

## APPENDIX A

### Lancashire County Pension Fund

### Annual Report 2011/12

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## A. Management Structure

### Management Structure as at 31 March 2012

**Administering Authority**  
Lancashire County Council

**Pension Fund Committee**  
2011/2012 (as at 31 March 2012)

#### Lancashire County Council

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

**Blackburn with Darwen Borough Council**  
D Walsh

**Blackpool Borough Council**  
M Smith

**Lancashire Leaders' Group**  
P Goldsworthy  
P Doyle

**Co-opted Members representing Trade Unions**  
R P Harvey  
R Whittle

**Co-opted Member representing HE/FE Establishments**  
One vacancy

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

**Custodian**  
Northern Trust

**Independent Investment Advisers**  
E Lambert  
N Mills

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

**Actuary**  
Mercer

**Auditor**  
Audit Commission

**Property Solicitors**  
Pinsent Curtis Biddle  
Cobbetts

**Independent Property Valuer**  
Cushman & Wakefield

**Corporate Governance Adviser**  
PIRC

**Performance Measurement**  
WM Company

**AVC Providers**  
Prudential  
Equitable Life

**Legal Advisors (other than property)**  
In House

**Bankers**  
National Westminster

## B. Overview of Management and Financial Performance

The investment activities of the Lancashire County Pension Fund during 2011/12 have continued to be heavily influenced by geopolitical events.

The ongoing turmoil in the Eurozone in particular has produced a highly volatile backdrop to global investment activity; for much of the financial year the central concern of investors was the *return of capital* rather than the traditional *return on capital*. Central Banks, in particular the US Federal Reserve (Fed) and the Bank of England (BoE), have provided further rounds of liquidity to financial markets via quantitative easing. The European Central Bank (ECB) has been forced by markets to produce a number of emergency measures to relieve the extreme pressure in the European banking system and government bond markets. By November 2011 there was a real danger of systemic collapse as interbank liquidity vanished. At this point the ECB unveiled the "Long Term Repo Operation (LTRO)" an unprecedented injection of billions of Euros into the banks for 3 years at 1.00%.

The systemic issue caused all "risk" markets to underperform during 2011 (FTSE100 fell 6%). The liquidity injection did provide substantial relief in the first quarter of 2012 (FTSE100 rose 2%) but it is clear that the fundamental issues in the Eurozone have not been solved merely pushed out into the future. Whilst the rest of the world provided some growth early in the year it was clear by early 2012 that the US, India and China were seeing growth but at slower rates than expected at this point in the economic cycle.

The impact on long term investors has been two fold

- Liquidity in most markets has diminished sharply widening the discounts available on illiquid asset classes such as infrastructure and secured loans – an advantage the Fund will look to capitalize on by making further allocations to less volatility and less liquid asset classes
- Price volatility has increased on Equities and similar investments raising risk profiles – confirming the need for the Fund to continue its diversification and risk management strategies

The FTSE All World index fell 3.81% and the FTSE All share fell 3.659% during the financial year, having been lower at the end of 2011. Credit markets continued to perform positively, the IBOX non Gilt Sterling index (a published index based on a broad range of high quality corporate bonds of varying maturity) rose 8.96%.

Government bond markets in the US, UK and core Europe performed very well over the 12 month period, the IBOX 5yr+ Gilt index rose 19.25%. Markets had expected that some monetary stimulus would be withdrawn during the year, leading to higher interest rates and reduced bond market performance but the continued concerns over fiscal deficits and default in peripheral Europe has kept safe haven bond markets very strong.

2011/12 was a period of complex re-allocation for the Fund. First steps into lower volatility investments were implemented late in the year as well as a major structural change to the Fund's equity investments, moving from predominantly domestic to global investing with an active risk management approach. Whilst these changes were made too late in the year to

affect performance they represent a major shift in the Fund's investment management ethos.

The overall return achieved by the Fund during 2011/12 was 2.3% compared to the benchmark return of 3.3% and the average local authority return of 2.6%. This ranked in the 72th percentile of the WM Local Authority Universe, the majority of underperformance coming from the active equity mandates which have subsequently been terminated in line with the investment strategy agreed in January 2011.

During the year the Fund was cash flow positive, with income from contributions and investments exceeding expenditure on benefits and expenses by £94.3m.

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

Capital for long term investment is a scarce commodity post credit crunch, and the effects of forthcoming regulation for the banking (Basle 3) and insurance (Solvency 2) sectors will amplify the shortage, placing Local Government Pension Funds in a strong position to positively address the goals of full funding and sustainable cost, provided that investment, liability and, most importantly, risk management are addressed effectively in what will undoubtedly remain a period of extreme volatility..

Administration of the Fund has again been very strong over the year, the Treasury and Pension investment section winning Lancashire County Council's "Team of the Year" award at the 2011 Lancashire Pride awards, following from the Your Pension Services' success in 2010.

D Westley  
Chairman of the Pension Fund Committee

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

## C. Governance of the Fund

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

Comprehensive terms of reference have been established for all areas of governance of pension fund activities including the Pension Fund Committee, the Investment Panel, the Administration Panel and issues delegated to the Treasurer to the Fund. These can be found in the Fund's Governance Policy Statement. [Governance Policy Statement](#)

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

### LANCASHIRE COUNTY PENSION FUND GOVERNANCE COMPLIANCE STATEMENT:

Principle		Full Compliance
<b>A Structure</b>	<p><i>(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council</i></p> <p><i>(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee(1)</i></p> <p><i>(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</i></p> <p><i>(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.</i></p>	<p>√</p> <p>×</p> <p>(see note 1 below)</p> <p>√</p> <p>√</p>

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

Note 1: Although District Councils, Scheduled Bodies and employees are represented, Admitted bodies are not. Admitted bodies only represent 7% of contributors to the fund and are therefore not represented. However, all employers receive a full annual report and are alerted to important events. Although employee representatives, i.e. Trade Unions, do not formally represent deferred and pensioner scheme members, it is accepted that representation is available to deferred and pensioners members via this route where necessary and/or appropriate.

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

<b>C Selection and Role of Lay Members</b>	<p><i>(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.</i></p> <p><i>(It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all time.)</i></p>	√
<b>D Voting</b>	<p><i>(a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</i></p>	√
<b>E Training/ Facility Time/ Expenses</b>	<p><i>(a) that in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.</i></p> <p><i>(b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.</i></p>	√  √
<b>F Meetings – Frequency</b>	<p><i>(a) that an administering authority’s main committee or committees meet at least quarterly.</i></p> <p><i>(b) that an administering authority’s secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.</i></p> <p><i>(c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.</i></p>	√  √  √

<b>G Access</b>	<i>(a) that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.</i>	√
<b>H Scope</b>	<i>(a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.</i>	√
<b>I Publicity</b>	<i>(a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.</i>	√

### **Lancashire County Council's Annual Governance Statement**

The County Council has produced its Annual Governance Statement for 2011/12. This statement sets out assurances on the County Council's governance arrangements, internal control and the way the County Council manages its affairs.

As the County Council is responsible for the administration of the Pension Fund, including the provision of systems, controls and governance and this statement embraces the activities of the Pension Fund.



## **D. Administration of the Pension Fund**

### **Overview**

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

The County Council administers the Scheme for over 150 employers (a complete list of employers is set out in Note 1 of the Notes to the Financial Statements). These employers include organisations such as local authorities, further and higher education colleges and voluntary and charitable organisations. This includes a number of “Admitted Bodies”. These are organisations that have entered into an agreement with the County Council to participate in the Fund.

A Service Level Agreement (SLA) is in place between Your Pension Service and the Pension Fund Committee for the provision of pension administration services and support. An Annual Administration Report is produced in accordance with the SLA and describes the performance of Your Pension Service (YPS) against the standards set out in the Agreement during the year. The Report also details events and activities undertaken by YPS over the year and sets out any Scheme specific regulatory change.

The Pension Fund Administration Sub-Committee is required to ensure that the Pension Fund Committee's functions as Administering Authority are discharged and to approve the Annual Administration Report. [Annual Administration Report](#)

A brief review of the year is set out below.

### **Review of the Year**

2011/12 has been a year of change within Your Pension Service. By far the biggest development within the Service was the transfer of the Fund's pensioner payroll to an integrated pensions administration and payroll system. Savings were made as a result of this change and YPS has been able to pass these savings on to the Fund. This ensures that the Service continues to be cost effective with the cost of administration remaining below the Government's key indicator.

Overall, administration performance was broadly in line with SLA targets and the Service met its key performance indicator; 'to calculate and pay all retirement benefits within 10 working days'. Your Pension Service was delighted to be re accredited with the Government's Customer Service Excellence award in June 2011 as this Award reflects that customer service continues to be a priority for the Service.

### **Public Sector Pension Reform**

In December 2011, the Chief Secretary to the Treasury, Danny Alexander MP, made a statement to the House of Commons on progress made in the negotiations with the Trades Unions in respect of the reform of public sector pension schemes. The statement sets out

that heads of agreement had been established with most unions in the local government, civil service and teacher's pension schemes.

The statement was accompanied by a written ministerial statement from the Secretary of State for Communities and Local Government, Eric Pickles MP, specifically in respect of the Local Government Pension Scheme (LGPS), which stated that a 'heads of agreement' had been agreed between the main local government unions, the Local Government Association (LGA) and the Government regarding a way forward for the Local Government Pension Scheme. This agreement set out the principles to govern scheme design, ongoing costs management and governance of the new scheme.

Representatives from the Local Government Association and trade unions committed to agree and to cost a new scheme early in 2012 and have since announced their proposals for the new Local Government Pension Scheme to take effect from 1 April 2014. These proposals will now form the basis of consultation with scheme members, employers, funds and other scheme interests and a statutory consultation will follow during Autumn 2012 to implement these proposals.

The main provision of the proposals is that the new LGPS 2014 will be a Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor (the current scheme is a final salary scheme). More details can be found at ([www.lgps.org.uk](http://www.lgps.org.uk)) and within the full Annual Administration Report. [Annual Administration Report](#)

### **Other information**

Further statements relating to the administration of the Scheme including the Communication Policy Statement and the Pensions Administration Strategy Statement are available from the Fund and can be accessed via the Fund Website at:

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

Your Pension Service can be contacted at:

PO Box 100  
County Hall  
Preston  
PR1 0LD

Telephone: 01772 530530

E-mail: [pensions.helpdesk@lancashire.gov.uk](mailto:pensions.helpdesk@lancashire.gov.uk)  
<http://www.yourpensionservice.org.uk>

## Participation in the Fund

	Number at 31 March 2012	Number at 31 March 2011
(1) Active scheme members:		
Scheduled Bodies	46,422	47,912
Admitted Bodies	3,716	3,781
<b>Total</b>	<b>50,138</b>	<b>51,693</b>
(2) Pensioners:		
Pensions in Payment	39,933	37,632
Preserved Pensions	47,526	44,928
<b>Total</b>	<b>87,459</b>	<b>82,560</b>

## Additional Voluntary Contributions (AVCs)

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

Note 20 of the Notes to the Financial Statements of this report contain a detailed breakdown of the current value of the Fund's AVCs.

## **Risk Management**

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

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

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

The County Council's Annual Governance Statement identifies how the system of internal control throughout the County Council is designed to manage risk. [Annual Governance Statement](#)

## E. Investment Policy and Performance

### Structure

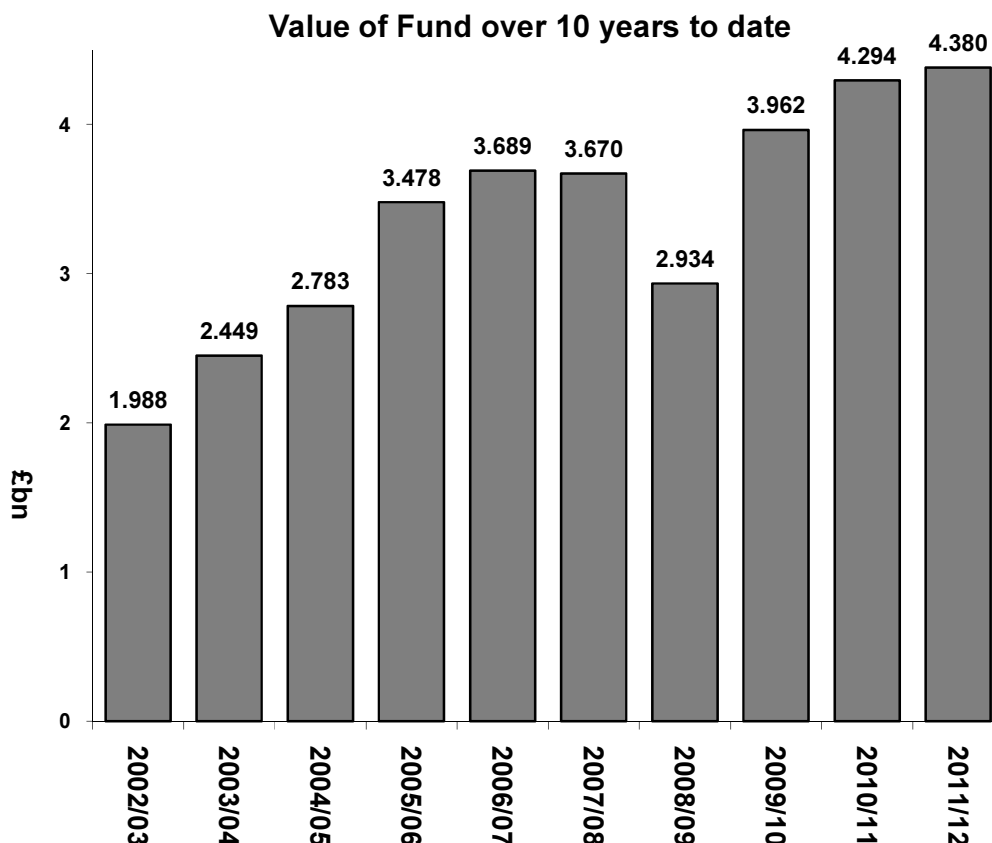
There are three levels of responsibility for the investment management of the Lancashire County Pension Fund (the "Fund"). First, the county council's Pension Fund Committee (the "Committee") takes major policy decisions and monitors overall performance, details of which can be found in the Statement of Investment Principles [Statement of Investment Principles](#). Second, the Investment Panel (the "Panel") recommends specific investment allocations in line with the Committee's policy decisions and monitors the activity of the Fund's managers. Third, the investment managers fix precise weightings and select stock within the allocations set by the Panel and Committee. A more detailed description of the responsibilities of the Committee, its Sub-Committees and the Panel is found in the Governance Policy Statement. [Governance Policy Statement](#)

The Panel consists of two independent external investment advisers, the Chief Investment Officer, the Deputy County Treasurer and the Treasurer to the Pension Fund, who acts as Chair. The investments of the Fund are currently managed by six specialist external managers, one external index-tracking manager (multi-asset) and in-house. In-house, the Fund carries out its own treasury management and holds investments in infrastructure funds and non-investment grade credit funds directly. The various mandates, including their value at 31 March 2012 are shown below.

<b>Manager</b>	<b>Mandate</b>	<b>Value £m</b>
Legal & General Investment Management	Index tracking - multi asset	1,057.4
Newton Investment Management	Global Equities	615.6
JP Morgan Asset Management	UK Equities	501.4
UBS Global Asset Management	Bonds	672.7
Knight Frank	Property	383.9
Capital Dynamics	Private Equity	222.4
Mellon Transition Management	Global Equities	617.1
In-House	Cash, Bonds and Infrastructure	289.4
Total		<hr/> 4,359.9 <hr/>

## Performance

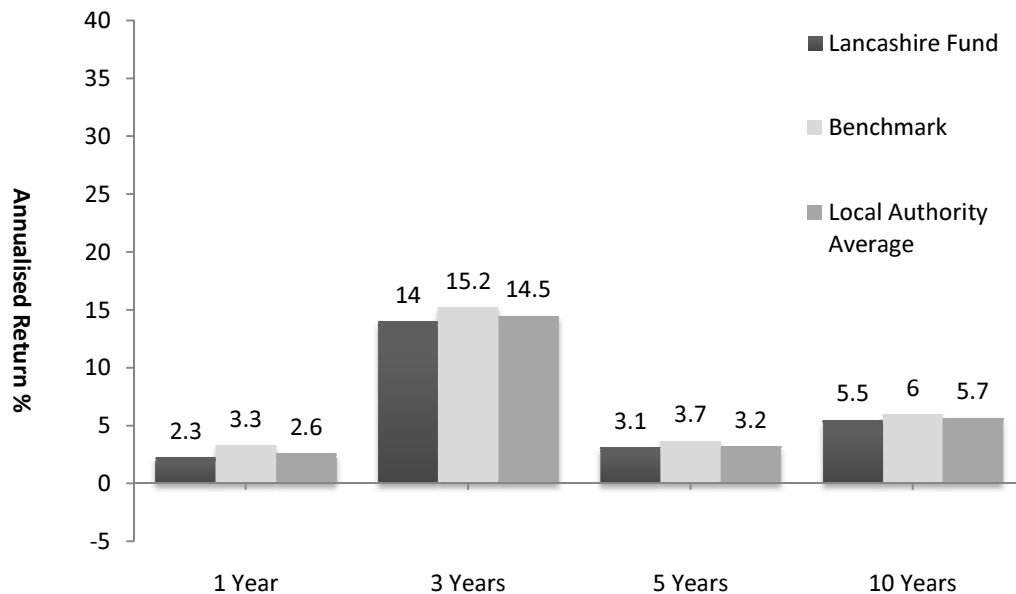
The value of the Fund over the last ten years is shown in the chart below:



The Fund is invested to meet liabilities over the medium-to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile, as seen in 2008/09 and do not necessarily indicate the underlying health of the Fund.

The performance of the Fund is measured against a Fund specific benchmark with individual managers being given performance benchmarks and targets which are linked to index returns for the assets they manage. Details of these can be found in the Statement of Investment Principles. [Statement of Investment Principles](#). The Fund also subscribes to the annual WM Survey of UK Local Authority Pension Funds, which shows comparisons with other local authority pension funds. The performance of the investment managers is reviewed on a regular basis by the Panel and any recommendations arising from those reviews are considered by the Committee.

Looking first at total Fund returns, the chart below shows the total return of the Fund compared to the fund specific benchmark and the average local authority pension fund return measured over 1,3,5 and 10 years to 31 March 2012:



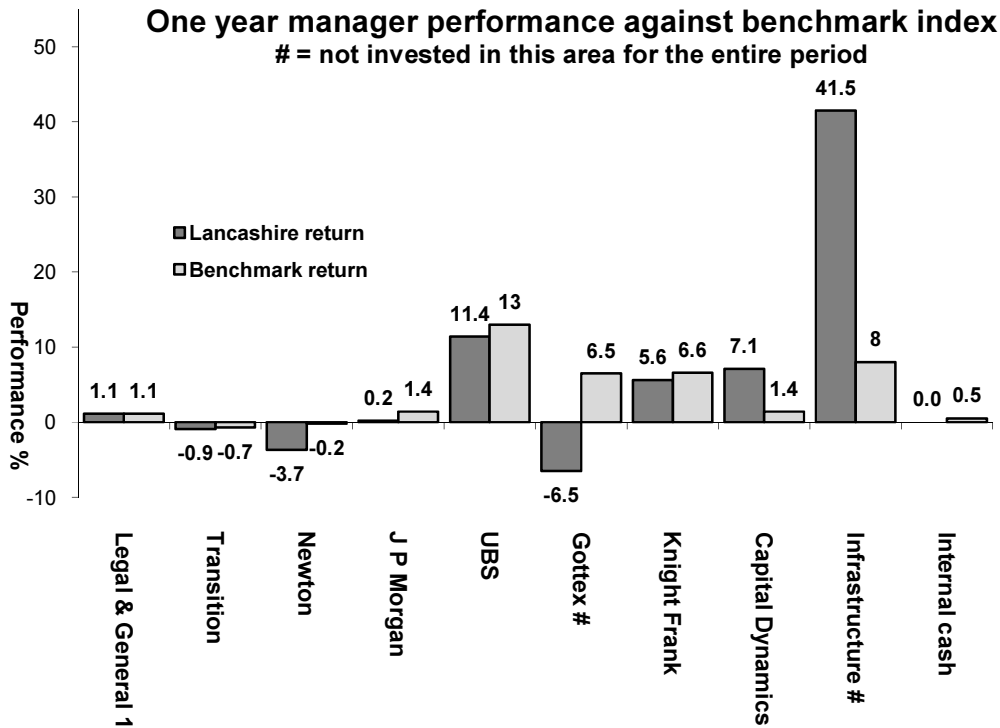
The modest Fund return of 2.3% masks a year of considerable volatility. For example, the Fund reported a fall in value of 8.7% in the quarter July to September 2011, which it has subsequently recovered. Markets have been particularly volatile reacting to the continuing concerns over the future of the euro and the health of the economies of the Eurozone.

The Fund's return of 2.3% is close to that of the average local authority pension fund of 2.6%. It ranks as the 72<sup>nd</sup> percentile in the WM analysis of local authority funds.

The chart above shows that the Fund was 1% behind its benchmark. The chart below analyses this relative return by asset class. It shows that the shortfall as compared to benchmark was largely a result of the under-performance reported by its active equity managers and its fixed interest manager. This public market under-performance (-1.5%) was mitigated by good returns from the Fund's private equity and infrastructure investments (+0.8%). The Fund's investment in a hedge fund continued to under-perform and was redeemed during the year.

The Fund's investment managers are set performance targets as shown in the Statement of Investment Principles. [Statement of Investment Principles](#). The overall performance target of each manager is measured over rolling three and five year periods, as inevitably there will be short-term fluctuations in performance. These targets are set for the active managers i.e. those with a mandate to outperform a benchmark through active stock picking and sector allocations. The transition portfolio and that managed by Legal and General are passive portfolios where the manager seeks to track the benchmark.

Active managers have the discretion to invest a smaller or greater amount than the benchmark allocation, within agreed constraints and tolerances. These decisions will reflect their views on market conditions within various countries or between different types of instruments. The one year performance of the managers to 31 March 2012 is shown in the chart below:



The Legal & General and the transition portfolio (managed by BNY Mellon) have tracked their respective benchmarks.

The portfolios core equity mandates managed by Newton (Global Equities) and JP Morgan (UK Equities) continued to under-perform their benchmarks. Following a tender process for global equity managers, these managers will be replaced in the year ending 31<sup>st</sup> March 2013.

The UBS bonds portfolio has not performed to benchmark in the year because it was overweight in corporate bonds at the expense of UK government bonds which benefited from the exceptionally low interest rates and high prices.

The performance of the hedge fund managed by Gottex continued to be disappointing and this mandate was terminated during the year.

The Fund's property portfolio managed by Knight Frank continues to beat its benchmark long term, but its portfolio of high street retail properties suffered particularly in the current year.

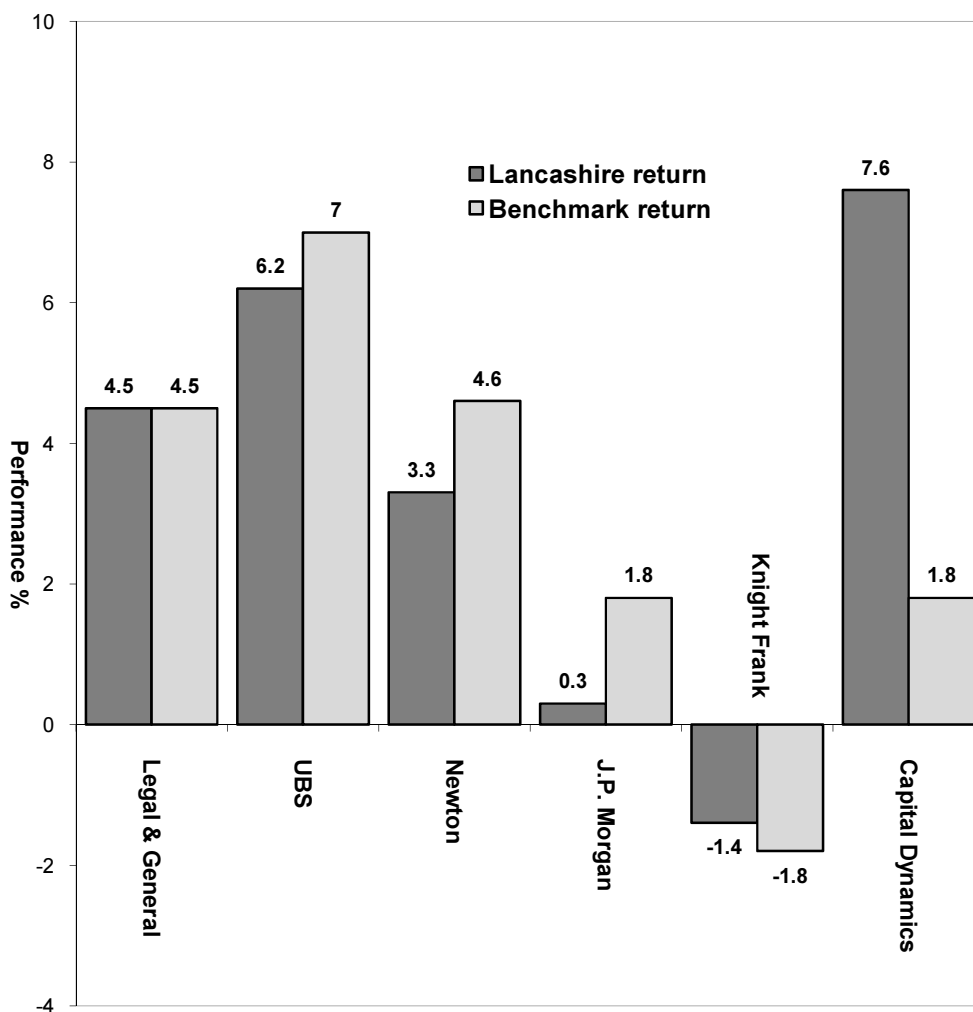


The private equity portfolio managed by Capital Dynamics is focussed on buy-out funds and produced a return ahead of benchmark.

During the year the Fund has invested in a number of infrastructure asset funds, including the acquisition of assets out of administration, which produced an exceptional one-off return.

An analysis of the specialist managers' performance over five years is shown in the chart below:

**Five year manager performance against benchmark index**

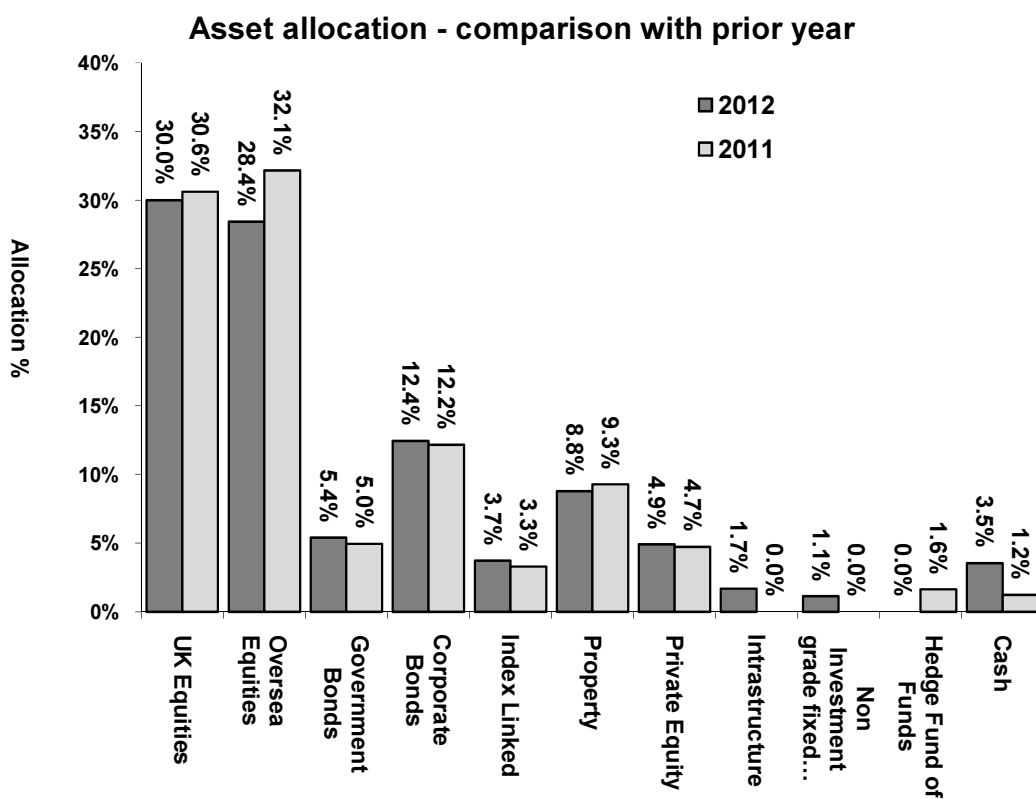


Measured over five years, the continuing under-performance of the Fund's active equity managers, Newton and JP Morgan is clear. As reported above these mandates will be terminated in the year ended 31<sup>st</sup> March 2013, to be replaced by unconstrained global equity mandates.

The passive tracking portfolios managed by L&G have performed to their benchmarks.

While the property portfolio has produced a negative return over five years, Knight Frank has out-performed the benchmark. The five year period returns are also distorted by the sharp fall in property values in 2008.

The private equity mandate managed by Capital Dynamics has significantly out-performed its public market benchmark by 5.8% per year.



The Fund is continuing with to implement its new investment strategy, and is actively bringing asset allocations up to the agreed benchmark. In the year it has committed funds to infrastructure funds and a non-investment grade fixed interest fund and redeemed its hedge fund investment.

While paid up investments in infrastructure funds represent 1.7% of the value of the Fund, the Fund also has unpaid commitments to infrastructure funds equivalent to 2% of the value of the Fund at 31<sup>st</sup> March 2012.

The largest individual direct investments of the Fund are disclosed in the following paragraphs.

The Largest ten equity holdings of the Fund at 31 March 2012 were:

Equity	Market value 31 March 2012 £m	Percentage of net assets of the Fund %
Royal Dutch Shell 'B' Shares	53.4	1.22%
GlaxoSmithKline Ord GBP0.25	49.6	1.14%
BP PLC Ord USD.25	46.5	1.07%
Vodafone Group Ord USD0.11428571	46.0	1.05%
HSBC Holdings Ord USD0.50	46.0	1.05%
British American Tobacco Ord GBP0.25	43.0	0.99%
RIO Tinto Ord GBP0.10	29.5	0.68%
AstraZeneca OrdUSD0.25	24.8	0.57%
BHP Billiton PLCUSD0.50	23.4	0.54%
BG Group PLC Ord GBP0.10	23.3	0.53%
Total	385.5	8.84%

The largest ten direct property holdings of the Fund at 31 March 2012 were:

Property	Sector	Market value 31 March 2012 £m
10 Brook St, London	Offices	32.8
Sainsbury Store, Elgiva Lane, Chesham	Shops	28.0
Princes Mead Shopping Centre, Farnborough	Shopping Centre	25.9
Benson House, Leeds	Offices	19.1
Stukeley Road Retail Park, Huntingdon	Retail Warehouse	15.5
Somerfield Store, Wymondham	Shops	15.3
Tuscany Park, Wakefield	Industrial / Warehouse	15.1
1 & 2 Woodbridge Meadows, Guildford	Multi-let Commercial Building	13.7
Effra Road Retail Park, Brixton	Retail Warehouse	12.0
Endeavour Way, Wimbledon	Retail Warehouse	11.5
Total		188.9

## Policies in respect of Socially Responsible Investment and Voting

### Social, Environmental and Ethical Considerations

The Fund is active on governance issues through its membership of the Local Authority Pension Fund Forum ("LAPFF"), which exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders whilst promoting social responsibility and corporate governance at the companies in which they invest.

The Fund also uses the services of Pensions Investment Research Consultants ("PIRC"), which is a leading independent research and advisory consultancy providing services to institutional investors on corporate governance and corporate social responsibility,

### Policy on Voting

For many years, the Fund has followed the voting recommendations of PIRC with the Fund's managers being instructed to vote at shareholder meetings in accordance with

PIRC's recommendations. From 1<sup>st</sup> October 2011, PIRC has been acting as the Fund's proxy and casting the Fund's votes directly at shareholder meetings.

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

The Committee delegates its agreement of any significant departure from the guidelines proposed by the managers, to the Treasurer as Chair of the Investment Panel. In all voting decisions the long-term financial interests of the Fund are paramount. There were no occurrences of this during 2011/12.

## **Policy on Risk**

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

## **Compliance with Myners Principles**

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

## **Accounts of the Fund**

### **Responsibilities for the Statement of Accounts**

#### **The Responsibilities of the Administering Authority**

The Administering Authority is required:

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

#### **The Responsibilities of the Treasurer to the Pension Fund**

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

In preparing this statement of accounts, the Treasurer to the Pension Fund has:

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

In addition, the Treasurer to the Pension Fund has:

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

The Statement of Accounts relate to the financial year ended 31 March 2012 and include the Fund Account and the Statement of Net Assets which are prepared in accordance with standard accounting practice as outlined in the notes to the accounts of the Pension Fund.

Gill Kilpatrick CPFA  
Treasurer to the Lancashire County Pension Fund  
26 September 2012

## Fund Account

	Note	2011/12 £m	2010/11 £m
<b>Dealing with members, employers and others directly involved in the fund</b>			
Contributions	6	209.3	227.2
Transfers in	7	11.1	15.6
		220.4	242.8
Benefits	8	219.1	214.5
Payments to and on account of leavers	9	13.7	12.8
Administrative expenses	10	3.8	3.6
		236.6	230.9
<b>Net additions from dealings with members</b>		<b>(16.2)</b>	<b>11.9</b>
<b>Return on investments</b>			
Investment income	11	118.8	89.3
Profit and loss on disposal of investments and change in market value of investments	14	(7.9)	238.8
Investment management expenses	21	(8.3)	(8.0)
<b>Net return on investments</b>		<b>102.6</b>	<b>320.1</b>
<b>Net increase (decrease) in the fund during the year</b>		<b>86.4</b>	<b>332.0</b>

## Net Asset statement for the year ended 31 March 2012

	Note	2012 £m	2011 £m
Investment assets	14	4,361.4	4,282.1
Investment liabilities	14	(1.5)	(0.9)
Current assets	22	23.3	21.6
Current liabilities	24	(3.2)	(9.2)
Net assets of the fund available to fund benefits at the period end		<u>4,380</u>	<u>4,293.6</u>

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

This statement of accounts is that upon which the auditor should enter his certificate and opinion. It presents fairly the position of the Lancashire County Pension Fund at 31 March 2012 and its income and expenditure for the year then ended.

**Gill Kilpatrick CPFA**

**Treasurer to the Lancashire  
County Pension Fund**

**County Councillor Sam Chapman**

**Chairman of the Audit Committee**



## Notes to the Financial Statements

### 1. Pension Fund Operations and Membership

The Lancashire County Pension Fund is part of the Local Government Pension Scheme and is administered by Lancashire County Council. The county council is the reporting entity for this pension fund. With the exception of Teachers, to whom separate arrangements apply, membership of the Pension Fund is available to County and District Council employees within Lancashire, and to employees of organisations that have entered into Pension Fund Admission Agreements with the County Council.

The published accounts show that in 2011/12 cash inflows during the year consisted of £339.2 million and cash outflows were £244.9 million, representing a net cash inflow of £94.3 million (compared with an inflow of £93.2 million in the previous year). Benefits payable amounted to £219.1 million and were partially offset by net investment income of £118.8 million (including £19.4 million accrued dividends); contributions of £209.3 million and transfers in of £11.1 million produced the positive cash inflow.

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

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

#### Participation in the Pension Fund

	Number at 31 March 2012	Number at 31 March 2011
(1) Active Scheme Members		
Scheduled Bodies	46,422	47,912
Admitted Bodies	3,716	3,781
<b>Total</b>	<b>50,138</b>	<b>51,693</b>
(2) Pensioners		
Pensions in Payment	39,933	37,632
Preserved Pensions	47,526	44,928
<b>Total</b>	<b>87,459</b>	<b>82,560</b>

## Member Organisations

### Scheduled Bodies

Accrington Academy  
Accrington & Rossendale College  
All Saints CE Primary School Academy  
Barnoldswick Town Council  
Belthorn Primary (Academy)  
Bishop Rawstone High Academy  
Blackburn College  
Blackburn with Darwen Borough Council  
Blackpool & Fylde College  
Blackpool Borough Council  
Blackpool Coastal Housing  
Blackpool Sixth Form College  
Bowland High Academy Trust  
Burnley Borough Council  
Burnley College  
Cardinal Newman College  
Catterall Parish Council  
Chorley Borough Council  
Clitheroe Royal Grammar School (Academy)  
Darwen Aldridge Community Academy  
Edge Hill University  
Fulwood Academy  
Fylde Borough Council  
Garstang Community Academy  
Garstang Town Council  
Hambleton Primary Academy  
Hodgson Academy  
Hyndburn Borough Council  
Kirkland Parish Council  
Lancashire County Council  
Lancashire Fire & Rescue Service  
Lancashire Police Authority  
Lancashire Probation Trust  
Lancashire Sports Partnership  
Lancashire Valuation Tribunal  
Lancashire Workforce Development Partnership  
Lancaster & Morecambe College  
Lancaster City Council  
Lancaster Girls Grammar School (Academy)  
Lancaster RGS (Academy)  
Lostock Hall Academy Trust  
Myerscough College  
Nelson & Colne College  
Parbold Douglas CE Academy  
Pendle Borough Council  
Penwortham Town Council  
Pilling Parish Council  
Preston City Council  
Preston College  
Preston Vision Ltd

Ribble Valley Borough Council  
Ripley St Thomas CE (Academy)  
Rossendale Borough Council  
Runshaw College  
South Ribble Borough Council  
St Annes on Sea Town Council  
St Christopher's CE (Academy)  
St Mary's College, Blackburn  
St Michael's CE High (Academy)  
St Wilfrid's CE Academy  
Tarleton Academy  
University of Central Lancs  
West Lancs District Council  
Westcliff Primary Academy  
Whitworth Town Council  
Wyre Borough Council

### Admitted Bodies

ABM Catering Ltd  
Alternative Futures  
Alzheimers Society  
Andron Contract Services Ltd (City of Preston)  
Andron Contract Services Ltd (former solar contracts)  
Andron Contract Services Ltd (Glenburn)  
Andron Contract Services Ltd (Kennington)  
Andron Contract Services Ltd (Ribblesdale)  
Andron Contract Services Ltd (Southlands)  
Arnold Schools Ltd  
Beaufort Avenue Day Care Centre  
Blackburn Diocesan Adoption Agency  
Blackburn NHS (PCT)  
Blackpool & Fylde MIND Association  
Blackpool & Fylde Society for the Blind  
Blackpool Airport Ltd (post 05/07/2004)  
Blackpool Town Centre Business Improvement District Ltd  
Blackpool Zoo (Grant Leisure)  
Bootstrap Enterprises Ltd  
Bulloughs Contract Services Ltd (St Stephens)  
Bulloughs Contract Services Ltd (St James)  
Bulloughs Contract Services Ltd (Whalley)  
Bulloughs Contract Services Ltd (Our Lady)  
Bulloughs Contract Services Ltd (St Marys)  
Bulloughs Contract Services Ltd (St Augustine)  
Bulloughs Contract Services Ltd (Highfield)  
Calico Housing Ltd  
Capita Business Services (Blackburn)  
Capita Business Services (Rossendale)  
Caritas Care Ltd  
Chorley Community Housing Ltd  
Church Road Day Care Unit

## Admitted Bodies

Commission for Education & Formation  
Community and Business Partners CIC  
Community Council of Lancashire  
Community Gateway Association  
CX Ltd  
Contour Housing Group  
Consultant Caterers Ltd  
Creative Support Ltd  
Creative Support Ltd (Midway)  
CSB Contract Services Ltd  
Danfo UK Ltd  
Enterprise Managed Services Ltd  
E ON UK Plc  
Eric Wright Commercial Ltd  
Fylde Coast YMCA (Fylde)  
Fylde Community Link  
Galloway Society For The Blind  
Housing Pendle Ltd  
Hyndburn Homes Ltd  
I Care  
Jewson Ltd  
Kirkham Grammar School (Independent)  
Lancashire and Blackpool Tourist Board  
Lancashire Branch of Unison  
Lancaster University  
Leisure in Hyndburn  
Liberata UK Ltd (Chorley)  
Liberata UK Ltd (Pendle)  
Lytham School Foundation  
Mack Trading Ltd  
Mellors Catering Services Ltd (Bishop Rawsthorne)  
Mellors Catering Services Ltd (Hambleton Primary)  
Mellors Catering Services Ltd (Worden Sports College)  
Mellors Catering Services Ltd (Wyre)  
NIC Services Group Ltd NSL Ltd (Lancaster)  
NSL Ltd  
New Directions  
New Fylde Housing  
New Progress Housing Association  
Northgate Managed Services Ltd  
North West & North Wales Sea Fisheries Committee  
Ormerod Home Trust Ltd  
Pendle Leisure Trust Ltd  
Places for People Ind Supp Ltd  
Preston Care and Repair  
Preston Council for Voluntary Services  
Progress Housing Association  
Progress Housing Group  
Progress Recruitment (SE) Ltd  
Queen Elizabeth Grammar School  
Ribble Valley Homes  
Lancaster Royal Grammar School (boarding)

## Admitted Bodies

Rosendale Leisure Trust  
Signpost MARC Ltd  
South Ribble Community Leisure Ltd  
Sunguard Vivista Ltd  
Surestart Hyndburn  
Twin Valley Homes Ltd  
University of Cumbria  
Vita Lend Lease  
West Lancs Community Leisure Ltd  
Wyre Housing Association

## Former Employees

Andron Contract Services Ltd (Worden Sports College)  
Blackpool Airport Ltd (pre 05/07/2004)  
Blackpool and Fylde Society for the Deaf  
Blackburn Borough Transport Ltd  
Blackpool Challenge Partnership  
Blackpool Council for Voluntary Services  
Bulloughs Contract Services Ltd (St Albans)  
Bulloughs Contract Services Ltd (Glenburn)  
Burnley & Pendle Development Association  
Burnley and Pendle Joint Transport Committee  
Burnley and Pendle Transport Company Ltd  
Burnley District Citizens Advice Service  
Burton Manor Residential College  
Carden Croft and Co Ltd  
Central Lancashire Development Corporation  
Clitheroe Town Council  
Connaught Environmental Ltd (Blackpool BC)  
Connaught Environmental Ltd (Blackpool Coastal)  
Department of Transport  
Dignity Funerals Ltd  
Elm House Management Committee  
Enterprise  
Ex National Water Council  
Ex NHS  
Fylde Borough Transport Ltd  
Fylde Coast Development Associations  
Fylde Coast YMCA (Wyre)  
Greater Deepdale Community Association  
Hyndburn Homewise  
Hyndburn Transport  
Kirkham Grammar School (Boarding)  
Lancashire County Enterprise  
Lancashire Economic Partnership  
Lancashire Federation of Young Farmers Clubs  
Lancashire Magistrates Courts Committee  
Lancashire Waste Services Ltd  
Lancashire West Partnership  
Lancaster City Transport Ltd  
Lancashire On-Line Learning

Lancs South East Probation Committee  
Lancs South West Probation Committee  
Mellors Catering Services Ltd (Cardinal Newman)  
Merseyside Valuation & CCT  
NSL Ltd (Wyre)  
Pilling & Winmarleigh Internal Drainage Board  
Preston Borough Transport Ltd  
Preston Education Action Zone  
Redstone Managed Services Ltd  
Samlesbury & Cuerdale Parish Council  
Skelmersdale College  
Skelmersdale Day Centre  
Skelmersdale Development Corporation  
Solar Facilities Management Ltd (Bishop  
Rawsthorne)  
Solar Facilities Management Ltd (Tarleton)  
Solar Facilities Management Ltd (Ripley)  
Solar Facilities Management Ltd (Seven Stars)  
Solar Facilities Management Ltd (St Peters)  
Spastics Society  
The Community Alliance (Burnley and Padiham) Ltd  
Wigan & District M&T College

**Other**

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

## 2. **Basis of Preparation**

The Statement of Accounts summarises the fund's transactions for the 2011/12 financial year and its position at year-end as at 31 March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2011/12 which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, value on an International Accounting Standard (IAS) 19 basis, is disclosed in note 31 of these accounts.

## 3. **Accounting Policies**

### **Fund Account revenue recognition**

#### **- Contribution income**

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

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

#### **- Transfers**

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

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

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

- **Investment Income**

i. Interest income

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

ii. Dividend income

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

iii. Distribution from pooled funds

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

iv. Rental income

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

**Fund Account –expense items**

- **Benefits payable**

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

- **Taxation**

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

- **Administrative expenses**

All administrative expenses are accounted for on an accruals basis. All other costs of administration are borne by the employer. The administration and processing

expenses are a proportion of relevant officers' salaries in respect of the time allocated to pension administration and investment issues.

#### - **Investment Manager expenses**

Investment management expenses are accounted for on an accruals basis. They include the fees paid and due to the fund managers, custodian, actuarial fees and performance measurement and investment consultant fees.

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

The fund does not currently pay performance related fees to its investment managers.

When an investment manager's fee note has not been received by the net asset statement date, an estimate based on market value of their mandate as at year end is used for the inclusion in the fund account. In 2011/12 £1,262,317.80 of fees is based on such estimates (2010/11 £1,294,239.45).

### **Net asset statement**

#### - **Financial Instruments**

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

On initial recognition the Fund is required to classify financial assets and liabilities into held to maturity investments, available for sale financial assets, held for trading, designated at fair value through profit and loss or loans and receivables.

The assets and liabilities held by Lancashire County Pension Fund are classified as designated at fair value through profit and loss, loans and receivables and liabilities at amortised cost.

#### **Financial instruments at fair value through profit or loss**

Financial assets may be designated as at fair value through profit or loss only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the fund manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

## **Loans and receivables**

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

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

## **Financial liabilities at amortised cost**

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

### **- Valuation of Investments**

Investments are shown at their fair value as at 31 March 2012. The fair value is the current bid price for quoted securities and unitised securities.

Transaction costs are included in carrying value of investments. Transaction costs include costs charged directly to the Pension Fund, such as fees, commissions paid to agents, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties.

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

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

The methodologies adopted in valuing financial instruments are explained in greater detail in note 18.

### **- Currency Translation**

Assets and liabilities denominated in foreign currency are stated in the accounts by the application of the appropriate closing rate of exchange ruling at 31 March 2012. Any gains or losses are treated as part of a change in market value of investments.

### **- Acquisition costs of Investments**

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

### **- Property**

The fund's freehold and leasehold properties were valued on 31 March 2012 by Cushman & Wakefield, acting as External Valuer. The valuations were in



accordance with the requirements of the RICS Valuation standards and the International Valuation Standards. The valuation of each property was on the basis of Market Value, assuming that the property would be sold subject to any existing leases. The valuer's opinion of Market Value and Existing Use Value was primarily derived using comparable recent market transactions on arm's length terms.

#### - **Derivatives**

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

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

Future contracts are exchange traded and fair value is determined using exchange prices at their reporting date. Amounts due or owed to the broker are amounts outstanding in respect of initial margin and variation margin.

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

#### - **Cash and cash equivalents**

Cash comprises of cash in hand and demand deposits.

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

#### - **Financial liabilities**

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

#### - **Actuarial present value of promised retirement benefits**

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

As permitted under IAS 26 the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net asset statement (Note 31).

## - **Additional voluntary contributions**

The AVC providers to the Pension Fund are Equitable Life and Prudential. The AVC's are invested separately from the Pension Fund's main assets and used to acquire additional money purchase benefits. These are not included in the Pension Fund accounts in accordance with regulation 5(2) (C) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831). Members participating in these AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year. A summary of the information provided by Equitable Life and Prudential is shown in note 20.

## **Securities Lending**

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

Collateral is marked to market, and adjusted daily. As the Fund has no obligation to return the collateral to the borrowers, collateral is excluded from the Fund valuation

## **Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Fund or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Fund does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Fund. The Fund does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain

## **4. Critical Judgements in applying accounting policies**

### **Unquoted private equity investments**

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2012 was £287.5 million (£201.8 million at 31 March 2011).

## Pension Fund Liability

The pension fund liability is calculated every three years by an appointed actuary, with annual updates in intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with actuary and are summarised in note 31. This estimate is subject to significant variances based on change to the underlying assumptions.

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

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

The items in the Pension Fund's net asset statement at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Impact if actual results differ from assumptions
Private Equity	Private Equity investments are valued at fair value in accordance with BVCA guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Private Equity investments in the financial statements are £287.5m. There is a risk that this investment may be under or overstated in the accounts.
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. A firm of consulting actuaries (Mercers) is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would reduce the value of the liabilities by approximately £580 million. A 0.25% increase in assumed earnings inflation would increase the value of the liabilities by approximately £90m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £130m.

### 6. Contributions receivable

	2011/12 £m	2010/11 £m
<b>Employers' contributions</b>		

County Council	68.5	70.9
Scheduled Bodies	75.7	85.6
Admitted	12.9	14.3
	<u>157.1</u>	<u>170.8</u>

**Employees' contributions**

County Council	20.5	22.5
Scheduled Bodies	26.8	28.8
Admitted	4.9	5.1
	<u>52.2</u>	<u>56.4</u>
Total contributions	<u>209.3</u>	<u>227.2</u>

Within the employee contributions figure for 2011/12, £242,830.87 is voluntary and additional regular contributions. All employer contributions are normal contributions.

**7. Transfers in**

	2011/12 £m	2010/11 £m
Individual transfers in from other schemes	11.1	15.6
Bulk transfers in from other schemes	-	-
	<u>11.1</u>	<u>15.6</u>

**8. Benefits**

	2011/12 £m	2010/11 £m
Pensions	163.6	149.2
Lump sum retirement benefits	51.0	60.9
Lump Sum death benefits	4.5	4.4
	<u>219.1</u>	<u>214.5</u>

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

	2011/12 £m	2010/11 £m
Refunds to members leaving service	0.1	0.1
Contributions equivalent premium	(0.1)	(0.0)
Individual transfers to other schemes	13.7	12.7
	<u>13.7</u>	<u>12.8</u>

## 10. Administrative expenses

	2011/12 £m	2010/11 £m
Administration and processing	3.4	3.3
Audit fee	0.1	0.1
Legal and other professional fees	0.3	0.2
	<u>3.8</u>	<u>3.6</u>

## 11. Investment income

	2011/12 £m	2010/11 £m
Fixed interest securities	27.7	23.9
Equity dividends	46.5	29.6
Index linked securities	2.8	4.6
Pooled investment vehicles	5.5	0.9
Rents from properties	26.0	23.3
Interest on cash deposits	0.7	1.5
Other	9.6	5.5
	<u>118.8</u>	<u>89.3</u>

## 12. Net rents from Properties

	2011/12 £m	2010/11 £m
Rental Income	26.0	23.3
Direct operating expenses	(1.2)	(1.6)
Net gain/loss	<u>24.8</u>	<u>21.7</u>

## 13. Stock Lending

Northern Trust is authorised to release stock to a third party under stock lending arrangements up to the statutory limits for this activity. Stock lending income generated in 2011/12 was £467,745 (2010/11 £178,513)

Securities on loan at the 31<sup>st</sup> March 2012 were £263m and are included in the net asset statement to reflect the scheme's continuing economic interest in the securities. This consisted of £67m of equities and £196m of bonds.

Collateral is marked to market, and adjusted daily. As the Fund has no obligation to return the collateral to the borrowers, collateral is excluded from the Fund valuation. The collateral is non cash and totalled £276m comprising all of government bonds.

#### 14. Reconciliation of movements in investments and derivatives

	Market Value at 1 April 2011	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Market value at 31 March 2012
	£m	£m	£m	£m	£m
Fixed interest securities	559.1	696.0	(657.8)	26.1	623.4
Equities	1,735.1	401.0	(441.9)	(80.5)	1,613.7
Index linked securities	141.0	120.9	(159.1)	21.8	124.6
Pooled investments	1,395.5	399.2	(359.6)	31.2	1,466.3
Property	397.5	24.2	(34.1)	(3.7)	383.9
	<b>4,228.2</b>	<b>1,641.3</b>	<b>(1,652.5)</b>	<b>(5.1)</b>	<b>4,211.9</b>
Derivative contracts:					
Futures	0.9	41.4	(39.3)	(2.8)	0.2
Forward currency contracts	0.9				1.6
Purchased/written options					
Cash deposits	36.6				126.8
Other investment balances	14.6				19.4
Amounts receivable from sales of investments					
Amounts payable for purchases of investments					
	<b>4,281.2</b>				<b>4,359.9</b>

	Market Value at 1 April 2010	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Market value at 31 March 2011
	£m	£m	£m	£m	£m
Fixed interest securities	448.1	406.4	(295.5)	0.1	559.1
Equities	1,011.7	1,090.4	(442.2)	75.2	1,735.1
Index linked securities	103.2	50.9	(15.9)	2.8	141.0
Pooled investments	1,962.2	154.9	(872.6)	151.0	1,395.5
Property	306.1	89.9	(9.1)	10.6	397.5
	<b>3,831.3</b>	<b>1,792.5</b>	<b>(1,635.3)</b>	<b>239.7</b>	<b>4,228.2</b>
Derivative contracts:					
Futures	-	4.1	(2.3)	(0.9)	0.9
Forward currency contracts	0.1				0.9
Purchased/written options					
Cash deposits	106.2				36.6
Other investment balances	12.7				14.6
Amounts receivable from sales of investments					
Amounts payable for purchases of investments					
	<b>3,950.3</b>				<b>4,281.2</b>

Transaction costs are included in the cost of purchases and in sale proceeds. Transaction costs include costs charged directly to the Pension Fund, such as fees, commissions paid to agents, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. Transaction costs incurred during the year 2011/12 amounted to £2,054,422 (2010/11: £2,316,511).

The investment assets at 31 March 2012 are managed by seven external investment managers, with the remaining cash deposits managed in-house. The split of the investment assets by investment manager is shown below.

<b>Manager</b>	<b>2011/12 £m</b>	<b>%</b>
Legal & General Investment Management	1,057.4	24
Newton Investment Management	615.6	14
J P Morgan Asset Management	501.4	12
UBS Global Asset Management	672.7	15
Knight Frank	383.9	9
Capital Dynamics	222.4	5
Mellon Transition Management	617.1	14
In-House	289.4	7
	<u>4,359.9</u>	100

	<b>2011/12 £m</b>	<b>2010/11 £m</b>
<b>Fixed Interest Securities</b>		
UK public sector quoted	234.3	179.9
UK corporate bonds quoted	289.0	352.3
Overseas public sector	-	-
Overseas corporate bonds	100.1	26.9
	<u>623.4</u>	<u>559.1</u>

	<b>2011/12 £m</b>	<b>2010/11 £m</b>
<b>Equities</b>		
UK quoted	772.8	833.1
Overseas quoted	840.9	902.0
	<u>1,613.7</u>	<u>1,735.1</u>

<b>2011/12 £m</b>	<b>2010/11 £m</b>
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**Index Linked Securities**

UK quoted	124.6	141.0
	<u>124.6</u>	<u>141.0</u>

**2011/12**  
**£m**

**2010/11**  
**£m**

**Pooled Investment Vehicles**

Managed/Unitised funds – UK Equities	537.0	448.9
Overseas Equities	400.3	423.2
Public Sector Bonds	-	-
Corporate Bonds	-	141.9
Index Linked	-	32.2
Unit trusts – UK Equities	-	22.3
Overseas Equities	-	4.8
UK Fixed Income Funds	192.2	-
Overseas Fixed Income Funds	49.3	-
Other pooled investment vehicles		
-UK	-	5.9
Overseas	-	44.9
Private Equity investments	287.5	201.8
Hedge Fund of Funds	-	69.6
	<u>1,466.3</u>	<u>1,395.5</u>



	2011/12 £m	2010/11 £m
<b>Properties</b>		
UK – Freehold	292.9	318.9
UK – Long Leasehold	91.0	78.6
	<u>383.9</u>	<u>397.5</u>

	2011/12 £m	2010/11 £m
Balance at start of the year	397.5	306.1
Additions	24.2	89.9
Disposals	(34.1)	(9.1)
Net gain/loss on fair value	(3.7)	10.6
Transfers in/out	-	-
Other changes in fair value	-	-
Balance at the end of the year	<u>383.9</u>	<u>397.5</u>

	2011/12 £m	2010/11 £m
<b>Derivatives Contracts</b>		
Futures Contracts	0.2	0.9
	<u>0.2</u>	<u>0.9</u>

Type of Future	Expiration	Economic Exposure £m	Asset £m	Liability £m
UK gilt exchange traded	3 months	9.6		-
Hang Seng (HKG)	1 month	4.7		0.1
MSCI Singapore Index	1 month	4.4		-
SPI 200 Index	3 months	12.5	0.3	
Total			<b>0.3</b>	<b>0.1</b>

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

## Derivative contracts (forward currency positions)

Settlement date	Bought £m EQV	Sold £m EQV	£m
<b>Investment assets</b>			
6 months and under	108.6	105.5	3.1
<b>Investment liabilities</b>			
6 months and under	58.2	59.7	(1.5)

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

	2011/12 £m	2010/11 £m
<b>Cash Deposits</b>		
Sterling	110.9	33.5
Foreign currency	15.9	3.1
	<u>126.8</u>	<u>36.6</u>

## 15. Financial Instruments classification

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

2012	Designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost
	£m	£m	£m
<b>Financial assets</b>			
Fixed interest securities	623.4	-	-
Equities	1,613.7	-	-
Index linked securities	124.6	-	-
Pooled investment vehicles	1,466.3	-	-
Derivative contracts	3.4	-	-
Cash deposits	-	126.8	-
Other investment balances	19.4	-	-
Debtors	-	23.3	-
<b>Total Financial Assets</b>	<b>3,850.8</b>	<b>150.1</b>	<b>-</b>
<b>Financial liabilities</b>			
Derivative contracts	1.6	-	-
Creditors	-	-	3.2
<b>Total Financial Liabilities</b>	<b>1.6</b>	<b>-</b>	<b>3.2</b>

2011	Designated at fair value through profit or loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m
<b>Financial assets</b>			
Fixed interest securities	559.1	-	-
Equities	1,735.1	-	-
Index linked securities	141.0	-	-
Pooled investment vehicles	1,395.5	-	-
Derivative contracts	2.7	-	-
Cash deposits	-	36.6	-
Other investment balances	14.6	-	-
Debtors	-	21.6	-
<b>Total Financial Assets</b>	<b>3,848.0</b>	<b>58.2</b>	-
<b>Financial liabilities</b>			
Derivative contracts	0.9	-	-
Creditors	-	-	9.2
<b>Total Financial Liabilities</b>	<b>0.9</b>	-	<b>9.2</b>

16. **Net gains and losses on financial instruments**

	2012 £m	2011 £m
<b>Financial assets</b>		
Fair value through profit and loss	7.9	238.8
Loans and Receivables	-	-
<b>Financial Liabilities</b>		
Fair value through profit and loss	-	-
Loans and Receivables	-	-
Financial liabilities at amortised cost	-	-
<b>Total</b>	<b>7.9</b>	<b>238.8</b>

17. **Financial Instruments – Fair Value of Financial Instruments and Liabilities**

The following table summarises the carrying values of the financial assets and liabilities presented in the Fund's net asset statement. The fair values presented in the table are at a specific date and may be significantly different from the amounts which were actually paid or received on the maturity or settlement date.

	Carrying Value 2012 £m	Carrying value 2011 £m	Fair Value 2012 £m	Fair Value 2011 £m
<b>Financial assets</b>				
Trading and other financial assets at fair value through profit and loss	3,347.5	3,284.0	3,850.8	3,848.0
Loans and Receivables	150.1	58.2	150.1	58.2
<b>Total Financial Assets</b>	<b>3,497.6</b>	<b>3,342.2</b>	<b>4,000.9</b>	<b>3,906.2</b>
<b>Financial Liabilities</b>				
Trading and other financial assets at fair value through profit and loss	1.6	0.9	1.6	0.9
Financial liabilities at amortised cost	3.2	9.2	3.2	9.2
<b>Total Financial Liabilities</b>	<b>4.8</b>	<b>10.1</b>	<b>4.8</b>	<b>10.1</b>

## 18. Financial Instruments – Valuation

### Valuation of financial instruments carried at fair value

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

#### Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

#### Level 2

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

#### Level 3

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds,

which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

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

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

<b>2012</b>	<b>Level 1 £m</b>	<b>Level 2 £m</b>	<b>Level 3 £m</b>	<b>Total £m</b>
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	3563.3	-	287.5	3850.8
Loans and Receivables	150.1	-	-	150.1
<b>Total Financial assets</b>	<b>3713.4</b>	<b>0</b>	<b>287.5</b>	<b>4000.9</b>
<b>Financial Liabilities</b>				
Financial liabilities at fair value through profit and loss	1.6	-	-	1.6
Financial liabilities at amortised cost	3.2	-	-	3.2
<b>Total Financial assets</b>	<b>4.8</b>	<b>0</b>	<b>0</b>	<b>4.8</b>
<b>2011</b>	<b>Level 1 £m</b>	<b>Level 2 £m</b>	<b>Level 3 £m</b>	<b>Total £m</b>
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	3,576.6	-	271.4	3,848.0
Loans and Receivables	58.2	-	-	58.2
<b>Total Financial assets</b>	<b>3,634.8</b>	<b>0</b>	<b>271.4</b>	<b>3,906.2</b>
<b>Financial Liabilities</b>				
Financial liabilities at fair value through profit and loss	0.9	-	-	0.9
Financial liabilities at amortised cost	9.2	-	-	9.2
<b>Total Financial assets</b>	<b>10.1</b>	<b>0</b>	<b>0</b>	<b>10.1</b>

## 19. **Nature and extent of risks arising from Financial Instruments**

### Risk and risk management

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

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

#### a) Market risk

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

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

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

#### **Other price risk**

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

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

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

## Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risks are reasonably possible for the 2012-13 reporting period.

Asset Type	Potential market movements (+/-)
UK Bonds	5.7%
Overseas bonds	11.8%
UK equities	15.3%
Overseas equities	14.8%
Index linked Gilts	7.6%
Cash	0%
Alternatives	7.7%
Property	9.4%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in value of the asset. The sensitivities are consistent with the assumption contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market place would have been as follows (the prior year comparator is shown below):

Asset Type	Value as at 31 March 2012 £m	Percentage Change %	Value on Increase £m	Value on Decrease £m
<b>Cash and Cash equivalents</b>				
<b>Investment portfolio assets:</b>				
UK bonds	695.7	5.7%	735.3	656.1
Overseas bonds	100.0	11.8%	111.8	88.2
UK equities	1341.4	15.3%	1547.3	1135.6
Overseas equities	1236.9	14.8%	1420.3	1053.5
Index linked gilts	166.9	7.6%	179.6	154.2
Cash	147.9	0.0%	147.9	147.8
Alternatives	287.4	7.7%	309.6	265.2
Property	383.8	9.4%	419.7	347.9
<b>Total asset available to pay benefits</b>	<b>4360.0</b>		<b>4871.5</b>	<b>3848.5</b>

Asset Type	Value as at 31 March 2011	Percentage Change	Value on Increase	Value on Decrease
	£m	%	£m	£m
<b>Cash and Cash equivalents</b>				
<b>Investment portfolio assets:</b>				
UK bonds	694.1	5.7%	733.6	654.6
Overseas bonds	26.9	11.8%	30.1	23.7
UK equities	1344.6	15.3%	1551.0	1138.3
Overseas equities	1385.4	14.8%	1590.8	1180.0
Index linked gilts	177.6	7.6%	191.2	164.1
Cash	53.8	0.0%	53.8	53.8
Alternatives	201.8	7.7%	217.4	186.2
Property	397.5	9.4%	434.6	360.3
<b>Total asset available to pay benefits</b>	<b>4281.7</b>		<b>4802.5</b>	<b>3761.0</b>

### Interest Rate Risk

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

The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors. The Fund's direct exposure to interest rate movements as at 31 March 2012 and 31 March 2011 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	As at 31 March 2012	As at 31 March 2011
	£m	£m
<b>Cash and cash equivalents</b>	126.8	36.6
<b>Fixed interest securities</b>	815.6	700.9
<b>Total</b>	<b>942.4</b>	<b>737.5</b>

### Interest rate risk sensitivity analysis

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



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

Asset Type	Carrying amounts as at 31 March 2012	Change in year in net assets available to pay benefits	
		+100BPS	-100BPS
	£m	£m	£m
Cash and cash equivalents	126.8	1.3	(1.3)
Fixed interest securities	815.6	8.1	(8.1)
<b>Total change in asset available</b>	<b>942.4</b>	<b>9.4</b>	<b>(9.4)</b>

Asset Type	Carrying amounts as at 31 March 2011	Change in year in net assets available to pay benefits	
		+100BPS	-100BPS
	£m	£m	£m
Cash and cash equivalents	36.6	0.4	(0.4)
Fixed interest securities	700.9	7.0	(7.0)
<b>Total change in asset available</b>	<b>737.5</b>	<b>7.4</b>	<b>(7.4)</b>

### Currency risk

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

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

The following table summarises the Fund's currency exposure as at 31 March 2012 and as at the previous year end:

Currency exposure – asset type	Asset value as	Asset value as
	at 31 March 2012	at 31 March 2011
	£m	£m
Overseas Equities	1236.9	1385.4
Overseas Bonds	100.0	26.9
Overseas Alternatives	187.9	169.8
Overseas Pooled	449.6	
<b>Total overseas assets</b>	<b>1974.4</b>	<b>1582.1</b>

## Currency risk – sensitivities analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 9.7% (as measured by one standard deviation).

A 9.7% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 9.7% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure – asset type	Asset value as at 31 March 2012	Change to net assets available to pay benefits	
		+9.7%	-9.7%
	£m	£m	£m
Overseas Equities	1,236.9	1357.0	1,116.8
Overseas Bonds	100.0	109.7	90.3
Overseas Alternatives	187.9	206.2	169.7
Overseas Pooled	449.6	493.3	406.0
<b>Total change in assets available</b>	<b>1,974.4</b>	<b>2,166.2</b>	<b>1,782.8</b>

Currency exposure – asset type	Asset value as at 31 March 2011	Change to net assets available to pay benefits	
		+9.7%	-9.7%
	£m	£m	£m
Overseas Equities	1,385.4	1,520.3	1,250.5
Overseas Bonds	26.9	29.5	24.3
Overseas Alternatives	0.0	0.0	0.0
Overseas Pooled	169.8	186.3	153.3
<b>Total change in assets available</b>	<b>1,582.1</b>	<b>1,736.1</b>	<b>1,428.1</b>

### b) Credit risk

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

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality

counterparties, brokers and financial institutions minimise the credit risk that may occur through the failure to settle a transaction in a timely manner.

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

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

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

The Fund's cash holding under its treasury management arrangements at 31<sup>st</sup> March 2012 was £126.9 million (31 March 2011: £36.6 million). This was held with the following institutions:

Summary	Rating	Balances as at 31 March 2012	Balances as at 31 March 2011
		£m	£m
<b>Money market funds</b>			
Bank of New York Mellon	Aa3	-	24.2
<b>Bank deposit accounts</b>			
Ulster Bank	Baa2	5.0	5.0
Northern Trust	A1	51.7	
Bank of New York Mellon	Aa3	0	5.2
<b>Bank Current Accounts</b>			
Natwest Account	A3	70.2	2.2
<b>Total</b>		<b>126.9</b>	<b>36.6</b>

#### c) Liquidity risks

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

The Fund has immediate access to its cash holdings.

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

All financial liabilities at 31 March 2012 are due within the one year.

#### d) Refinancing risk

The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

#### 20. Additional Voluntary Contributions (AVC's)

The AVC providers to the Pension Fund are Equitable Life and Prudential. The AVC's are invested separately from the Pension Fund's main assets and used to acquire additional money purchase benefits. These are not included in the Pension Fund accounts in accordance with regulation 5(2) (C) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831). Members participating in these AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year. A summary of the information provided by Equitable Life and Prudential is shown below. (This summary has not been subject to Audit and the Pension Fund relies on the individual contributors to check deductions made on their behalf are accurately reflected in the statements provided by the AVC providers). The figures relate to the financial year 1 April 2011 to 31 March 2012 for Prudential and 1 September 2010 to 31 August 2011 for Equitable Life.

#### Additional Voluntary Contributions

	Equitable life £m	Prudential £m	Total £m
Value at the start of the year	1.4	15	16.4
Income (incl. Contributions, bonuses, interest, transfers in)	0.1	3.7	3.8
Expenditure (incl. Benefits, transfers out, change in market value)	(0.3)	(4.5)	(4.8)
Value at the end of the year	<u>1.2</u>	<u>14.2</u>	<u>15.4</u>

#### 21. Investment management expenses

	2011/12 £m	2010/11 £m
Administration, management and custody	6.7	6.2
Performance measurement service	0.1	0.1
Other advisory fees	1.5	1.7
	<u>8.3</u>	<u>8.0</u>

22. **Current assets**

	2011/12 £m	2010/11 £m
Contributions due from: Employers	10.4	13.3
Members	2.4	2.6
Transfer values receivable	-	-
Sundry Debtors	-	-
Cash balances	-	-
Debtors: bodies external to general government	10.5	5.7
	<u>23.3</u>	<u>21.6</u>

23. **Analysis of debtors**

	2011/12 £m	2010/11 £m
Central government bodies	-	-
Other local authorities	5.5	7.3
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	17.8	14.3
	<u>23.3</u>	<u>21.6</u>

Included within the contributions due from employers figure is £2.4 million, in relation to a deferred debt due from the Ministry of Justice in transferring Lancashire Magistrates Courts to central government.

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

24. **Current liabilities**

	2011/12 £m	2010/11 £m
Unpaid benefits	2.8	7.7
Accrued expenses	0.4	1.5
	<u>3.2</u>	<u>9.2</u>

## 25. Analysis of creditors

	2011/12 £m	2010/11 £m
Central government bodies	-	-
Other local authorities	(1.2)	(2.8)
NHS bodies	-	-
Public corporations and trading funds	-	-
Other entities and individuals	4.4	12.0
	<u>3.2</u>	<u>9.2</u>

## 26. Contingent Asset and Liability

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

## 27. Contractual Commitments

The Pension Fund holds investments in various Private Equity partnerships, the value of these investments at 31 March 2012 being £287.5m. Commitments to these partnerships are drawn down over a number of years. The term of an individual investment can be up to 10 years. Realisation of these investments in the form of distributions normally occurs towards the end of the investment period, when portfolio companies have built value and can be liquidated. The outstanding commitments at 31 March 2012 are £231.7m.

## 28. Related Party Transactions

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

- At 31 March 2012, Gill Kilpatrick, CPFA, was Treasurer to the Pension Fund and County Treasurer for Lancashire County Council.
- The Pension Fund includes 66 scheduled and 154 admitted bodies. A list of the individual bodies within the scheme is found at note 1 to these accounts.
- The Pension Fund Committee comprises 14 County Councillors, 2 Councillors from Unitary Authorities, 2 Councillors from the Lancashire Leaders Group, 2 Trade Union representatives, 1 representative from the Higher/Further education establishments and the Investment Advisory Panel.

The Pension Fund Committee members and senior officers of the Pension Fund were asked to complete a related party declaration for 2011/12. This revealed no material transactions between the Council and the members / officers and their families affecting involvement with the Pension Fund. Each member of the Pension Fund Committee formally considers conflicts of interest at each meeting.

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

The council incurred costs of £2.9 million (2010/11: £2.9 million) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the single largest employer of the members of the pension fund and contributed £68.5 million to the fund in 2011/12 (2010/11:£70.9m million). All monies owing to and due from the fund were paid in year.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Lancashire Council County. During the year to 31 March 2012, the fund had an average investment balance of £136.8 million.

## 29. Impairment of Icelandic Investment

Lancashire County Pension Fund had £2.4m on deposit with the Icelandic Bank Landsbanki when it collapsed in October 2008. The Pension Fund was one of many UK and Dutch organisations with such deposits, all of whom were granted priority creditor status by the Icelandic Supreme Court at a hearing in Reykjavik on 14<sup>th</sup> and 15<sup>th</sup> of September 2011. The Winding Up Board announced on 9 March 2012 that it anticipated recoveries in the Landsbanki Administration would exceed the book value of recognised priority claims by around ISK 121bn. Estimated recoveries are some 9% higher than the value of priority claims, and it is therefore now considered likely that the Pension Fund will recover 100% of their deposits, subject to potential future exchange rate fluctuations.

The winding up board made its first distribution on 7<sup>th</sup> December 2011 and a second distribution on 25<sup>th</sup> May 2012. Approximately 42% of the total claim has now been repaid.

The table below shows the combined amount of the distributions and the amount outstanding.

	£
<b>Claim</b>	
Principal	2,486,996.66
Interest	36,086.66
Total Claim	2,523,083.32
Distributions received to date:	
Principal	1,035,035.92
Interest	15,018.51
Total Distributions	1,050,054.43

Claim Outstanding 1,473,028.89

The exact timing and amounts of future distributions is not known at this stage.

The deposit is treated as an asset on the balance sheet and the carrying value is written down as distributions are received.

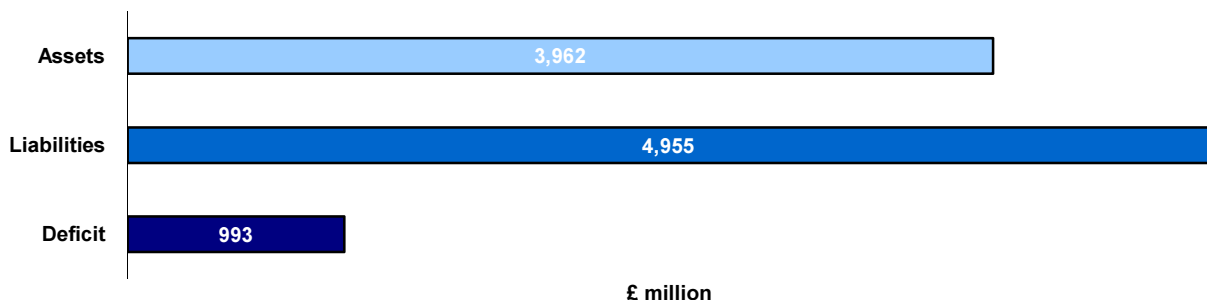
### 30. Funding arrangements

#### Accounts for the year ended 31 March 2012 - Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014.

On the basis of the assumptions adopted, the Fund's assets of £3,962 million represented 80% of the Fund's past service liabilities of £4,955 million (the "Funding Target") at the valuation date.



The valuation also showed that a common rate of contribution of 12.5% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

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

Further details regarding the results of the valuation are contained in our formal report on the actuarial valuation dated 31 March 2011.

In practice, each individual employer's position is assessed separately and the contributions required are set out in our report. In addition to the certified



contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers (although certain employers have some allowance for non-ill health early retirement costs included in their certified contribution rate).

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

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

	<b>For past service liabilities (Funding Target)</b>	<b>For future service liabilities (Common Contribution Rate)</b>
Rate of return on investments (discount rate)		
- pre retirement	7.0% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases	5.0% per annum	5.0% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.0% per annum	3.0% per annum

The assets were assessed at market value.

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

### 31. **Actuarial Present Value of Promised Retirement Benefits for the purpose of IAS 26**

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes. In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a. both before and after retirement, rather than the rates as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £5,422 million.

John Livesey  
Fellow of the Institute and Faculty of Actuaries  
Mercer Limited  
June 2012

32. **Statement of Investment Principles**

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

## F. Actuarial Valuation

An actuarial valuation of the Fund is carried out every three years by the Fund's actuary Mercer. The most recent valuation carried out was at 31 March 2010 which determines contribution rates effective from 1 April 2011 to 31 March 2014.

The Funding objective is to achieve and then maintain assets equal to the funding target. The Funding target is the present value of 100% of projective accrued liabilities, including allowance for projected final pay. This is to comply with the requirements of the LGPS regulations to secure the solvency of the Fund and is accordance with the Funding Strategy Statement. The methodology and assumptions by which the Funding targets and contribution rates are calculated have also been determined in accordance with the Funding Strategy Statement. [Funding Strategy Statement](#)

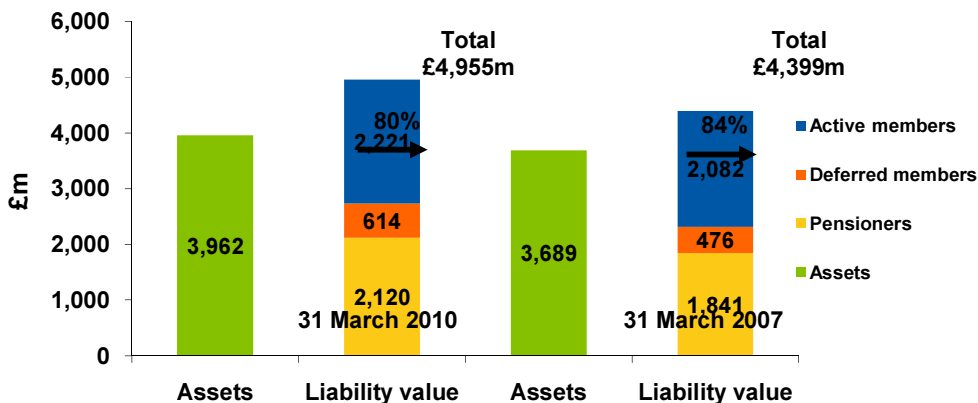
The Funding Strategy Statement specifies a maximum period for achieving full funding of 19 years, this compares to a maximum period of 22 years adopted at the 2007 valuation in accordance with the then published FSS. The maximum deficit recovery period is now three years shorter so that the same target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

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

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

### Funding results – funding target

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



The employer contributions for 2011/2012 are based on the 2010 valuation and the recommended employer contributions for the period 1 April 2011 to 31 March 2014 are set out in the Schedule to the Rates and Adjustments at page 59 of this report.

The projected unit method of valuation was used for the valuation and is in common use for funding Pension Funds in the United Kingdom. The Valuation results depend on financial and demographic assumptions and these are detailed in full in the Actuarial Valuation and at Annex 1 of the Funding Strategy Statement. [Actuarial Valuation & Funding Strategy Statement](#)

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

**Rates and Adjustments Certificate issued in accordance with Regulation 36 of the Administration Regulations**

<b>Name of Fund</b>	<b>Lancashire County Pension Fund</b>
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I hereby certify that, in my opinion, the common rate of employers' contributions payable in each year of the period of three years beginning 1 April 2011 should be at the rate of 12.5 per cent of Pensionable Pay. I hereby certify that, in my opinion, the amount of the employers' contributions payable in each year of the period of three years beginning with 1 April 2011, as set out above, should be individually adjusted as set out in the attached schedule.

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

For employers where no allowance for non ill-health early retirement costs is included in the valuation a further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's actuary and the Administering Authority.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer. Additional contributions may be paid if requested by the employer concerned. The contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured against a third party.

**Regulation 36(8)**

Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

For four employers I have shown on the attached Schedule the allowance made for non-ill health early retirements over the period of three years beginning 1 April 2011 taken into account when setting this employer's contribution rate.

No allowance for non-ill health early retirements has been made in determining the results of the valuation for other employers, on the basis that the costs arising will be met by additional contributions.



**Signature**

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**Name**

John Livesey  
Fellow of the Institute of Actuaries  
31 March 2011

**Qualification**

**Date of signing**

## Schedule to the Rates and Adjustments Certificate dated 31 March 2011

Employers	2011/12		2012/13		2013/14		Non-ill health early retirement allowance included for the 3 years 2011/14
	Individual Adjust-ment %	Total Contribu-tion Rate %	Individual Adjust-ment %	Total Contribu-tion Rate %	Individua l Adjust-ment %	Total Contribu-tion Rate %	Amount £
ABM Catering Ltd	3.5	16.0	3.5	16.0	3.5	16.0	
Accrington & Rossendale College	7.1	19.6	7.1	19.6	7.1	19.6	
Accrington Academy	-1.8	10.7	-1.8	10.7	-1.8	10.7	
Alternative Futures	1.7	14.2	1.7	14.2	1.7	14.2	
Andron (City of Preston High)	-1.2	11.3	-1.2	11.3	-1.2	11.3	
Andron (Glenburn Sports College)	0.5	13.0	0.5	13.0	0.5	13.0	
Andron (Kennington)	0.0	12.5	0.0	12.5	0.0	12.5	
Andron (Ribblesdale High)	-0.3	12.2	-0.3	12.2	-0.3	12.2	
Arnold Schools	5.0	17.5	6.2	18.7	7.4	19.9	
Beaufort Avenue Day Care Centre	14.0	26.5	17.7	30.2	21.3	33.8	
Blackburn College	2.9	15.4	2.9	15.4	2.9	15.4	
Blackburn St Mary's College	1.7	14.2	1.7	14.2	1.7	14.2	
Blackburn with Darwen Borough Council	3.1	15.6	3.6	16.1	4.1	16.6	
Blackpool & The Fylde College	5.0	17.5	5.0	17.5	5.0	17.5	£246,000
Blackpool Airport Ltd (from July 2004)	20.5	33.0	24.5	37.0	27.8	40.3	
Blackpool Borough Council	3.9	16.4	4.4	16.9	4.9	17.4	£697,600
Blackpool Coastal Housing	-0.5	12.0	-0.5	12.0	-0.5	12.0	
Blackpool Sixth Form College	-0.5	12.0	-0.5	12.0	-0.5	12.0	
Blackpool Transport Services Ltd	-12.5	0.0	-12.5	0.0	-12.5	0.0	
Blackpool Zoo (Grant Leisure)	5.5	18.0	7.1	19.6	8.8	21.3	
Blackpool, Fylde & Wyre Society for the Blind	29.5	42.0	32.5	45.0	35.5	48.0	
Bootstrap Enterprise Ltd	0.2	12.7	0.2	12.7	0.2	12.7	
Bulloughs (Highfield)	-2.0	10.5	-2.0	10.5	-2.0	10.5	
Bulloughs (St Augustines)	1.9	14.4	1.9	14.4	1.9	14.4	
Bulloughs (St Marys)	4.0	16.5	4.0	16.5	4.0	16.5	

Employers	2011/12		2012/13		2013/14		Non-ill health early retirement allowance included for the 3 years 2011/14
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Amount £
Burnley Borough Council	12.5	25.0	12.5	25.0	12.5	25.0	
Burnley College	2.3	14.8	2.3	14.8	2.3	14.8	
Calico Housing Ltd	6.8	19.3	6.8	19.3	6.8	19.3	
CAPITA	12.2	24.7	14.1	26.6	16.0	28.5	
Capita (Rossendale BC)	3.1	15.6	4.6	17.1	6.0	18.5	
Cardinal Newman College	3.3	15.8	3.3	15.8	3.3	15.8	
Caritas Care Ltd (was Catholic Caring Services)	6.2	18.7	6.2	18.7	6.2	18.7	
Catterall Parish Council	2.3	14.8	2.3	14.8	2.3	14.8	
Chorley Borough Council	6.8	19.3	7.3	19.8	7.8	20.3	
Chorley Community Housing	1.6	14.1	1.6	14.1	1.6	14.1	
Church Road Methodist Day Centre	6.7	19.2	7.0	19.5	7.3	19.8	
Commission for Education & Formation	8.0	20.5	8.0	20.5	8.0	20.5	
Community Council of Lancashire	8.3	20.8	8.3	20.8	8.3	20.8	
Community Gateway Association Ltd	1.7	14.2	2.4	14.9	3.0	15.5	
Connaught Environmental (Blackpool BC)	-3.9	8.6	-3.9	8.6	-3.9	8.6	
Connaught Environmental (Blackpool Coastal Housing)	0.5	13.0	0.5	13.0	0.5	13.0	
Consultant Caterers Ltd	2.5	15.0	2.5	15.0	2.5	15.0	
Contour Housing Association	4.1	16.6	4.1	16.6	4.1	16.6	
Creative Support Ltd	1.6	14.1	1.6	14.1	1.6	14.1	
CXL Ltd	-0.6	11.9	-0.6	11.9	-0.6	11.9	
Danfo (UK) Ltd	172.2	184.7	172.2	184.7	172.2	184.7	
Darwen Aldridge Community Academy	-1.2	11.3	-1.2	11.3	-1.2	11.3	
E ON UK Plc	6.2	18.7	6.2	18.7	6.2	18.7	
Edge Hill University College	1.5	14.0	2.0	14.5	2.5	15.0	
Enterprise Managed Services Ltd	1.1	13.6	2.4	14.9	3.6	16.1	
Eric Wright Commercial Ltd	5.4	17.9	5.4	17.9	5.4	17.9	
Fulwood Academy	-1.3	11.2	-1.3	11.2	-1.3	11.2	
Fylde Borough Council	7.0	19.5	8.3	20.8	9.5	22.0	
Fylde Coast YMCA (Fylde)	-2.0	10.5	-2.0	10.5	-2.0	10.5	

Employers	2011/12		2012/13		2013/14		Non-ill health early retirement allowance included for the 3 years 2011/14
	Individual Adjust-ment %	Total Contribu-tion Rate %	Individual Adjust-ment %	Total Contribu-tion Rate %	Individual Adjust-ment %	Total Contribu-tion Rate %	Amount £
Fylde Community Link	4.3	16.8	4.3	16.8	4.3	16.8	
Galloways Society for the Blind	32.2	44.7	32.2	44.7	32.2	44.7	
Garstang Town Council	-1.3	11.2	-1.3	11.2	-1.3	11.2	
Housing Pendle Ltd	1.8	14.3	1.8	14.3	1.8	14.3	
Hyndburn Borough Council	12.3	24.8	12.3	24.8	12.3	24.8	
Hyndburn Homes Ltd	1.4	13.9	1.4	13.9	1.4	13.9	
I Care	-1.6	10.9	-1.6	10.9	-1.6	10.9	
Kirkham Grammar School	4.1	16.6	4.6	17.1	5.1	17.6	
Kirkland Parish Council	2.5	15.0	2.5	15.0	2.5	15.0	
Lancashire & Blackpool Tourist Board	1.1	13.6	1.1	13.6	1.1	13.6	
Lancashire County Branch Unison	8.0	20.5	8.0	20.5	8.0	20.5	
Lancashire County Council	5.8	18.3	6.2	18.7	6.6	19.1	
Lancashire Fire & Rescue Service	5.0	17.5	5.0	17.5	5.0	17.5	£199,000
Lancashire Police Authority	2.3	14.8	2.8	15.3	3.3	15.8	£450,500
Lancashire Probation Committee	6.6	19.1	6.6	19.1	6.6	19.1	
Lancaster & Morecambe College	4.1	16.6	4.1	16.6	4.1	16.6	
Lancaster City Council	8.1	20.6	8.1	20.6	8.1	20.6	
Lancaster University	1.9	14.4	2.2	14.7	2.6	15.1	
Leisure in Hyndburn	3.3	15.8	4.5	17.0	5.7	18.2	
Liberata	6.0	18.5	6.0	18.5	6.0	18.5	
Liberata UK Ltd (Chorley)	8.9	21.4	8.9	21.4	8.9	21.4	
Lytham Schools Foundation	2.2	14.7	2.2	14.7	2.2	14.7	
Mellor's (formerly Wyre)	1.7	14.2	1.7	14.2	1.7	14.2	
Mellor's Catering (Cardinal Newman)	5.0	17.5	5.0	17.5	5.0	17.5	
Myerscough College	0.8	13.3	1.0	13.5	1.1	13.6	
Nelson and Colne College	3.3	15.8	3.3	15.8	3.3	15.8	
New Fylde Housing	42.3	54.8	42.3	54.8	42.3	54.8	
New Progress Housing	3.9	16.4	3.9	16.4	3.9	16.4	

Employers	2011/12		2012/13		2013/14		Non-ill health early retirement allowance included for the 3 years 2011/14
	Individual Adjust-ment %	Total Contribu-tion Rate %	Individual Adjust-ment %	Total Contribu-tion Rate %	Individual Adjust-ment %	Total Contribu-tion Rate %	Amount £
NHS PCT Blackburn	1.6	14.1	1.6	14.1	1.6	14.1	
NIC Services Group Ltd	2.5	15.0	2.5	15.0	2.5	15.0	
North Western & North Wales Sea Fisheries Committee	13.4	25.9	13.4	25.9	13.4	25.9	
Northgate Managed Services	0.1	12.6	0.1	12.6	0.1	12.6	
NSL Ltd (Lancaster)	4.5	17.0	4.5	17.0	4.5	17.0	
NSL Ltd (Wyre BC)	0.6	13.1	0.6	13.1	0.6	13.1	
Ormerod Home Trust Ltd	11.7	24.2	13.7	26.2	15.5	28.0	
Our Lady Queen of Peace (Bullough Contract Services)	3.5	16.0	3.5	16.0	3.5	16.0	
Pendle Borough Council	12.1	24.6	14.1	26.6	16.2	28.7	
Pendle Leisure Trust Ltd	1.2	13.7	1.2	13.7	1.2	13.7	
Penwortham Town Council	1.5	14.0	1.5	14.0	1.5	14.0	
Pilling Parish Council	4.8	17.3	4.8	17.3	4.8	17.3	
Preston Care and Repair	6.0	18.5	6.0	18.5	6.0	18.5	
Preston City Council	5.6	18.1	6.1	18.6	6.6	19.1	
Preston College	2.7	15.2	3.0	15.5	3.3	15.8	
Preston Council for Voluntary Services	9.4	21.9	9.4	21.9	9.4	21.9	
Progress Care Housing	3.9	16.4	3.9	16.4	3.9	16.4	
Progress Housing Group Ltd	3.9	16.4	3.9	16.4	3.9	16.4	
Progress Recruitments	2.9	15.4	2.9	15.4	2.9	15.4	
Queen Elizabeth's Grammar School	8.3	20.8	9.3	21.8	10.3	22.8	
Ribble Valley Borough Council	3.6	16.1	4.1	16.6	4.6	17.1	
Ribble Valley Homes	1.8	14.3	1.8	14.3	1.8	14.3	
Rossendale Borough Council	13.8	26.3	15.3	27.8	16.8	29.3	
Rossendale Leisure Trust	0.2	12.7	1.2	13.7	2.1	14.6	
Rossendale Transport Ltd	10.7	23.2	19.3	31.8	27.8	40.3	
Runshaw College	2.6	15.1	2.9	15.4	3.2	15.7	
Signposts MARC Ltd	-12.5	0.0	-12.5	0.0	-12.5	0.0	



Employers	2011/12		2012/13		2013/14		Non-ill health early retirement allowance included for the 3 years 2011/14
	Individual Adjust-ment %	Total Contribu-tion Rate %	Individual Adjust-ment %	Total Contribu-tion Rate %	Individual Adjust-ment %	Total Contribu-tion Rate %	Amount £
Solar Facilities (Bishop Raws)	-12.5	0.0	-12.5	0.0	-12.5	0.0	
Solar Facilities (Ripley)	8.5	21.0	8.5	21.0	8.5	21.0	
Solar Facilities (Seven Stars)	3.4	15.9	3.4	15.9	3.4	15.9	
Solar Facilities (St Peters)	-3.0	9.5	-3.0	9.5	-3.0	9.5	
Solar Facilities (Tareyton)	1.4	13.9	1.4	13.9	1.4	13.9	
South Ribble Borough Council	6.8	19.3	7.8	20.3	8.8	21.3	
South Ribble Community Leisure Ltd	10.4	22.9	10.4	22.9	10.4	22.9	
St Anne's on Sea Town Council	-1.4	11.1	-1.4	11.1	-1.4	11.1	
Surestart Hyndburn	-2.0	10.5	-1.0	11.5	-0.1	12.4	
Twin Valley Homes Ltd	3.8	16.3	3.8	16.3	3.8	16.3	
University of Central Lancashire	1.6	14.1	1.6	14.1	1.6	14.1	
University of Cumbria (was St Martins College)	1.5	14.0	1.5	14.0	1.5	14.0	
Vita Lend Lease BSF ICT	0.2	12.7	0.2	12.7	0.2	12.7	
Vita Lend Lease Ltd	1.3	13.8	1.3	13.8	1.3	13.8	
West Lancashire Borough Council	7.5	20.0	7.5	20.0	7.5	20.0	
West Lancashire Community Leisure Ltd	-0.5	12.0	-0.5	12.0	-0.5	12.0	
Whitworth Town Council	3.6	16.1	3.6	16.1	3.6	16.1	
Wyre Borough Council	12.6	25.1	12.6	25.1	12.6	25.1	
Wyre Housing Association	57.8	70.3	57.8	70.3	57.8	70.3	

**Other interested bodies with no pensionable employees**

Former Employers	Proportion of Pension Increases to be Recharged %
Alzheimer's Society	See notes
Barnoldswick Town Council	See notes
Blackpool & Fylde Mind Association	See notes
Blackpool & Fylde Society for the Deaf	100
Blackpool Town Centre Forum Ltd	See notes
Bulloughs (St Albans)	See notes
Burnley & Pendle Development Association	100
Burton Manor Residential College	100
Carden Croft Ltd	See notes
Community Alliance (Burnley & Padiham) Ltd	See notes
CSB Contract Services	See notes
Elm House Management Committee	See notes

Former Employers	Proportion of Pension Increases to be Recharged %
Ex Department of Transport	100
Ex National Health Service	100
Ex National Water Council	100
Fylde Coast Development Association	100
Lancashire South East Probation Committee	100
Lancashire Valuation Tribunal	See notes
New Directions	See notes
Preston Vision Ltd	See notes
Salmesbury & Cuerdale Parish Council	See notes
Skelmersdale College	See notes
Spastics Society	100

**Note:**

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

For the remaining employers listed as "see notes" above further calculations are required in connection with them ceasing to participate in the Fund. Further details for these employers will be notified in due course.

## H. Contacts

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

### Benefits and other Administrative Issues

Pensions Helpdesk  
Your Pension Service  
PO Box 100  
County Hall  
Preston  
PR1 0LD  
Telephone: 01772 530530  
E-mail: [pensions.helpdesk@lancashire.gov.uk](mailto:pensions.helpdesk@lancashire.gov.uk)

### Pension Benefits and Administration

Diane Lister  
Head of Your Pension Service  
Telephone: 01772 534827  
E-mail: [diane.lister@lancashire.gov.uk](mailto:diane.lister@lancashire.gov.uk)

### General Pension Fund Investment/Accounting Queries

Telephone: 01772 534724  
Fax: 01772 533948  
E-mail: [Pensionsfinance@lancashire.gov.uk](mailto:Pensionsfinance@lancashire.gov.uk)

### Pension Fund Accounts, Investments and Governance

Mike Jensen  
Chief Investment Officer  
Telephone: 01772 534742  
E-mail: [mike.jensen@lancashire.gov.uk](mailto:mike.jensen@lancashire.gov.uk)