

Pension Fund Committee

Meeting to be held on Friday, 21 June 2019

Electoral Division affected: None;

Lancashire County Pension Fund draft annual report for the year ended 31 March 2019

Appendix 'A' refers.

Contact for further information:

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Executive Summary

This report sets out the draft annual report for the Fund for the year ending 31 March 2019 which includes the accounts of the Fund for the same period.

The accounts are included within the Lancashire County Council Statement of Accounts for the year ended 31 March 2019, which are currently available for public inspection on-line and are due to be presented to the Audit, Risk and Governance Committee for approval at its meeting on 29 July 2019.

Recommendations

The Committee is asked

1. To review and note the accounts of the Fund within the draft annual report and to recommend Lancashire County Council Audit, Risk & Governance Committee to approve the accounts at their meeting on 29 July 2019.
2. To review the draft annual report and comment. The final version will be brought to committee for approval at its meeting on 20 September 2019.

Background and Advice

Regulations require each administering authority to prepare an annual report for the pension fund and publish it before 1 December following the year end.

It is expected that the external auditors, Grant Thornton, will provide their opinion on both the accounts and the annual report of the Fund at or shortly after the Lancashire County Council Audit, Risk & Governance Committee meeting on 29 July.

The current draft annual report requires additional disclosures in respect of post-pooling reporting guidance and it is also expected that the narrative reports outlining

administration and investment performance will be updated prior to publication. A final version will be brought to the September meeting of the Committee for final approval before publication.

The terms of reference of the Pension Fund Committee require it to approve the annual report for submission to Full Council. A copy of the Lancashire County Pension Fund Annual Report for the year ended 31 March 2019 is attached at **Appendix 'A'**.

The Scheme Advisory Board recommends that the accounts and annual report are also reviewed under the remit of the Local Pensions Board prior to completion and it is intended to present a copy of the annual report to the Board on 9 July 2019.

The content of the annual report is prescribed by Regulation 57 of the Local Government Pension Scheme Regulations 2013 (as amended). CIPFA have also published guidance on the production of the annual report which is available in the Pension Fund Library

Key areas to note within the draft accounts are outlined below:

- Contributions income

A significant reduction in contributions income (£204m reduction) is reported compared to the prior year. This is due to a number of employers opting to pay future service rate and deficit contributions up front.

- Management expenses

Management expenses include administrative expenses, investment management expenses and oversight and governance costs.

Administrative expenses are in line with the prior year and there has been a small (£0.4m) reduction in oversight and governance costs.

Investment management costs have increased by £3.6m compared to the previous year and this is considered reasonable in the context of overall market conditions given that the increase is due to fund-value based management fees.

- Investment income

Investment income has increased by £54.8m compared to last year. Included within this increase is a £53.8m increase in income from pooled investment vehicles. It is Fund policy to reinvest this income into the pools.

- Change in market value of investments

£770.7m disclosed on the face of the Fund account includes changes in market value (most notably on pooled infrastructure and global equity investments) together with profits / losses on disposal of investments.

- Cash deposits

Cash on hand as at the year-end has reduced from £162.0m at 31 March 2018 to £67.1m at 31 March 2019. The prior year balance included cash

receipts from the up-front payment of employer contributions and cash was also high due to the transition of assets into pools.

- Closing net assets of the Scheme
As at 31 March 2019, the Scheme had net assets of £8.4bn compared with £7.6bn at 31 March 2018.

Consultations

The Local Pensions Partnership in relation to administration and investment information.

Grant Thornton will review the accounts of the Fund during the external audit in June and July 2019 and will also provide an opinion on the consistency of the annual report with the accounts.

Implications:

This item has the following implications, as indicated:

Risk management

The Lancashire County Council Statement of Accounts for the year ended 31 March 2019 and the Lancashire County Pension Fund Annual Report for the same period will be published on or before the statutory deadlines of 31 July 2019 and 1 December 2019 respectively.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
Local Government Pension Scheme Regulations 2013 (as amended)		Helen Gallacher 01772 536620
CIPFA - Preparing the Annual Report. Guidance for LGPS Funds	March 2019	Helen Gallacher 01772 536620
CIPFA proposals for LGPS Fund reporting in a pooled world	May 2018	Helen Gallacher 01772 536620

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