portfolio in Q3 2023.

Compared with Q2 2023, Green activities have slightly decreased from 5.34% to 5.18% of the portfolio. The biggest contributor to the decreased exposure is from the Infrastructure asset class. The figures reflect a mark-to-market decrease in the value of Green positions held in portfolio. This has decreased infrastructure's Green exposure from 5.14% in Q2 to 4.92% of the portfolio in Q3 2023.

Investments in renewable energy generation from wind, solar, hydro, and waste make up 83% of total Green exposure, and 95% of Green exposure is via Infrastructure assets.

3. Core Stewardship

This section of the report gives an overview of stewardship activities in the last quarter. Client pension funds delegate day to day implementation of the Partnership's Responsible Investment approach to Local Pensions Partnership Investments Ltd (LPPI). Ongoing stewardship activities by LPPI include portfolio and manager monitoring and the exercise of ownership responsibilities via shareholder voting, and engagement.

Shareholder Voting - LPPI Global Equities Fund (GEF) *(Dashboard page 3)*

Shareholder voting is overseen centrally by LPPI rather than by individual asset managers. LPPI receives analysis and recommendations from an external provider of proxy voting and governance research. We follow Sustainability Voting Guidelines focussed on material ESG considerations and liaise with providers and asset managers as needed to reach final voting decisions.

Full details of all shareholder voting by LPPI are publicly available from the LPP website within quarterly shareholder voting reports.

The period 1st July – 30th September 2023 encompassed 57 meetings. LPPI voted at 54 (95%) meetings where GEF shares entitled participation, totalling 476 resolutions voted. LPPI did not vote in three meetings:

- LPPI applied "Do Not Vote" at one company due to it being a Russia-linked holding that could not be liquidated prior to the introduction of trading restrictions.
- LPPI applied "Do Not Vote" at one company on management recommendation where a dissident shareholder campaign was suspended following third-party takeover interest.
- LPPI missed one vote due to an expired Power of Attorney which has been subsequently rectified.

Company Proposals

LPPI supported 88% of company proposals in the period.

Voting against management encompassed:

- the election of directors: 38% of votes against (addressing issues including overall board independence, and company specific issues such as diversity).
- compensation: 37% of votes against (addressing issues including inadequate disclosure of underlying performance criteria, use of discretion, and the quantum of proposed rewards).

Case Study – Director Related

LPPI voted against 23 director-related resolutions across 15 companies. This was 9% of all director-related votes.

LPPI voted against 12 directors across eight companies due to concerns around board independence levels. At StoneCo Ltd (USA: Transaction & Payment Processing Services), LPPI voted against a director for serving as a non-independent member of the compensation committee. Result: not disclosed.

LPPI voted against two directors at two companies in relation to minority shareholder rights. Members of Governance Committees were targeted where problematic governance practices (including the presence of a classified board and multiple share classes with unequal voting rights) existed. For example, at Houlihan Lokey, Inc (USA: Investment Banking & Brokerage), LPPI withheld support for Chair of the Governance Committee. This was given the board's failure to remove, or subject to a sunset requirement, the multi-class capital structure, the classified board, and the supermajority vote requirement to enact certain changes to the governing documents. Result: 12.5% against.

LPPI voted against two directors across two companies due to a lack of board gender diversity. This reflects LPPI's proxy voting guidelines which require companies in the FTSE350 to have at least 30% women on the Board.

Case Study – Compensation

LPPI voted against 22 compensation resolutions at 13 companies. This was approximately 37% of management tabled compensation related votes.

At Black Knight (USA: Application Software), LPPI voted against the say on pay. This is because the Chair received a discretionary bonus deemed excessive in relation to a pending merger. Result: 67.4% against.

At RS Group (UK: Trading Companies & Distributors), LPPI voted against the say on pay. This was driven by the fact that a named executive officer resigned from their position, yet the Remuneration Committee used their discretion to allow them to keep certain variable awards. Result: 38.4% Against.

At Nike (USA: Footwear), LPPI voted against the say on pay. Shareholder support for remuneration has been low for a number of years at Nike. Some improvements have been made this year, for example, increasing the proportion of awards linked to performance criteria in future years, however, concerns around the metrics used remained and, ultimately, LPPI voted against. Result: 12.0% against.

Shareholder Proposals

There were two shareholder proposals during Q3, both at Nike (USA: Footwear).

- One resolution sought the disclosure of median pay gaps across race and gender which LPPI supported. Result: 29.6% For.
- The second requested a report assessing the effectiveness of Nike infrastructure in meeting human rights commitments across its supply chain which LPPI also supported. Result: 12% For.

Climate Voting

In Q3, AGMs of three companies in LPPI's climate voting watchlist occurred. A vote against management was cast in one instance due to poor performance against the CA100+ benchmark.

Companies typically avoided votes against management where disclosure has improved or there is evidence of adequate progress prior to reporting (e.g. as ascertained through engagement calls).

LAPFF Voting Alerts

There were no LAPFF Voting Alerts for GEF holdings in Q3 2023.

4. Active Ownership

Case Study – Manager Engagement

In Q3 2023, LPPI's Infrastructure team engaged with an external manager on specific initiatives as part of ongoing portfolio monitoring. The first initiative was a review of the alignment with Net Zero, progress towards targets, and importance of Net Zero in their investment strategy. This review consisted of a dialogue to explore the assets current alignment with the IIGCC Net Zero Framework, and the actions identified to meet targets. The manager's pre-defined commitments as a signatory of the Net Zero Asset Manager's Alliance (NZAM) supported a top-down portfolio approach, combined with asset level GHG emission reductions. The second initiative related to a deep-dive review of the recent UK Biomass Strategy, scope of the UK Emissions Trading Scheme (ETS), and potential developments for Carbon Capture and Storage (CCS) at the asset. The review sought to understand the policy implications to identify the key risks and opportunities for the investment, and whether there is potential for inclusion in the UK ETS as the scope expands in the future. Further, the LPPI Infrastructure team has been collating and monitoring the quarterly GHG emissions in comparison to the electricity generated, to understand the carbon intensity of the electricity exported.

These activities directly contribute to our ambitions to bring infrastructure under scope of LPPI's net zero targets and to manage climate change risks and opportunities overall in line with TCFD.

5. Robeco Summary

Engagement (Public Markets): Robeco *(Dashboard page 4)*

This section of the dashboard outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution). Robeco currently engages with 31 companies in the LPPI Global Equities Fund (GEF) and 9 companies in the LPPI Fixed Income Fund (FIF), accounting for 19.6% and 2.4% of the total portfolios respectively.

Engagement (Public Markets): Robeco *(Dashboard page 5)*

Engagement progress by theme, also shown on page 2 in the Robeco Active Ownership report, summarises engagement activity for our portfolio over the quarter and breaks this down into sub-sectors, which are rated on success/progress (shown as a %). For this quarter, one new theme has been added to the progress chart, Just Transition in Emerging Markets, which has been summarised in the next section below.

The data outlined in our dashboard is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Robeco Active Ownership Report: Content Overview

Just Transition in Emerging Markets

As companies are transitioning from fossil-based economies to more sustainable practices, they should not only account for the transition of their own operations, but also the impacts that these transitions will have on their key stakeholders; workers, communities, customers.

While the Just Transition is a global challenge, it is especially relevant for emerging markets. Emerging markets account for over 95% of the increase in global emissions and are projected to account for 90% of global population growth. Given their strong dependence on high-emitting sectors like coal mining and agriculture, they face a significant risk of unsustainable, inequitable development.

Robeco have developed five engagement objectives that will structure their Just Transition engagement approach. The first engagement objective covers a company's Just Transition ambitions and governance. The second objective addresses stakeholder engagement, ensuring that companies identify potentially affected stakeholders and commit to ongoing social dialogues with them. The third objective focuses on the need for a Just Transition Plan, including a defined strategy towards Just Transition-related risks and opportunities. The fourth objective concerns risk identification, assessment and management, with a focus on social risks and impacts. Finally, the fifth objective addresses the company's transparency and disclosures in relation to its Just Transition progress.

Robeco have conducted extensive research to understand the industries represented in their portfolio and the progress in integrating Just Transition principles. They aim to identify the industries with the most potential for engagement and positive impact, considering key factors including emission intensity, industry size in the Asia-Pacific (APAC) region and South Africa; and Just Transition-related initiatives in these countries.

Although the Just Transition is relevant for the global economy and therefore all sectors, the engagement activities are initially focused on the energy and mining sectors due to their stronger decarbonization progress and social relevance for emerging markets. Going forward, Robeco's engagement will expand to other key sectors, including agriculture, construction, transportation, and finance.

Corporate Governance in Emerging Markets

Clear accountability structures, transparent communication and strong corporate governance policies are key requirements of long-term sustainable growth, especially where markets are still developing. Robeco are active members of the Asian Corporate Governance Association (ACGA) and work together for the implementation of effective corporate governance practices throughout the continent.

In Robeco's active ownership report, they showcase how their engagement with companies and policymakers in Hong Kong, South Korea and other emerging markets continues to shape stronger corporate governance practices. Robeco speak about a consultation paper that they have been part of on the Enhancement of Climate-related Disclosures, and discuss how improved disclosures in ESG is expanding into firms listed in the Asian markets.

Robeco demonstrate that there has been positive progress on the improvement of meaningful disclosures for investors in some emerging market companies, and even visible leadership in the case of climate related disclosures in Hong Kong. The progress on efficient capital allocation remains mixed, but Robeco will continue with this important objective.

Sovereign Engagement

Over the last few years, countries around the world have repeatedly come together to pledge collective action on topics ranging from poverty and health to climate and biodiversity, but progress is often too slow. While 194 sovereign states have pledged to support the Paris Agreement, efforts are still not high enough, according to the Intergovernmental Panel on Climate Change's latest warning issued earlier this year. Investors in sovereign debt hold an important role here, as they can encourage and support sovereign issuers to safeguard and invest in the environmental services that their economies and their citizens' livelihoods depend on.

Robeco explore how sovereign engagement can be applied and zoom into their engagement with Brazil, with the aim to support the government on ending deforestation in the Amazon. The engagement was initiated in 2020 as part of the Investor Policy Dialogue on Deforestation (IPDD) collaborative investor platform and represented the launch of their sovereign engagement efforts.

The Brazilian business sector have led the initial transition, as companies jointly developed a strategy to fight deforestation. Pressures to act were only met by the government by the end of 2021, when the country signed the Glasgow Leaders Declaration on Forests and Land Use at COP26. However, progress remained stagnant until the new administration came into force in 2023, where Robeco and other IPDD members travelled to Brazil to discuss deforestation actions with the new government. The dialogue focuses on finding systematic and socially beneficial solutions to the deforestation challenge. One such solution discussed during the visit related to increasing the transparency and traceability of cattle supply chain data, empowering companies in their fight against deforestation.

Robeco's trip also included numerous discussions focused on unlocking new channels to finance the country's green transition. They engaged with the Brazilian Central Bank and the Bank of Brazil to explore how to strengthen local sustainable credit markets, pushing the development of clearer taxonomies and verification systems.

The new elected administration seems to be standing behind its 2022 campaign promises, fostering cross-ministerial collaboration, and increasing budgets for environmental protection and enforcement by among others reviving the Amazon Fund. This has witnessed a fall of 34% in deforestation rates during the first half of 2023. However, the anti-environmental lobby remains strong in the Brazilian Congress and parts of the agribusiness sector, leaving budgeting and progress plans open to question.

6. Collaborations and Partnerships

LPPI participates in a range of investor groups and partnerships which provide opportunities for shared learning and a platform for collective action. The following are headlines for Q3 2023.

WDI Reporting Cycle

The Workforce Disclosure Initiative (WDI) is an investor collaboration platform which seeks to enhance corporate management of workforce issues through increased transparency. During Q3, LPPI wrote to seven companies to encourage participation in the annual workforce survey, the completion of which produces novel and rich data insights on company practices used as part of portfolio monitoring. The deadline for survey submission is in Q4 2023.

Investor Letter to the Prime Minister on Net Zero Policy Changes

In September, LPPI was a signatory to an investor letter to the Prime Minister Rishi Sunak in response to the UK Government's announcement of changes in net zero policy. The IIGCC and PRI jointly convened investors to communicate concerns to the Prime Minister at policy changes which include the relaxation of some key dates. The letter reinforced the need for an enabling policy environment which supports investors to make long-term investment and asset allocation decisions in line with their fiduciary duty to clients and beneficiaries, and to manage risk and opportunities to maintain the long-term financial value of their assets.

LPPI was invited to participate through our signatory status of both the IIGCC Net Zero Asset Manager Initiative and the Principles for Responsible Investment.

Nature action 100+

Nature Action 100 is a new global investor engagement effort focused on driving greater corporate ambition and action to tackle nature and biodiversity loss. The initiative will focus on companies in key sectors that are deemed to be systemically important in reversing nature and biodiversity loss by 2030. Participating investors will engage companies to ensure they are taking timely and necessary actions to protect and restore nature and ecosystems. More information on the 'Investor Expectations for Companies' and the sectors under focus can be found here.

LPPI signed up as a founding participant and put our name forward to be the lead engager on 3 of the initial 100 companies under focus, all of which are within the internal equities portfolio. The engagement campaign launched with initial engagement letters being sent to all companies outlining the initiatives baseline expectations. These were signed by investors including LPPI regardless of exposure.

Fair Reward Framework

LPPI has supported the development of the Fair Reward Framework (FRF) as part of a group of UK asset owners convened by the Church of England Pensions Board and Brunel Pension Partnership. The proposed FRF provides a 'dashboard' that compiles different indicators of executive pay and enables the ranking of individual companies against each of these 'fairness indicators.' Investors can then use this information to inform their own stewardship priorities and proxy voting decisions in line with their fiduciary duties. The proposed framework poses a constructive challenge to all stakeholders to think more broadly about what factors lead to success and which approaches engender a fair division of the resulting rewards. The Framework is currently in a consultation phase, with input from asset owners and asset managers, alongside corporations and other bodies sought across Q3/Q4.

7. Other News and Insights

Net Zero Update

LPPI provided our first progress update on the targets we set in 2022 in the PRI report this year. Our PRI report was submitted in September, and we expect transparency reports to be made available in Q4 2023.

Meanwhile, our second wave of targets covering direct real estate and our corporate bond holdings have now been approved internally. We are currently in the process of submitting these to the IIGCC for approval, after which they will be published on the NZAM website here.

Stewardship Code Update

LPPI successfully submitted its Annual Report on Stewardship and Responsible Investment (2022/23) to the Financial Reporting Council ahead of the October 2023 deadline. The final document is a strong submission addressing the requirements of the UK Stewardship Code (2020) and illustrates the huge amount of work carried out by the responsible investment team and wider business in 2022/23.

The report will be published on the LPPI website in Q1 2024 and the FRC will assess LPPI's report and confirm (in early 2024) whether it meets the standard required for retaining signatory status.

OPSC Update

LPPI is a member of the Occupational Pensions Stewardship Council which was created in 2021 by the Department for Work and Pensions, fulfilling a recommendation from the Asset

Management Taskforce that a ‘dedicated council of UK pension schemes should be established to promote and facilitate high standards of stewardship of pension assets.’

Council Members have recently been discussing the future of the council when DWP steps back as its convenor. Options under consideration are seeking to ensure continued dialogue and support between UK Pension schemes and efficient communication with the sector by UK government departments and regulators. One option is to merge the Council with another longstanding pension scheme forum in the RI space which will have the benefit of reducing duplication to improve the focus of priority attention and available resourcing.

For Reference

GICS - Global Industry Classification System
The most widely used approach to categorising activities into industry sectors. The main standard in use for public markets with growing use for other asset classes. For more information on GICS and the activities that fall into each sector, please see:
https://www.spglobal.com/marketintelligence/en/documents/112727-gics-mapbook_2018_v3_letter_digitalspreads.pdf

Climate Action 100+
Climate Action 100+ is an investor-led initiative to ensure the world’s largest corporate greenhouse gas emitters take necessary action on climate change.

Paris Agreement
The Agreement is a legally binding international treaty to tackle climate change and its negative impacts. The Agreement includes commitments from all countries to reduce their emissions and work together to adapt to the impacts of climate change. It entered into force on 4 November 2016.

The Agreement sets long-term goals to guide all nations to:

- substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees,
- review countries’ commitments every five years,
- provide financing to developing countries to mitigate climate change, strengthen resilience and enhance abilities to adapt to climate impacts.

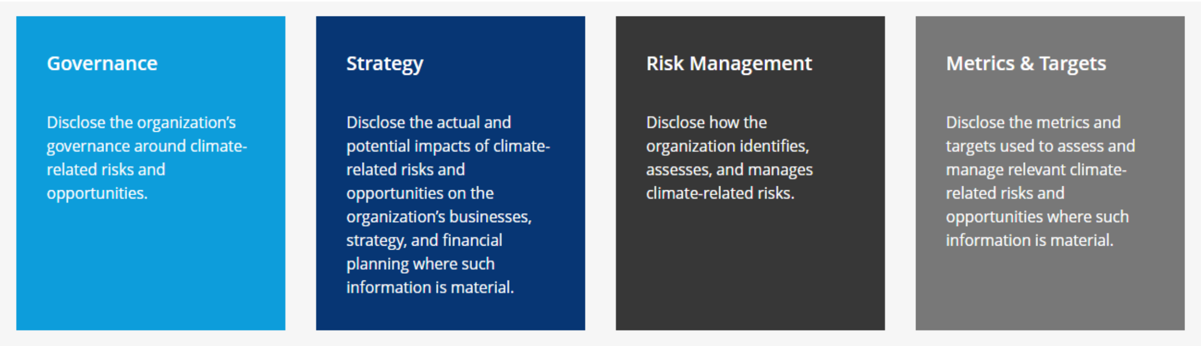
https://www.un.org/en/climatechange/paris-agreement

MSCI ACWI - MSCI All Country World Index
A stock index designed to track broad global equity-market performance. The LPPI Global Equity Fund’s benchmark.

MSCI - Morgan Stanley Capital International
A global index provider.

TCFD - Taskforce on Climate Related Financial Disclosure
The Financial Stability Board created the Task Force on Climate-related Financial Disclosure (TCFD) to improve and increase reporting of climate-related financial information by companies and investors.

Recommendations include annual disclosure under 4 pillars:



TPI - Transition Pathway Initiative https://www.transitionpathwayinitiative.org/
The TPI assesses the highest emitting companies globally on their preparedness for a transition to a low carbon economy. 368 companies are rated TPI 0-4* for Management Quality based on 19 separate datapoints. TPI Management Quality scores provide an objective external measure of corporate transition readiness.

NZAMI – Net Zero Asset Managers Initiative https://www.netzeroassetmanagers.org/
The Net Zero Asset Managers Initiative launched in December 2020 and aims to galvanise the asset management industry to commit to a goal of net zero emissions.

IIGCC
Institutional Investor Group on Climate Change. LPPI is a member.

PRI - Principles for Responsible Investment https://www.unpri.org/
A United Nations-supported international network of financial institutions working together to implement its six aspirational principles, often referenced as "the Principles"

Responsible Investment Dashboard Q3 2023

1. Portfolio Insights

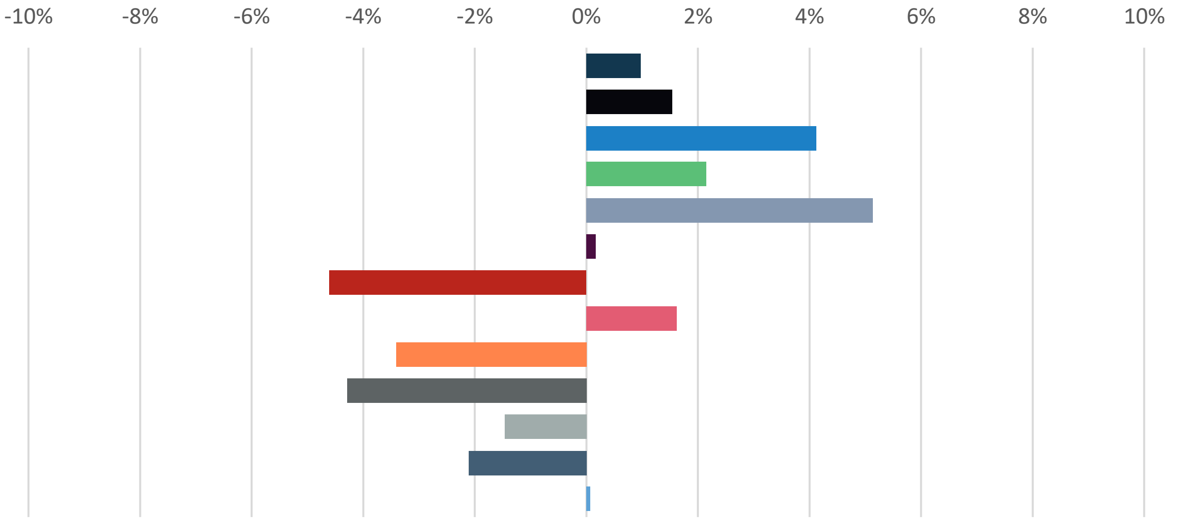
Lancashire County Pension Fund | LPP Local Pensions Partnership Investments

Listed Equities (LPPI Global Equities Fund)

Sector Breakdown (%)

Information Tech.	22.5
Financials	17.3
Industrials	14.5
Consumer Discretionary	13.4
Consumer Staples	12.2
Communication Services	7.8
Health Care	7.3
Cash	1.6
Materials	1.1
Energy	0.9
Real Estate	0.8
Utilities	0.5
Others	0.1

LPPI Global Equities Fund Sector Weights vs MSCI ACWI ND



Top 10 Positions

	Portfolio (%)
1. Microsoft Corp	3.6
2. Visa Inc	3.1
3. Alphabet Inc	3.0
4. Accenture Plc	2.7
5. Nestle Sa	2.6
6. Adobe Inc	1.9
7. Intuit Inc	1.8
8. London Stock Exchange	1.7
9. Moody's Corp	1.6
10. Booking Holdings Inc	1.5

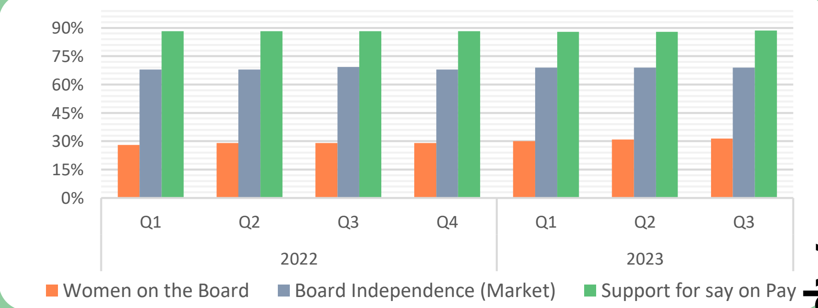
Governance Insights (ISS DataDesk)

Women on the Board (Average)
31%
Coverage of GEF
85%

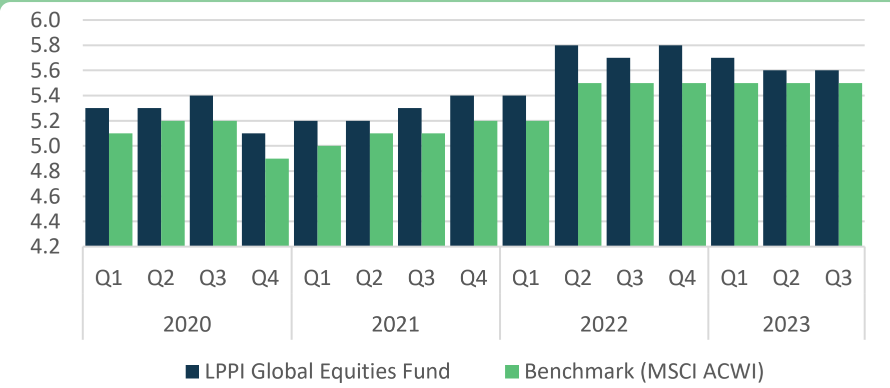
Board Independence (Average)
69%
Coverage of GEF
85%

Support for Say on Pay (Average)
89%
Coverage of GEF
70%

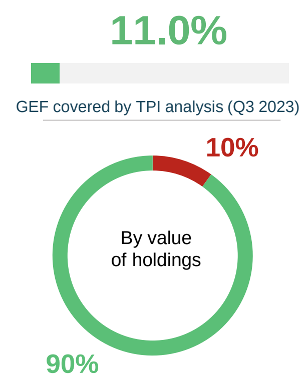
Governance Insights (Timeseries)

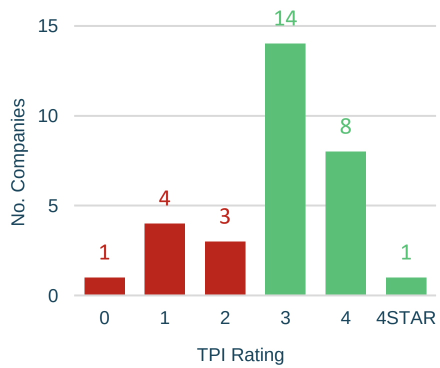


Portfolio ESG Score (MSCI ESG Metrics)



Transition Pathway Initiative – Management Quality Headlines





TPI Management Quality Ranking

0 - Unaware
1 - Aware
2 - Building capacity
3 - Integrated into operational decisions
4 - Strategic assessment

Responsible Investment Dashboard Q3 2023

1. Portfolio Insights

Other asset classes

Private Equity

Industry Breakdown (%)

Information Technology	29	Financials	7
Health Care	19	Remaining Industries	5
Industrials	15	Consumer Staples	4
Other	10		
Consumer Discretionary	10		

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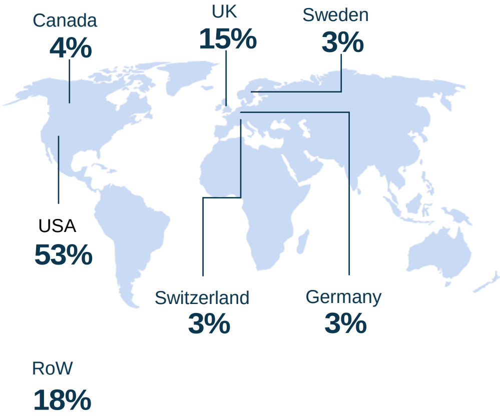
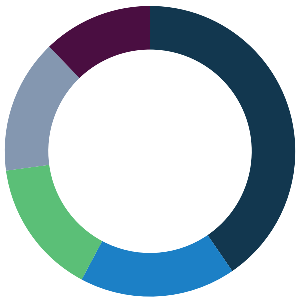
Region Breakdown (%)



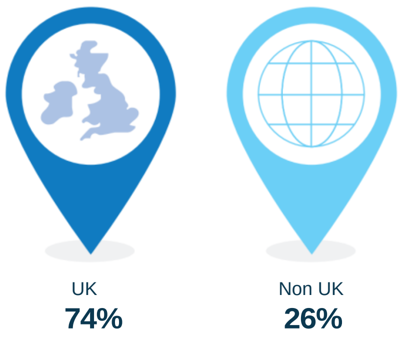
Real Estate (LPPI Real Estate Fund)

Sector Breakdown (%)



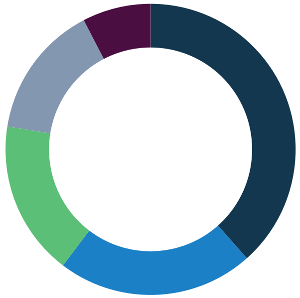
Industrial	40	Alternative	15
Retail	17	Living	12
Office	15		

Geographical Exposure (NAV %)



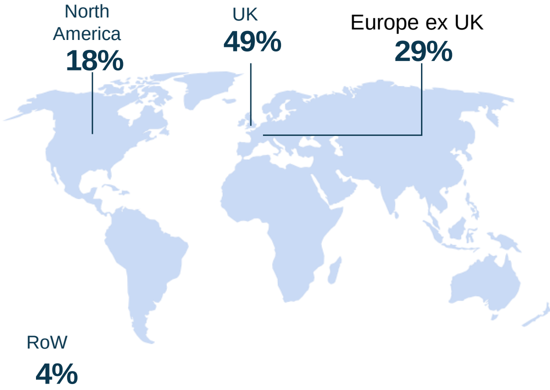
Infrastructure (LPPI Global Infrastructure Fund)

Industry Breakdown (%)



Traditional Energy, Renewable Energy, Waste	38	Social (incl PFI)	17
Transport and Distribution	22	Other	15
		Regulated Assets	8

Region Breakdown (%)

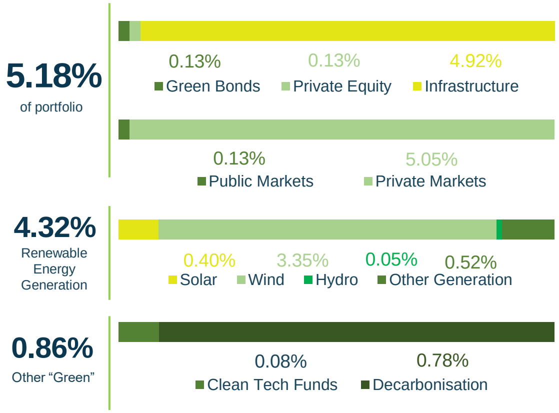


Green & Brown Exposure

Total % of the portfolio that is in scope of Green and Brown

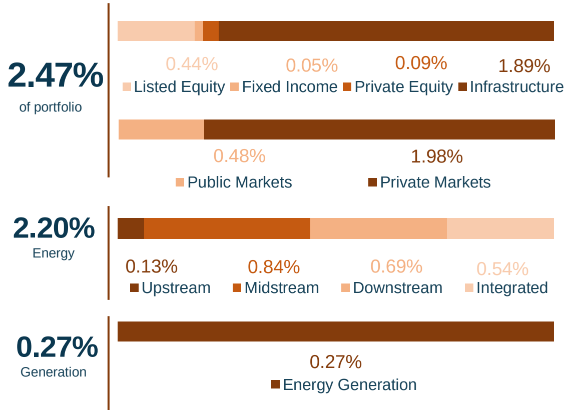
Green

Investments in businesses directly contributing to the global transition to a lower carbon economy, expressed as a % of the total value of the pension fund.

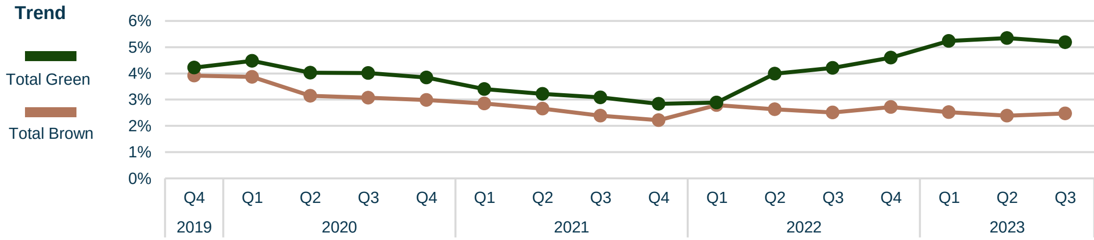


Brown

Investments in traditional energy (based on fossil fuels) expressed as a % of the total value of the pension fund.



Trend



Responsible Investment Dashboard Q3 2023

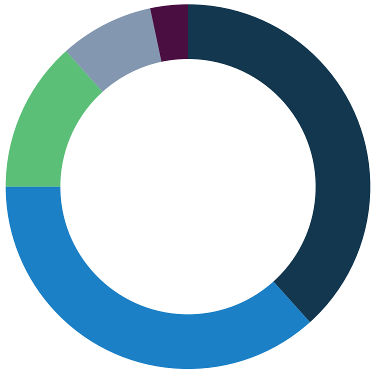
2. Stewardship Headlines

Shareholder Voting

Shareholder Voting Statistics (LPPI Global Equities Fund)

Headlines

54	476	474	2	44%
Meetings Voted	Proposals Voted	Company Proposals (Supported 88%)	Shareholders Proposals (Supported 100%)	Meetings with a vote against Management



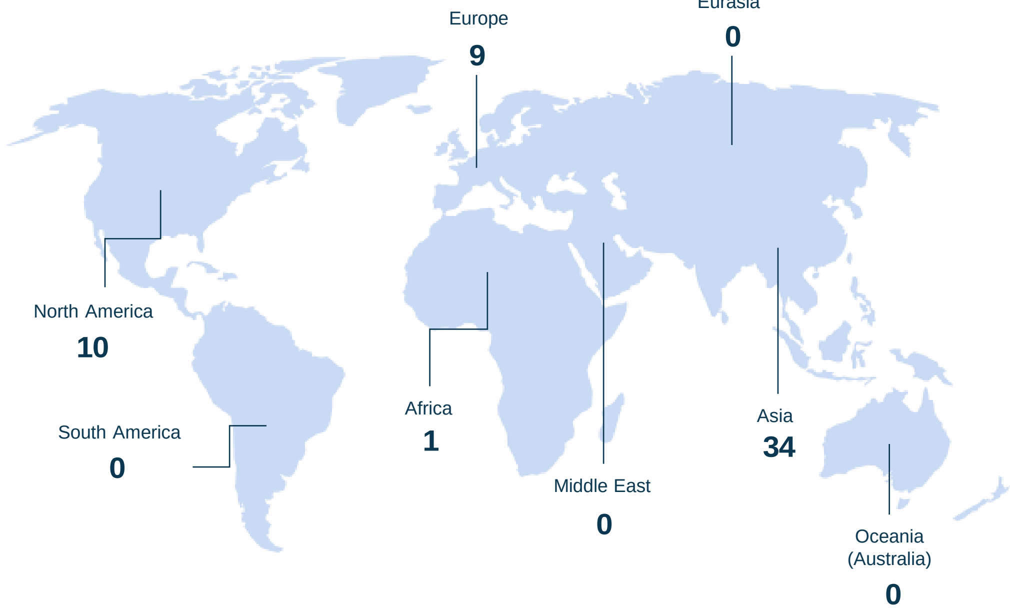
Votes Against Management (By theme)

Election of Directors (and related)	23
Compensation	22
Routine Business	8
Capitalisation	5
Shareholder Resolutions	2
Mergers, Acquisitions and Reorganisations	0
Anti-takeover (and related proposals)	0

Voting (By Theme)

	Against	For
Election of Directors (and related proposals)	23	213
Compensation	22	38
Anti-takeover (and related proposals)	0	3
Audit-related	0	28
Capitalisation	5	36
Routine Business	8	98
Shareholder Proposals	0	2

Voting (By Region)*



*Total votable meetings

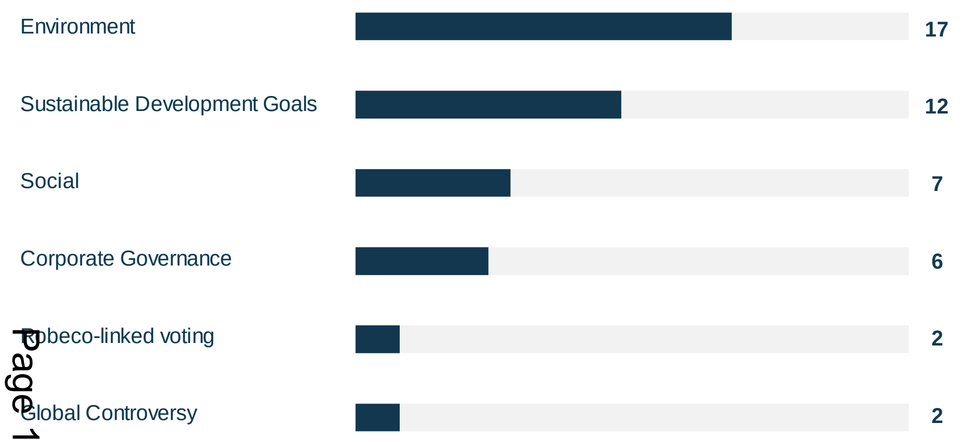
Responsible Investment Dashboard Q3 2023

2. Stewardship Headlines

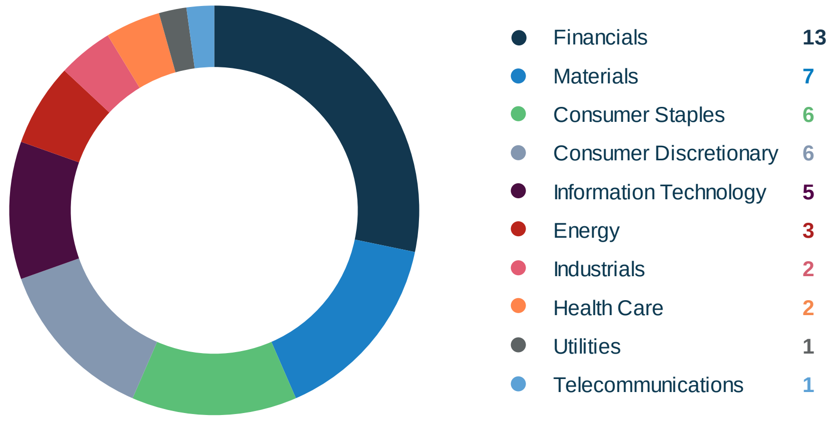
Engagement (Public Markets): Robeco

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

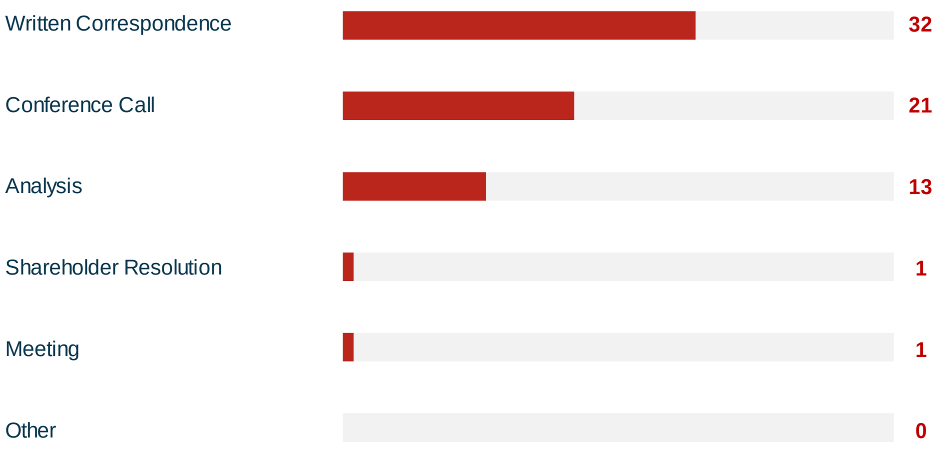
Activity (By Topic)



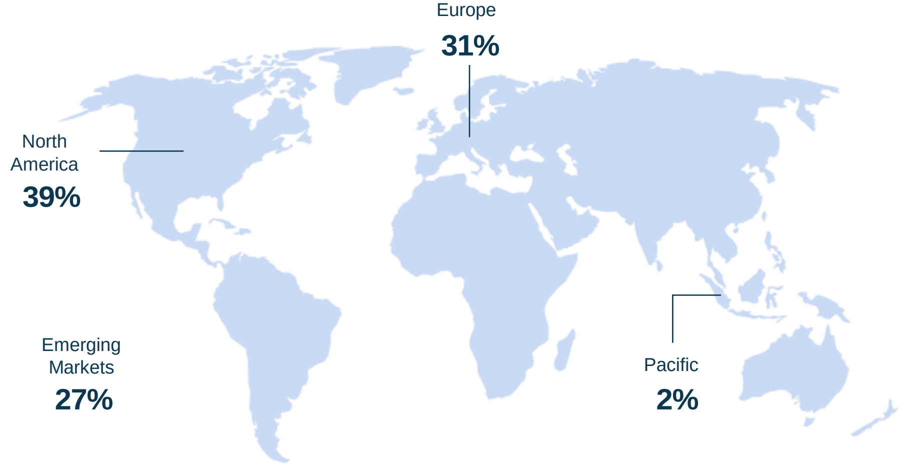
Activity (By Sector)



Activity (By Method)



Activity (By Region) (%)

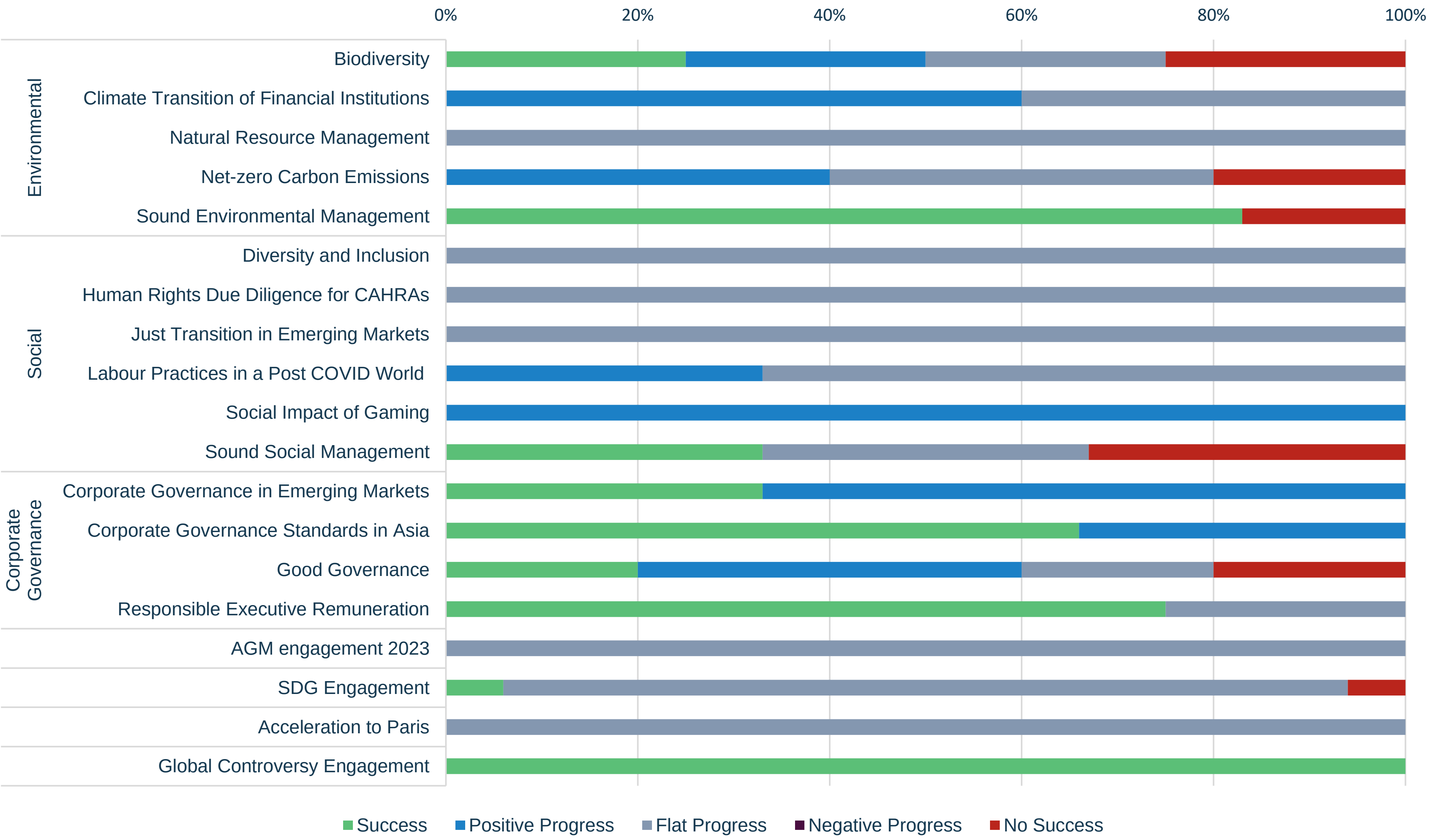


Source: Robeco Active Ownership Report Q3 2023

Engagement (Public Markets): Robeco

The following data is specifically related to the companies in LPPI's portfolio and the engagements Robeco undertake on our behalf.

Engagement Results (by Theme)



Source: Robeco Active Ownership Report Q3 2023

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0.34% of the Private Equity IPV

Founded in 2016, the company provides software-enabled, integrated clean energy solutions in over 30 US states and 10 countries. The solutions encompass load flexibility, electrification and carbon reduction for utilities, government agencies and energy system operators.

In 2023, Inc. Magazine unveiled its prestigious Inc. 5000 list of America's fastest-growing companies, and Resource Innovations placed in the top 500 for the third time since 2020. No. 359 overall and No. 12 in the energy category.

Overview of ESG progress

Help utilities develop and implement programs across community electrification, fleet electrification and grid optimization, all focusing on supporting a regions transition to electric mobility.

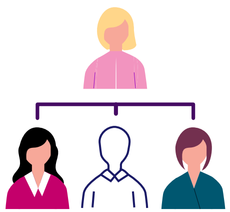
Design and implement impactful transportation electrification services ranging from utility program design and implementation to customer consulting, outreach, and education.

Higher industry average of woman in the workforce

48% of the workforce is women, surpassing the industry average 16%.

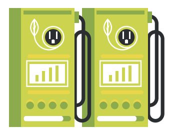
Gold certified

Gold certified on The Climate Registry, purchasing offsets for 10+ years.



Majority of women Board members

Resource Innovations have **a majority of women on their Board and C-suite.**



Have advised on programmes which have led to:

- **7,500+ charging stations installed**.
- **150+ projects funded through e-mobility grants.**

Source: resource-innovations.com/our-insights

0.16% of the Private Equity IPV

Banner, Ltd. manufactures school uniforms and sportswear. The company offers a complete start to finish process from design, market, manufacture and supply of garments to retailers, trade printers and garment decorators.

Largest school wear supplier in the UK supplying 6.1 million garments to 1559 UK retailers, for over 20,000 schools and serving 7,000,000 pupils.

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Overview of ESG progress

CLIMATE NEUTRAL NOW

Joined the UN Climate Neutral Now initiative in March 2021 and pledged to be net zero by 2050.

Banner has achieved carbon neutrality already through offsetting all of its emissions, removing or avoiding a tonne of greenhouse gases for every tonne of its carbon footprint.

Electric car fleet

75% of Banners car fleet is now hybrid/electric.

256 trees planted

Planted 256 trees in a woodland in Builth Wells, Wales to **offset 50% of their UK operations' emissions.**

Incorporated sustainability goals

100% of Banner managers have (a) sustainability goal(s) incorporated in their annual performance reviews.

Surpassed 2022 target

Banner surpassed its 2022 target of using 50% recycled / sustainable fabrics in its product range, achieving a coverage of 65%.

Plastic bottles into eco garments

14.9 recycled plastic bottles were used to make the eco garments they sold in 2021.

Banner's 2025 target:

100% of all garments will be made using sustainable fabrics.

Source: banner.co.uk

Portfolio Insights (Pages 1 - 2)

Sector Breakdown (%)

- Identifies the Global Equities Fund's ("GEF") sector breakdown and their proportions.

GEF Sector Weights

- Comparison of sector weights against their benchmark.
- The larger the bar the bigger the difference between GEF and benchmark weightings.
- Where a positive number is shown, this indicates the GEF is overweight to a sector.
- Where a negative number is shown, this indicates the GEF is underweight to a sector.

Top 10 Positions

- The top 10 GEF companies as a % of the asset class portfolio.

Governance Insights

- **Women on the board:** A measure of gender diversity based on the average proportion of female board members for companies in the GEF.
- **Board independence:** The average proportion of board members identified by ISS as independent. Please note independence expectations vary across markets with LPPI generally favouring greater independence.
- **Say-on-pay:** The average investor support for the most recent say-on-pay vote at a company meeting. Please note not all markets require say-on-pay votes. A vote of greater than 20% against (support < 80%) is generally considered significant.

Portfolio ESG Score

- This is a relative indicator and not a measure of portfolio ESG risk exposure.
- Individual companies are assigned an ESG score (between 0-10). The final numbers shown in the bar chart are the weighted averages of these scores for the stocks held in the GEF vs its benchmark through time.
- This table is a comparison with the benchmark and reviews changes over time.
- LPPI utilise an established methodology (developed by MSCI) for determining the ESG score of stocks within the GEF. Further details can be found here: https://www.msci.com/documents/1296102/21901542/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Nov+2020.pdf
- The higher the score shown, the better the ESG credentials of the GEF / benchmark.

Portfolio Insights (Pages 1 - 2)

Transition Pathway Initiative (TPI) Headlines

- TPI assess how well the largest global companies in high carbon emitting sectors are adapting their business models for a low carbon economy.
- The % of GEF covered by TPI shows the portfolio exposure to high emitting companies.
- The number/proportion of companies with top scores (TPI 3 and 4) is a measure of the quality of transition management by the high emitting companies held within the GEF.
- Detailed TPI methodology can be found through the following link: https://www.transitionpathwayinitiative.org/methodology

Private Market Asset Classes

- These metrics indicate the industry sector and regional breakdown as a % of the asset class for Private Equity, Infrastructure and Real Estate investments.

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Green & Brown

- These metrics indicate the Pension Fund's total portfolio exposure (%) to green and brown assets. Current coverage extends to: Listed Equities, Fixed Income, Green Bonds, Private Equity, and Infrastructure.
- These are further broken down into their sectors/activities related to green and brown.
- Please be aware that due to rounding within the different breakdowns the totals may not sum correctly.

Green

These are investments in renewable energy and sectors/activities assisting in renewable energy generation, low carbon tech and wider decarbonising activities.

Brown

Investments in energy and power generation based on fossil fuel activities, including: extracting (upstream), transporting (midstream), refining (midstream), supplying (downstream), or some energy companies that legitimately span all aspects (integrated). Fossil fuels used to generate energy is part of electricity generation.

Stewardship Headlines (Pages 3 - 5)

Shareholding Voting

- Key shareholder voting metrics for LPPI's GEF.
- The Headline section provides insight into the scope of voting activity, including how votes against management is concentrated.
- LPPI is responsible for voting on each decision taken, working in partnership with Institutional Shareholder Services to best inform views prior to taking action.
- The map of votes per region is included because different jurisdictions have different voting seasons. This provides context to the reporting of voting statistics quarter to quarter as votes take place in batches depending on the companies domicile at different points throughout the year.

Engagement (Public Markets)

- Engagement is an active, long-term dialogue between investors and companies on environmental, social and governance factors, which can be executed through a variety of channels.
- LPPI has engaged an external provider (Robeco Active Ownership Team) to supplement dialogue underway by LPPI and external delegate managers.
- This section outlines the engagement activities undertaken by Robeco in the public markets by topic, sector, method, and region (indicating the number of companies engaged / geographical distribution).
- "Activity by method" summarises engagements by category / method and can include multiple inputs from the same company.
- The updated Robeco Active Ownership report summarises our engagement activities for the quarter and breaks them down into sub-sectors, where they are rated on success/progress (shown as a %).
- Page 9 of the Robeco stewardship policy outlines further details of their process: https://www.robeco.com/docm/docu-robeco-stewardship-policy.pdf

Real World Outcomes (Pages 6 - 8)

- This section provides real world ESG case studies, relevant to the Pension Fund's holdings, which rotate between asset classes each quarter.
- The focus of the real world outcomes rotates between asset classes for each quarter in the following pattern:
  - Q1 – Infrastructure
  - Q3 – Real Estate
  - Q3 – Private Equity
  - Q4 – GEF
- The case studies are an in-depth review of positive ESG practices for current investments within the portfolio over the past year.

Pension Fund Committee
Meeting to be held on Friday, 1 December 2023

Electoral Division affected:
None;

2024/25 Programme of meetings and approval of an additional meeting in February 2024.

Contact for further information:
Mike Neville, Tel: (01772) 533431, Senior Democratic Services Officer,
mike.neville@lancashire.gov.uk

Brief Summary

Notification of the 2024/25 programme of meetings for Pension Fund Committee as approved by Full Council in October 2023, together with approval of a proposed date for an additional Committee on 9th February 2024.

Recommendations

The Committee is asked:

1. To agree that an additional meeting of the Committee be held at 10.30am on 9th February 2024 in Committee Room 'C' - The Duke of Lancaster Room, at County Hall, Preston.

2. To note the 2024/25 programme of meetings of the Committee as approved by Full Council and set out in the report.

Detail

On 12th October 2023 Full Council considered and approved a 2024/25 programme of meetings which included the following dates for the Pension Fund Committee, with all meetings to be held at 10.30am at County Hall, Preston.

14th June 2024
13th September 2024
6th December 2024
7th March 2025

Members of the Committee are asked to make a note of the dates.

Additional meeting

On 16th November 2023 members of the Committee were given a presentation to update them on the Local Pensions Partnership (LPP) Governance review during which reference was made to the intention for an additional meeting of the Committee to be held in February 2024 to specifically consider and approve a revised Shareholder Agreement for LPP.

If approved the revised Shareholder Agreement would then be presented to Full Council on 14th March 2024 for consideration and approval.

After consulting with the Chair of the Pension Fund Committee it is proposed that arrangements be made for an additional meeting of the Committee to be held at 10.30am on 9th February 2024 in Committee Room 'C' - The Duke of Lancaster Room, at County Hall, Preston.

The Committee is asked to approve the additional meeting on 9th February 2024.

Consultations

Chair of the Pension Fund Committee
Head of the Pension Fund

Implications:

This item has the following implications, as indicated:

Risk management

No significant risks have been identified.

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

Paper	Date	Contact/Tel
N/A		

Reason for inclusion in Part II, if appropriate
N/A

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Document is Restricted

Appendix A

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Appendix B

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Appendix C

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Appendix D

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Appendix E

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Agenda Item 17

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