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**A Foreword by County Councillor Eddie Pope, Chair of the Pension Fund Committee**

Welcome to the 2018/19 Annual Report of the Lancashire County Pension Fund. The year has seen the number of scheme members continuing to increase with total members now being 176,476 an increase of 4,402 in the year. We are now in our third year of our partnership arrangement with the Local Pension Partnership (LPP) who are providing both administration and investment services to the Fund. The investment side of their business has performed well as noted below, however, it has been a challenging year for our administration service as LPP went live with a new operating model for the business in April 2018. Unfortunately this change wasn't implemented as successfully as anticipated and there were failures in services to both employers and members.

I am pleased to report that the administration service is now meeting most of the key performance indicators as can be seen on page 11 of this annual report. This successful turnaround is due to the collaborative working between LPP and members of the Pension Fund committee and Local Pension Board. It is also due to the hard work and commitment of the staff who work within the Pension Administration service.

Some of the highlights of the year are as follows:

* Delivering an 11.7% return on assets which outperformed the Lancashire benchmark of 8.0% and resulted in the value of the fund, at 31 March 2019, increasing to £8.4bn, bringing the Scheme closer to being fully funded and placing Lancashire at the top of the 2018/19 local authority fund league table for total fund performance.  This league table is published by Pensions and Investments Research Consultants Ltd (PIRC) and comprises 64 local government pension funds with a combined value of £193bn.
* The continued development of the pooling of investments via Local Pensions Partnership which saw a new diversifying strategies vehicle launched in September. It is anticipated that the final vehicle covering property will be launched later in 2019.
* Responsible investment has continued to be an important issue for the committee. The Responsible Investment Working Group reviewed the Climate Change policy, and is working closely with the London Pension Fund Authority (LPFA) and LPP to ensure we support the most appropriate investments within this area.
* Along with the Head of Fund I have become a member of the Local Authority Pension Fund Forum (LAPFF) a collaborative shareholder group which aims to promote good corporate governance and responsibility by companies. This has enabled direct engagement with companies in which LAPFF members have investments.

**Investment**

The value of the Fund's net assets at 31 March 2019 was £8,410m, up from £7,621m at 31 March 2018.

The Fund uses Local Pensions Partnership Investment Ltd (LPP I) to manage all of its investment assets. LPP I initially undertook investments on behalf of Lancashire County Pension Fund and the LPFA to create a larger pool which is jointly invested to ensure greater reductions in management costs. In 2018/19 Royal County of Berkshire Pension Fund also invested in LPP I, therefore the value of the pool has increased to approximately £17bn at 31 March 2019.

One of the aims of the pooling arrangements is value for money. As part of this LPP reported to Government that the arrangement is on track to make investment cost savings. Other benefits from the pool include the access to investments and portfolio diversification.

Further details on investment performance is on page 18 of this report and some examples of Fund investments are set out below.

|  |  |
| --- | --- |
| **Guild Investments - Infrastructure**  Guild Investments Limited is a private limited company established as a vehicle to hold infrastructure investments and in which LPPI Infrastructure Investments LP has a controlling interest.  Guild Investments owns six wind farm sites across Portugal, a growing global source of renewable energy which reduces carbon emission intensity.  Portugal is an attractive location for wind farm installations, having a windy terrain, a stable feed-in-tariff regime and the support of local communities. This investment enables us to partner with a top tier renewable energy operator who is a market leader in renewable energy electricity, enjoying technical and local expertise support.  Guild Investments also actively contribute to protecting the endangered species the Iberian Wolf, through formation and membership of the Iberian Wolf Habitat Conservation Association. This organisation was founded in 2006 through constituent members of Guild Investments. | A windmill on a rock  Description automatically generated  Wind farm, Portugal |

|  |
| --- |
| **Forth Ports Group - Infrastructure**  Forth Ports is the third largest Ports Group in the UK, with a diverse operational and port-centric logistic business model across Tilbury in the south east of England and several Scottish ports. Its strategy is focused on the delivery of efficient and low carbon supply chain solutions. This investment was made via the GLIL Infrastructure platform.  Currently undergoing a project to transform an old power station in Tilbury to extend the port. Not only is this initiative creating jobs within the area but the promotion and protection of wildlife is paramount within the scope of the project, including the building of a 12,000 strong water vole park. Further regeneration projects are underway in Scotland. |
| cid:image001.png@01D51186.621DD5F0 |

Investment in Forth Ports Group

**Endeavour Vision – Private equity**

Endeavour Vision has invested in medical technology for over 10 years as they recognised an opportunity to invest in devices that can improve the overall standard of care, reduce healthcare costs and have a life-changing impact on patients around the world.

To date, their Endeavour Medtech Growth Fund has invested in 12 medtech companies with a total investment value of over EUR 115 million. Every company they invest in must meet their strict criteria, meaning that the device must be considered ‘best-in-class’ in terms of patient safety and efficacy and offer superior clinical benefits, both to doctors and patients.

**Friargate Court, Preston – Real estate**

Friargate Court is newly built exemplary student accommodation providing future generations of those electing to study at the University of Central Lancashire with modern, stylish and safe lodgings to enhance their experience of university life.  En-suite bathrooms, Wi-Fi, 24 hour security and a range of utilities make this property a popular choice.

A sign on the side of a building

Description automatically generated

Friargate Court, Preston

**Park Hotel East Cliff, Preston - Real estate**

A landmark property in the area, having originally been built in 1883 as a luxury hotel and formerly serving as offices to Lancashire County Council.

The conversion exercise will revert the property back to 4-star hotel.  The property will comprise of 70 bedrooms, a ground floor restaurant and function rooms.

This hotel will be the highest quality hotel facility in Preston and demonstrate how the Council is transforming the area and seeking to increase the number of visitors to the City and the wider County. The rejuvenation and construction plans associated with this project will create jobs and the hotel operator plans to employ 100 staff at the hotel which will bring a direct economic benefit to Preston.



Artist's impression of restored and converted Park Hotel

**Administration**

During the year the Fund's administration service, provided by LPP processed around 32,637 items of work (ranging from changes of address to the calculation of pension benefits). As noted above this has been a challenging year for this area of the business and we have been working hard to improve the service received by both members and employers in the Fund.

County Councillor Eddie Pope

Chair of the Pension Fund Committee

****

**B Management and financial performance**

**Administering authority**

Lancashire County Council

**Pension Fund Committee**

Lancashire County Council committee members

County Councillor J Burrows

County Councillor S Clarke

County Councillor L Collinge\*

County Councillor G Dowding

County Councillor C Edwards

County Councillor K Ellard

County Councillor J Fillis\*\*

County Councillor T Martin

County Councillor J Mein

County Councillor E Pope (Chair)

County Councillor A Riggott

County Councillor A Schofield (Deputy Chair)

County Councillor K Snape\*\*\*

County Councillor A Snowden

\*Appointed 23 May 2019

\*\*Until 24 May 2018

\*\*\* 24 May 2018 to 23 May 2019

Co-opted representatives

P Crewe – Trade union

J Tattersall – Trade union

D Borrow – City and Borough councils

I Moran – City and Borough councils

M Smith – Blackpool Council

R Whittle – Blackburn with Darwen Council

J Eastham – Further / Higher education

**Scheme administrators**

Local Pensions Partnership Limited

**Head of Fund**

A Leech

**Chief Executive and Director of Resources**

A Ridgwell

**External auditor to the Fund**

Grant Thornton LLP

**Pooled investments manager**

Local Pensions Partnership Investments Ltd

**Non-pooled investment managers**

Local Pensions Partnership Investments Ltd

Knight Frank LLP

BNP Paribas

**Actuary**

Mercer

**Lancashire Local Pension Board**

W Bourne (Chair)

C Gibson

K Haigh

B Harvey\*

Y Moult

T Pounder

S Thompson

C Wakeford (County Councillor)

K Wallbank\*\*

\*Until May 2019

\*\*Appointed October 2019

**Custodian to the Fund**

Northern Trust

**Independent investment advisors**

A Devitt

E Lambert

**AVC providers**

Equitable Life

Prudential

**Legal advisors**

Addleshaw Goddard

Allen and Overy

Clifford Chance

DWF

Eversheds

Lancashire County Council

MacFarlanes

Taylor Wessing

Pinsent Masons

**Independent property valuer**

Avison Young Partnership

**Performance measurement**

Northern Trust

**Governance and research consultants**

Pension and Investment Research Consultants

**Bankers**

Lloyds Bank plc

Natwest Bank plc

Svenska Handelsbanken

*For contact details refer to page 132*

**Financial performance of the Fund**

The Fund asset value increased by £788.9m from £7,621.2m at 31 March 2018 to £8,410.1m as at 31 March 2019 and delivered an 11.7% return on investment assets over the twelve months, outperforming the Lancashire benchmark of 8.0% and placing the Fund at the top of the 2018/19 Local Authority Fund league table for total fund performance, from a population of 64 local government pension funds with a combined value of £193bn.

Benefits payable by the Fund and transfers out of the Fund exceed the value of contribution income and transfers in to the Fund on a regular basis. This net cash outflow from transactions with members, together with management expenses, is funded from investment income.



A one year budget is prepared for the Fund on an annual basis and both officers and the Pension Fund Committee closely monitor investment performance, contribution income and Fund expenditure against the budget, with committee reporting on a quarterly basis. The most significant budget variance for the year to 31 March 2019 arose due to the accounting treatment adopted in the prior financial year for up-front deficit and future service rate contributions received from some employers. The budget assumed this early receipt of income would be apportioned over the associated time period but, following review by external auditors, the full amount of up-front income was recognised in the 2017/18 fund account with a corresponding shortfall in the current year. There was no net impact on the cash flow of the Fund as this was an accounting adjustment only.

The last triennial valuation was carried out by Mercer, the Fund's independent actuary, as at 31 March 2016 and the resultant 90% funding level was a significant improvement when compared to 78% in 2013. 2019/20 is a valuation year and the Fund is expected to again be closer to fully funded. The new valuation will set the contribution rates for employers within the Fund for at least the three years commencing 1 April 2020.

Employer contribution rates in 2018/19 range from 0.0% to 28.0% of pension pay and are dependent on the assumptions applied by the actuary at the date of valuation. The Fund collects contributions by direct debit on a monthly basis and does not have a significant issue in respect of timeliness of receipt of contribution income. No interest on overdue contributions has been levied during the year.

Further information on the 2016 valuation can be found in section J of this annual report.

**C Governance of the Fund**

**Lancashire County Pension Fund Governance Policy Statement**

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

Under regulation 55 of the LGPS Regulations 2013, all Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a [Governance Policy Statement](http://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33736&e=e) setting out whether the authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority.

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

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

The Fund’s Governance Compliance Statement is shown on the following page, and the Governance Policy Statement is included as Appendix 1 to this report.

**LANCASHIRE COUNTY PENSION FUND GOVERNANCE COMPLIANCE STATEMENT - JANUARY 2018**

|  |  |  |  |
| --- | --- | --- | --- |
|  | |  | |
| **A. Structure** | (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  (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)  (c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.  (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. | | √  Partial (see Note 1)  √  Partial (see Note 3) |
| **B. Representation** | (a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1)  These include:  (i) employing authorities (including non-scheme  employers, e.g. admitted bodies)  (ii) scheme members (including deferred and pensioner  scheme members)  (iii) independent professional observers (2)  (iv) expert advisers (on an ad hoc basis) | | Partial (see Notes 1 and 2) |
| **C. Selection and Role of Lay Members** | (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. (It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all times). | | √ |
| **D. Voting** | (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. | | √ |
| **E. Training/Facility time/Expenses** | (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.  (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. | | √  √ |
| **F. Meetings - Frequency** | (a) that an administering authority’s main committee or committees meet at least quarterly.  (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 sit.  (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. | | √  √  √ |
| **G. Access** | (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. | | √ |
| **H. Scope** | (a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. | | √ |
| **I. Publicity** | (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. | | √ |

**Notes - Reasons for partial compliance**

1. Unitary councils, district councils and further and higher education employers, are represented. Other admitted bodies only represent 9%of contributors to the Fund and are therefore not represented. However, all employers receive a full annual report and are alerted to important events. Although employee representatives, i.e. trade unions, do not formally represent deferred and pensioner scheme members, it is accepted that representation is available to deferred and pensioners members via this route where necessary and/or appropriate. In addition the interests of all scheme members and employers are specifically represented in the composition of the Local Pension Board.
2. Guidance envisaged that an independent professional observer could be invited to participate in governance arrangements to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels which would improve the public perception that high standards of governance are a reality and not just an aspiration. This role is currently performed by the Fund’s independent advisers and officers and it is not apparent what added value such an appointment would bring.
3. The members of the investment panel are not voting members on the committee. However, all the panel members attend the committee meetings and are able to contribute to any discussions.

**D Administration of the Fund**

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

The Local Government Pension Scheme is a statutory public sector pension scheme which operates on a "defined benefit basis".

Lancashire County Council as "Administering Authority" is required by law to administer the scheme within the geographical area of Lancashire.

Pension administration services are provided to Lancashire County Pension Fund by the Local Pensions Partnership (LPP).

**Review of the Year**

LPP introduced the new target operating model for the pension administration business which went live at the beginning of April 2018, following months of planning and significant changes to the way LPP manage our services.

This new operating model created three main service hubs:

* Member services
* Engagement; and
* Business development.

In particular, the new operating model was designed to provide greater resilience and ultimately give employers and members an improved service and experience.

As a result of the volume of change at the start of the new fiscal year, there were some initial challenges and dips in productivity which were more significant than originally anticipated.

Productivity has subsequently increased. By Q3 2018, remedial action was taken to address backlogs and stabilise the position, including the implementation of an engagement programme to help clients understand the change and the remedial action taken.  The improvements from Q3 are demonstrated in the table below:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Q1** | **Q2** | **Q3** | **Q4** | **Annual** |
| **Performance against SLA** | 73% | 86% | 90% | 93% | 87% |
| **Complaints** | 49 | 45 | 66 | 48 | 208 |
| **Compliments** | 4 | 3 | 5 | 5 | 17 |

During the year to 31 March 2019, 32,637 individual calculations and enquiries were completed, of which 28,414 met the performance standard; an overall performance of 87%.

The next phase of the service improvement programme will include enhancements to the member and employer experience through new technologies and digital solutions, improved team-learning, improved reporting, customer satisfaction surveys and embedding best practice.

**Membership and employers**

The Scheme is administered on behalf of over 400 organisations including local authorities, further and higher education colleges, voluntary and charitable organisations and private contractors undertaking a local authority function following outsourcing to the private sector. The Local Government Pension Scheme is open to 2 main types of employers, 'Scheduled Bodies' and 'Admitted Bodies'.

Scheduled bodies listed in Part 1 of Schedule 2 of the LGPS regulations must participate in the scheme. Those scheduled bodies listed in Part 2 of Schedule 2 are eligible to participate.

Admitted bodies participate through a written contractual agreement and the majority of cases are established when outsourcing a service or function, where the new contractor wishes to provide continued LGPS membership. Membership of the LGPS is automatic although employees are able to opt-out of membership if they choose. However, employees are re-enrolled every 3 years under the government's auto-enrolment regulations.

|  |  |  |
| --- | --- | --- |
| **Fund membership** | **31 March 2018** | **31 March 2019** |
| **Active scheme members** |  |  |
| Lancashire County Council | 25,126 | 25,721 |
| Other employers | 26,220 | 27,422 |
| Total\* | **51,346** | **53,143** |
|  |  |  |
| **Pensioners** |  |  |
| Lancashire County Council | 23,722 | 24,692 |
| Other employers | 23,723 | 24,651 |
| Total | **47,445** | **49,343** |
|  |  |  |
| **Deferred members** |  |  |
| Lancashire County Council | 37,410 | 37,691 |
| Other employers | 35,873 | 36,299 |
| Total\* | **73,283** | **73,990** |
|  |  |  |
| **Total membership** | **172,074** | **176,476** |

\*The number of active scheme members at 31 March 2019 includes 5,089 pending leavers who are accounted for as a deferred member for the purpose of this report.

\*\* The number of pensioner members of the Fund has continued to rise in common with other local government pension funds, reflecting the increasing maturity of the Fund.

New pensioners during the year to 31 March 2019 are analysed in the following table.

|  |  |
| --- | --- |
| **Pensioners at 1 April 2018** | **47,445** |
| Normal retirements | 507 |
| Early retirements | 506 |
| Dependants | 351 |
| Late or flexible retirements | 260 |
| Ill health retirements | 138 |
| Retirements through redundancy | 136 |
| **Pensioners at 31 March 2019** | **49,343** |

**Performance**

The Pension Fund Committee receives regular reports on the administration of the Fund ensuring that best practice standards are satisfied and met and to satisfy itself and justify to all stakeholders, including employers that the Fund is being run on an efficient and effective basis.

Specific service level standards and corresponding service level targets have been agreed between the Fund and the Local Pensions Partnership and an [Annual Administration Report](http://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33736&e=e) is presented to the Pension Fund Committee. A copy of the report for the year to 31 March 2019 is included as Appendix 2 to this annual report.

**Customer Service**

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

The annual employer conference was held on 13 November 2018 at the Hallmark Hotel in Leyland with over 100 employers in attendance. Presentations included the role of a Local Pension Board, amendment regulations update, an overview of the ill health process and an update on the LPP administration service. Guest speakers attended from the Pensions Ombudsman and the Pensions Regulator. The service also hosted an employer forum in April 2018 on behalf of the fund with over 40 finance professionals in attendance.

A dedicated contact centre, AskPensions, provides the first point of contact for members and employers. The contact centre has a target to answer 90% of calls received. Between 1 April 2018 and 31 March 2019, 39,303 calls were received and 87% of them were answered.

In January 2019 the contact centre survey was launched and of those eligible to be surveyed and who agreed to take part, 92.46% indicated they were satisfied with our service, providing us with an average score of 4.67 out of 5.

During the year to 31 March 2019, the service received 17 compliments (18 in the previous year), relating to the helpful, prompt and professional service provided by the staff within the pensions administration team. During the same period, 208 complaints were received (49 in the previous year). The complaints in general related to delays in processing benefits. It is worth noting that this was at times due to pending information from the employer or previous scheme provider.

**Legislative Changes**

Amendments to the Scheme’s rules took effect during 2018. These include allowing members aged between 55 and 60 who left before 1 April 2014 to drawtheir deferred benefits at a reduced rate without needing their former employer’s consent.

**Service Developments**

During the year the Fund's administration service processed 32,637 items of work.

Working closely with employers helps to enhance the quality and timeliness of data meaning that Annual Benefit Statements for the year ended 31 March 2019 were published in line with the statutory deadline of 31 August 2019.

Pension surgeries are hosted throughout the county on an annual basis from October through to March. The sessions help members to understand their annual benefit statements and members can also be helped through the process of registering to use the online self-service portal.

Additionally, 28 pre-retirement presentations and 21 scheme basic presentations have been delivered during the year.

**Online Services**

My Pension Online is an online facility allowing members to view their details and also securely update any changes in contact details.

Members who are registered can run various pension estimates assisting with planning for retirement. Members can also view their annual benefit statement via My Pension Online.

Other benefits of the system include: allowing members to view their nominated beneficiaries; access to a host of forms and guides and also allows the administration service to communicate with registered members via email.

Currently around 33% of Lancashire County Pension Fund members are registered online.

**Appeals**

Fund members who disagree with decisions taken by their employer or administering authority may appeal using the Internal Dispute Resolution Procedure (IDRP) under the Local Government Pension Scheme rules.

The IDRP is a formal appeal procedure which contains two stages. The first stage allows the person to ask the body who originally made the decision to review it, i.e. either the employer or the administering authority. The second stage allows the person, if they are not satisfied with the outcome at the first stage, to ask the Appeals Officer appointed by the administering authority to review the disagreement.

**Charges**

Charges are on a per member basis. The on-going level of charge to the Fund is kept under review.

**Other information**

For further information relating to the administration of the scheme please refer to the [Communication Policy Statement](http://www.yourpensionservice.org.uk/web/viewdoc.asp?id=64645) and the [Pensions Administration Strategy Statement](http://www.yourpensionservice.org.uk/web/viewdoc.asp?id=72142) included as Appendices 3 and 4 respectively.

**E Knowledge & skills framework**

There is a requirement for all those involved in the management and oversight of public sector pension funds (whether members or officers) to ensure they achieve the level of knowledge and skill necessary for performing their duties and responsibilities effectively.

**CIPFA pensions finance knowledge and skills framework**

The Chartered Institute of Public Finance and Accountancy (CIPFA) first published a code of practice on public sector pensions finance knowledge and skills in October 2011 which was revised in 2013 to reflect the provisions of the Public Service Pensions Act 2013 and remains a definitive guide to expected standards.

The Code of Practice works in conjunction with detailed knowledge and skills frameworks (KSF) also published by CIPFA which support knowledge and skills development by all those involved in the management and oversight of public sector pension funds.

In 2015 a new KSF focussed on the knowledge requirements of Local Pension Board members was introduced to reflect the Pensions Regulator Code of Practice No 14 which came into force in April 2015. CIPFA has identified a syllabus of 8 core areas of knowledge across the KSFs it has published to date:

1. pensions legislation;
2. public sector pensions governance;
3. pensions administration;
4. pensions accounting and auditing standards;
5. financial services procurement and relationship management;
6. investment performance and risk management;
7. financial markets and product knowledge;
8. actuarial methods, standards and practices.

**Training approach**

Since its adoption of the CIPFA Code of Practice in February 2012 the Pension Fund Committee has reviewed the Fund's training approach at regular intervals. The current training policy for the Fund is aimed at ensuring the Fund is overseen by individuals who:

* have appropriate levels of knowledge and skill;
* understand and comply with legislative and other requirements;
* act with integrity and;
* are accountable to the Fund’s stakeholders for their decisions.

The competency and performance of senior officers charged with managing and directing the Lancashire County Pension Fund fall under the auspices of Lancashire County Council's Performance Development Review (PDR) process and wider continuing professional development (CPD) frameworks. For this reason, officers are outside the scope of this training policy which focusses specifically on the training needs of members of the Pension Fund Committee and Lancashire Local Pension Board.

The policy provides a framework for ensuring members receive appropriate support (both collectively and individually) for gaining the knowledge and understanding they need. Training is responsive to the learning needs of individuals in their different roles and members have regular opportunities to build skills and knowledge through a range of methods and approaches including:

* in-house training from officers and/or external advisors
* external training events by recognised bodies
* attendance at external seminars and conferences
* practical support and guidance through recommended reading and targeted information
* key documents/learning materials made accessible via a secure online library

Committee and Board members are personally responsible for identifying gaps in their knowledge which could prevent them performing their duties effectively. They are expected to undertake self-directed learning to complement the training provided and to seek additional support and advice from fund officers as required.

Details of training provided internally and attended externally by members of the Pension Fund Committee (PFC) and Lancashire Local Pension Board (LLPB) during the year ended 31 March 2019 are detailed below.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Date** | **Subject** | **Venue** | **Attendees** | |
| **PFC** | **LLPB** |
| 10 May 2018 | ESG and Sustainable Investments for Pension Funds Conference | London | 1 | 0 |
| 21/23 May 2018 | Local Authority Conference 2018 | Gloucestershire | 2 | 0 |
| 22 May 2018 | Workshop on Credit and Infrastructure | County Hall, Preston. | 10 | 4 |
| 8 June 2018 | Pre committee briefing – the role of the Lancashire Local Pension Board. | County Hall, Preston | 15 | 0 |
| 28 June 2018 | Workshop on LCPF Annual Report and accounts | County Hall, Preston | 9 | 2 |
| 16/18 July 2018 | LAPFF Investment Seminar | Hertfordshire | 1 | 0 |
| 6/7 Sept 2018 | LGC Investment Seminar | Newport, South Wales | 2 | 0 |
| 14 Sept 2018 | Pre committee briefing – Media report on LGPS investment in shale gas extraction. | County Hall, Preston | 16 | 0 |
| 23/24 Sept 2018 | Pension Trustees Circle Seminar | York | 1 | 0 |
| 26 Sept 2018 | Workshop on 'Analysing the Macro Backdrop for Investing' | County Hall, Preston | 7 | 2 |
| 26 Sept 2018 | Introduction to the Local Government Pension Scheme | London | 1 | 1 |
| 12 Oct 2018 | LGPS Autumn Seminar for Pension Board members | Liverpool | 0 | 2 |
| 17/19 Oct 2018 | PLSA Annual Conference and Exhibition. | Liverpool | 2 | 0 |
| 6 Nov 2018 | Workshop on the Actuarial Valuation | County Hall, Preston | 8 | 5 |
| 15 Nov 2018 | Ministry for Housing, Communities and Local Government and Local Government Pension Scheme Advisory Board Infrastructure event. | London | 1 | 0 |
| 22 Nov 2018 | Northern Conference on Pension Funds | Manchester | 1 | 0 |
| 30 Nov 2018 | Pre committee briefing – LCPF Actuarial Valuation. | County Hall, Preston | 15 | 0 |
| 5/7 Dec 2018 | LAPFF Annual Conference | Bournemouth | 1 | 1 |
| 17/18 Jan 2019 | LGPS Governance Conference | Bristol | 1 | 2 |
| 23 Jan 2019 | Workshop on Responsible Investment | County Hall, Preston | 9 | 3 |
| 7 Feb 2019 | LAPF Strategic Investment Forum | London | 1 | 0 |
| 7 Feb 2019 | 6th Annual Public Sector update for Payroll and HR Professionals | London | 0 | 1 |
| 6/8 Mar 2019 | PLSA Investment Conference 2019 | Edinburgh | 2 | 0 |
| 12 March 2019 | Workshop on Asset safety and cyber resilience | County Hall, Preston | 2 | 2 |
| 13 Mar 2019 | SPS Local Authority Pension Fund Investment Issues Conference. | London | 1 | 0 |
| 13 Mar 2019 | CIPFA Local Pension Board Seminar | Liverpool | 0 | 1 |
| 29 Mar 2019 | Pre committee briefing on Asset Pooling Guidance | County Hall, Preston | 13 | 0 |

In addition some members of the Pension Fund Committee and the Lancashire Local Pension Board have completed the following online modules in The Pension Regulators Public Service Toolkit:

1. Conflict of interest.

2. Managing risk and internal controls;

3. Maintaining accurate member data;

4. Maintaining member contributions;

5. Providing information to members and others;

6. Resolving internal disputes;

7. Reporting breaches of the law

**F** **Investment Policy and Performance**

**Performance**

As a pension fund, the Lancashire County Pension Fund’s (“LCPF” and the “Fund”) investment horizon is long term. The investment strategy is based on the Fund’s objectives of balancing capital growth with capital preservation, maintaining adequate cash flows to cover all liabilities as they fall due. The Fund invests its assets to meet its liabilities over the long-term, and therefore performance should be assessed against these objectives and over a corresponding period.

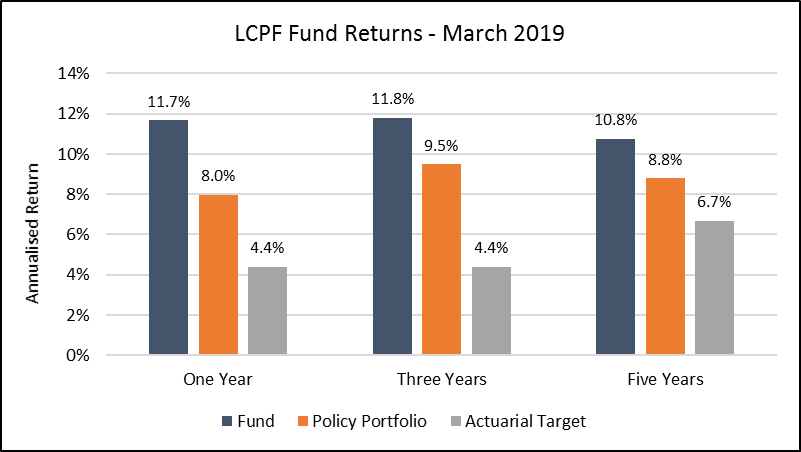
All the performance figures presented here are as at 31 March 2019. Over the year, the Fund delivered 11.7% return on assets, outperforming its policy portfolio and its triennial discount rate (the “actuarial benchmark”) by 3.4% and 7.0% respectively. The actuarial benchmark with effect from the 2016 actuarial valuation is an inflation-linked measure, CPI + 2.2% p.a. At the 31 March 2016 valuation this discount rate was 4.4% p.a. and this is reflected as a fixed actuarial benchmark from that date in the table below. Policy portfolio returns reflect the Fund’s long-term strategic asset allocation returns (strategic weights multiplied by an asset class benchmark).

The value of the Fund's investment assets at 31 March 2019 was £8,379 million, up from £7,610 million at 31 March 2018. Public equities, private equity and infrastructure were the top contributors from an asset class perspective. Longer-term (over a 3-year or 5-year horizon) the Fund’s returns have been strong, comfortably outperforming both its actuarial benchmark and its policy portfolio.

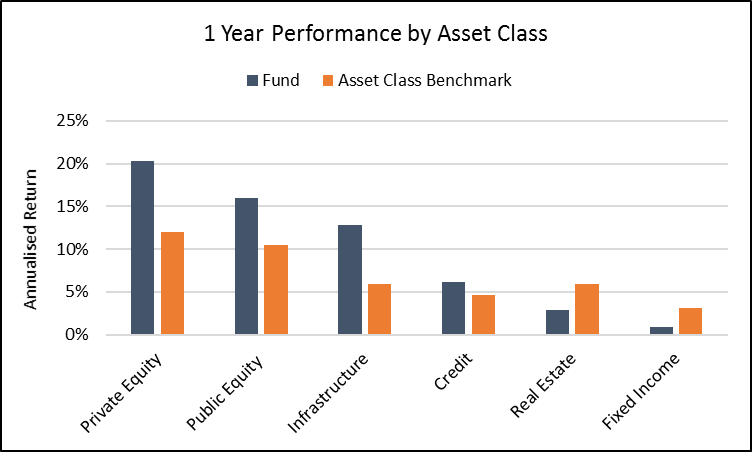
|  |  |  |  |
| --- | --- | --- | --- |
| **Return Metric** | **1 Year** | **3 Year\*** | **5 Year\*** |
| **Investment Assets Return** | 11.7% | 11.8% | 10.8% |
| **Actuarial Benchmark** | 4.4% | 4.4% | 6.7% |
| **Policy Portfolio** | 8.0% | 9.5% | 8.8% |

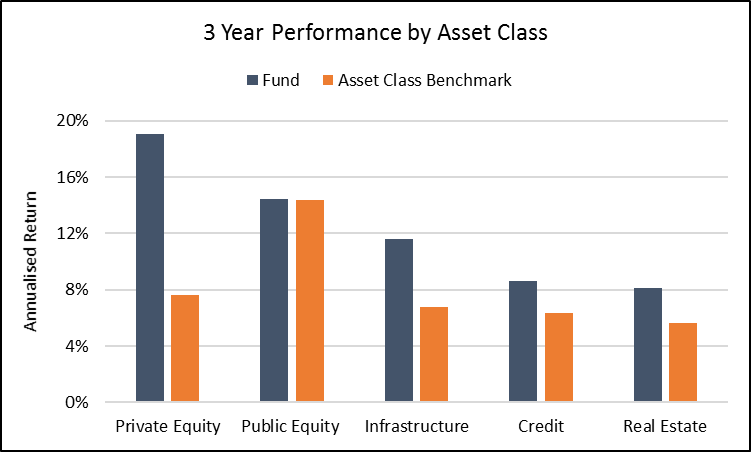
\* Annualised Returns

**Fund performance at 31 March 2019**

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**1 year Fund performance by asset class at 31 March 2019**

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**3 year Fund performance by asset class at 31 March 2019**

**Investment pooling**

In 2016, LCPF appointed Local Pensions Partnership Investments Limited (“LPPI”) to manage its assets. LPPI is a Financial Conduct Authority (“FCA”) regulated investment company which is wholly owned by Local Pensions Partnership Limited, a 50:50 joint venture between Lancashire County Council and London Pensions Fund Authority (LPFA). LPFA has also appointed LPPI to manage its assets, in addition to The Royal County of Berkshire Pension Fund (“RCBPF”) which joined the pooling initiative in May 2018. The combined assets of all three parties now totals approximately £17bn. The investment teams of Lancashire County Pension Fund, LPFA and RCBPF have been merged, leading to a more diversified pool of resources. As at the end of March 2019, LPPI had created 6 asset “pools” (vehicles) across public equities, private equity, infrastructure, credit, fixed income and diversifying strategies to manage clients’ assets. The final investment vehicle for Real Estate assets is expected to be set up by Q4 2019.

Further information regarding the Local Pensions Partnership pools in which the Fund participates, including set-up, investment transition and ongoing investment management costs is available in section G, 'Asset Pooling' of this annual report.

Note 13 to the financial accounts, section H, provides an analysis of investments between those held within the LPPI pools and those assets within the Fund's portfolio that are not.

**Current and Strategic Asset allocation**

In recent years the Fund has focused on reducing its equity risk, increasing allocations to other asset classes such as infrastructure, real estate and credit with the intention to better diversify its exposure and to increase its income yielding asset allocation. This was also reinforced with an updated strategic asset allocation (SAA) in Q4 2017, which led to a 2.5% reduction in the SAA target for private equity and corresponding increase in infrastructure.

The performance of the assets is assessed on a “total return” basis (i.e. income and capital return combined). Having adequate cash inflows to pay liabilities as they fall due reduces both the need for investment trading (and its impact on fees) and the risk of having to liquidate assets during adverse market periods (which can have a negative effect on assets that are marked-to-market). Ultimately, the aim is to improve risk-adjusted returns over the long term, whilst ensuring LCPF’s objectives are met.

The following table presents LCPF’s current asset allocation versus strategic target at the end of March 2019;

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Asset Class** | **March 2019** | | **March 2018** | | **Strategic Allocation (%)** | **Range** |
| **Assets (GBP Million)** | **Allocation (%)** | **Assets (GBP Million)** | **Allocation (%)** |
| Public equities | 3,730 | 44.4% | 3,214 | 42.2% | 42.5% | 40% - 50% |
| Fixed income\* | 319 | 3.8% | 184 | 2.4% | 2.5% | 0% - 10% |
| Private equity | 650 | 7.7% | 548 | 7.2% | 5.0% | 0% - 10% |
| Infrastructure | 1,146 | 13.7% | 991 | 13.0% | 15.0% | 10% - 20% |
| Credit | 1,486 | 17.7% | 1,562 | 20.6% | 19.0% | 10% - 25% |
| Real estate | 886 | 10.6% | 829 | 10.9% | 15.0% | 10% - 20% |
| Cash\* | 177 | 2.1% | 282 | 3.7% | 1.0% | 0% - 5% |
| **Total\*** | **8,394** | **100.0%** | **7,610** | **100.0%** | **100.0%** |  |

\* Corporate bonds are included within the fixed income asset class for financial reporting.  For performance reporting and within the investment strategy, the cash allocation includes corporate bonds held for liquidity.

The allocation of the Fund’s assets for the previous financial year has been added for comparison purposes. LPPI provides input to the Fund on its long-term strategic asset allocation (SAA), but LCPF retains autonomy in deciding how this is set. LPPI has discretion to manage LCPF’s assets within the asset class ranges set as part of the SAA decision. The SAA target and range for each asset class has remained unchanged since December 2017. The next SAA review is anticipated in 2020.

**Macro outlook – the last 12 months**

The year through to March 2019 was a period of slowing global economic activity. The deceleration in global gross domestic product (‘GDP’) growth was relatively synchronised across the developed and emerging markets. Inflation, within the UK, Eurozone and U.S., subsided from key central bank levels in the first quarter of 2019. GDP growth and inflation are two key macroeconomic variables that impact all asset classes (to varying degrees and over different time horizons) and are cornerstone elements of our analysis.

Amid this macroeconomic backdrop LPPI maintained a cautious view, avoiding taking excess risk for the Fund in a period we consider as late stage in the economic cycle. Our anticipation of favourable market conditions ending informed our decision to pivot LCPF’s portfolio more defensively. Accordingly, we reduced the Fund’s overweight position in public equity (versus its SAA target), moved to an underweight position in credit and an overweight position in fixed income over the year. In broad terms, GDP growth tends to be a variable that impacts public equity indirectly though the pace of companies’ earnings growth, whilst inflation can have a stronger effect on fixed income assets indirectly through current and future interest rate expectations.

The Fund’s tactical positioning assisted in the investment outperformance versus its Policy Portfolio over the past year, by having less direct exposure to the market sell-offs exhibited in Q1 2018 and Q4 2018. Overall we have a cautious view, informed by the tightening of financial conditions and a less accommodative monetary policy from major central banks. LPPI’s approach is not to “time the market”, but to steer the Fund’s allocation through the ongoing market risks and opportunities.

From a regional perspective, the U.S. continued to be the strongest performer among major developed economies, despite a notable slowdown in Q4 2018. The economy continued to benefit from a tight labour market, with ongoing net employment gains and stronger wage growth – both close to cyclical highs – being a tailwind for consumers’ spending.

In the U.K., growth has been somewhat slower in the past twelve months. Despite the slowdown, our labour market has remained healthy, with the unemployment rate dipping to the lowest level since December 1974. Nominal and real wage (after accounting for inflation) gains were close to cyclical highs at the end of March, providing additional support to consumption and overall growth.

Although the Fund is less affected by the growth outlook in the domestic economy directly, there is a bigger indirect effect through the exchange rate, inflation and interest rates. These parameters have been broadly favourable for the Fund throughout this period. With most assets denominated in dollars or other foreign currency, the weakening of Sterling increased the Fund’s net asset value in domestic currency terms. Additionally, the moderate inflation levels experienced in the past year have been positive for most asset classes and prompted the Bank of England (BoE) to raise rates only once (25 basis points).

Turning to the Eurozone, GDP growth decreased significantly over the past twelve months with activity in Germany and Italy being the biggest headwind among the biggest regional economies.

In aggregate, the labour market has remained healthy, with the unemployment rate declining to the lowest level since 2008. However, the European economy (unlike the U.S. and the UK) is still likely operating at a lower than full employment level. This has reinforced an ongoing accommodative monetary policy from the European Central Bank (“ECB”), as inflation also has remained persistently below target, despite the termination of its quantitative purchase programme as scheduled in 2018.

In China, officials have been in the midst of an ongoing trade dispute with the U.S. After both countries raised tariffs on billions worth of imports from each other, they started bilateral negotiations that have yet to provide a sustainable solution.

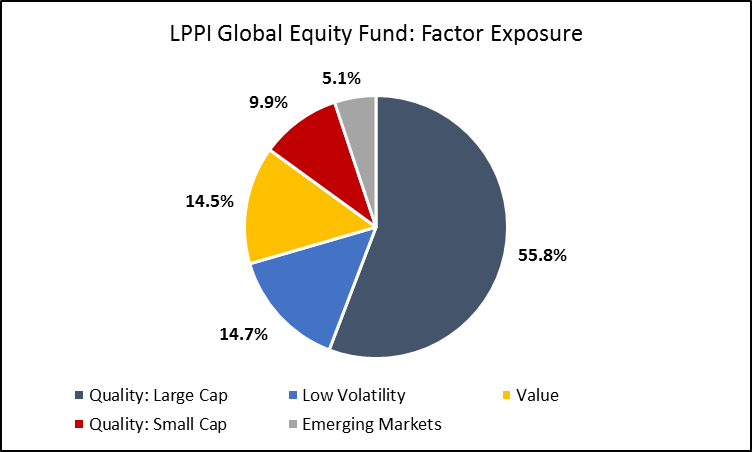
Although the Fund is not directly impacted by these developments (its direct exposure to China and Emerging Markets is relatively small), its indirect exposure through companies’ global supply chain systems as well as market access and profit generation makes these headwinds far from insignificant. LPPI continuously monitors these developments and aims to minimise any impact by investing the Fund’s assets within a multi-asset, global and well diversified portfolio.

**Public Equities (Global)**

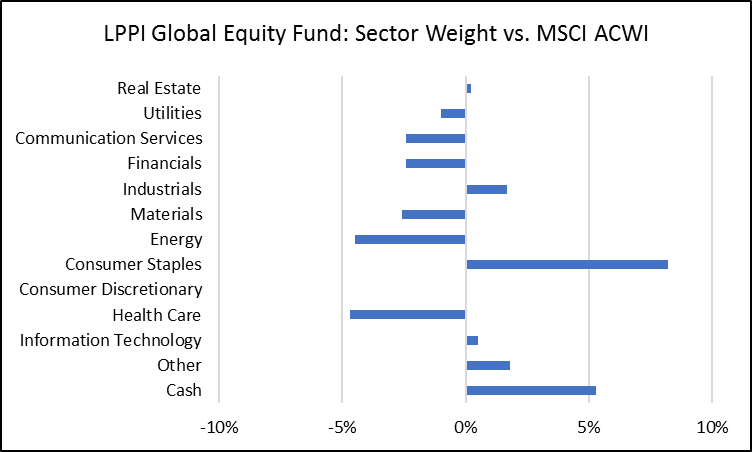
The LPPI Global Equity Fund (“GEF”) combines an internally managed portfolio with a variety of external equity managers, which operate with differing and complementary styles of investment selection. During the year LPPI has not changed the composition of external managers within its GEF. The GEF maintains a Quality (factor investing style) bias, however other styles are included to provide diversification. Although the GEF’s performance has been strong this year, the full merits of its strategies are better assessed over the longer-term (GEF was launched in October 2016).

The GEF’s sector and regional exposures compared to its benchmark the MSCI All Country World index (MSCI ACWI) remained broadly unchanged over the year. From a sector exposure perspective, the GEF maintained an overweight to Consumer Staples versus its benchmark, which follows naturally from its Quality style bias. From a regional exposure perspective, Western Europe (which includes the UK) remains the largest overweight position, whilst the Asia-Pacific region is the fund’s largest underweight. Overall, the GEF maintains an underweight position to Emerging Markets compared to benchmark.

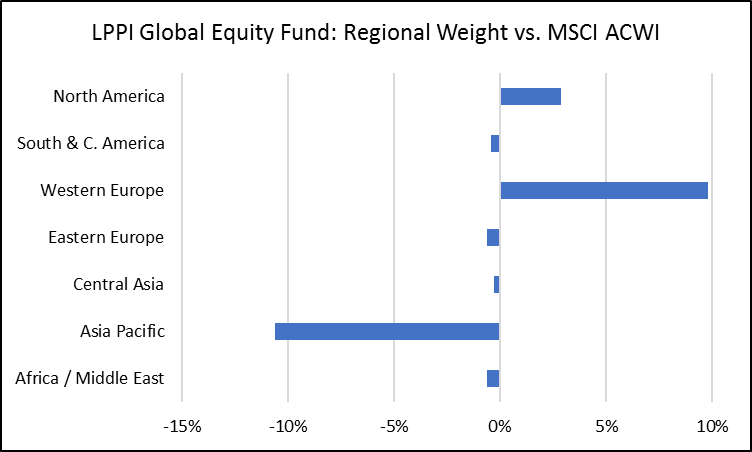
**GEF – factor breakdown as at 31 March 2019**

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**GEF – sector weights v MSCI ACWI as at 31 March 2019**



**GEF–regional weights v MSCI ACWI as at 31 March 2019**



**GEF – ten largest equity holdings as at 31 March 2019**



**Fixed Income**

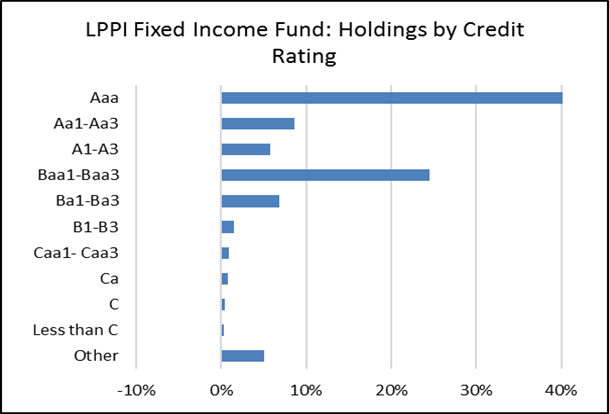
LPPI’s Fixed Income Fund (“FIF”) was launched in February 2018 and LCPF invested in it on launch day. The FIF currently consists of two complementary managers, one with a “top down” investment style and the other with a “bottom up” focus. The FIF’s performance since launch has been positive, whilst also providing a “cushion” for LCPF’s returns during the Q4 2018 market downturn.

Over a 1-year horizon, the FIF has underperformed its benchmark, the Bloomberg Barclays Global Aggregate Index (Global Agg), but this can be attributed to the significantly lower interest rate exposure (i.e. duration) compared to benchmark. The lower duration profile of the fixed income fund is the result of a deliberate decision based on the liquidity needs of the Fund. Below are three charts, exhibiting the FIF’s aggregate positioning as at 31 March 2019. Please note that individual exposures may not sum to 100% due to derivative contract positions.

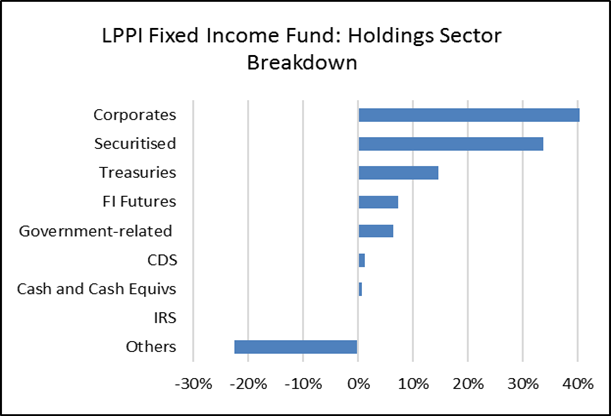
**FIF – holdings maturity as at 31 March 2019**

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**FIF – holdings by credit rating as at 31 March 2019**

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**FIF – holdings sector exposure as at 31 March 2019**

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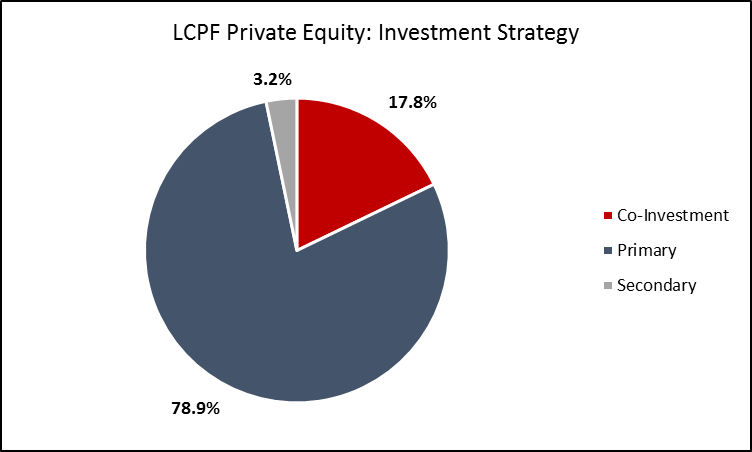
**Private Equity**

Private Equity investments are held through a variety of closed-ended limited partnerships, spanning a wide range of vintages and managed by a diverse collection of different managers who, in turn, cover a variety of strategies and geographic areas. Compared to Public Equity, Private Equity offers a higher risk and higher return profile. This comes from generally investing in smaller companies with higher leverage. Private Equity also has reduced liquidity – a 10-year fund life is common.

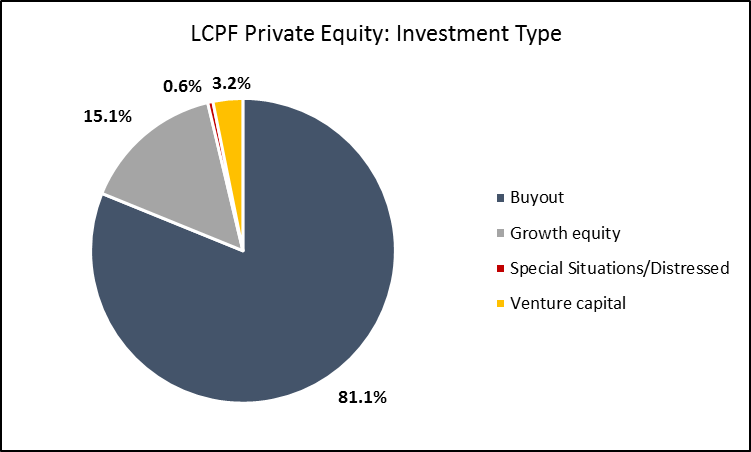
The last 10 years has seen favourable conditions for Private Equity, driven by a rise in valuation multiples, low interest rates and improvement in fundamentals. LCPF’s Private Equity portfolio has performed particularly well, consistently outperforming the benchmark return due to well diversified exposure to many top quartile managers.

LCPF has reduced the rate of commitment to new private equity funds over the last 12 months in line with its aim of reducing its asset class exposure over the next few years, whilst ensuring that vintage diversification and manager relationships are maintained. A reduction in exposure to large buyouts, where valuations and leverage are currently at high levels has also been ongoing.

**LCPF private equity portfolio – investment strategy breakdown as at 31 March 2019**



**LCPF private equity portfolio – investment type breakdown as at 31 March 2019**

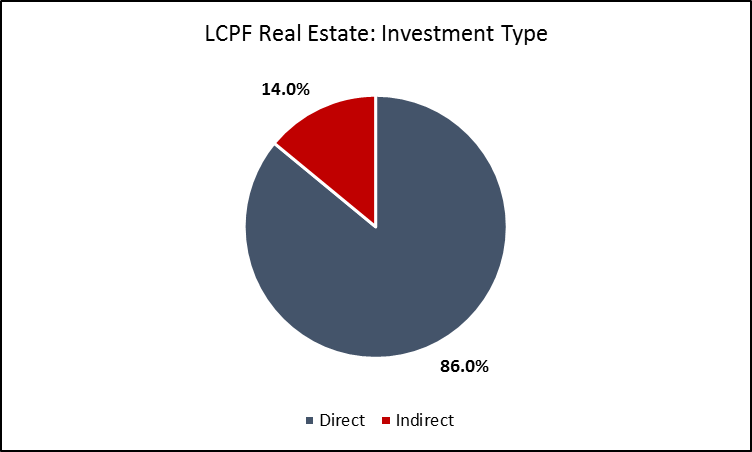
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**Real Estate**

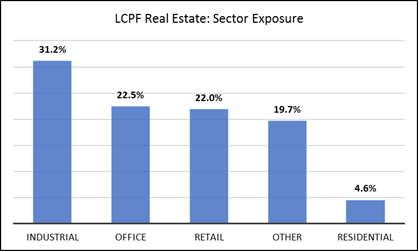
LCPF’s real estate portfolio comprises two investment types: direct and indirect. The direct portion of the portfolio, which forms the majority of the real estate allocation, is managed by Knight Frank and consists of UK commercial property investments. It also comprises an allocation to local investment opportunities. The indirect portion of the portfolio includes allocations to a European real estate investment fund managed by M&G and a healthcare property fund managed by Kames.

Real estate plays a strategically important role within LCPF's overall investment portfolio, both because of its diversification benefits as well as the rental income generated that is used to fund member benefits without the need to liquidate other investments. Given the long term-nature of these investments, performance should be assessed over longer time horizons. LCPF’s real estate portfolio has produced strong performance over a 3-year and 5-year horizon, comfortably outperforming its target return over these periods.

**LCPF real estate portfolio – investment type breakdown as at 31 March 2019**



**LCPF real estate portfolio – sector breakdown as at 31 March 2019**

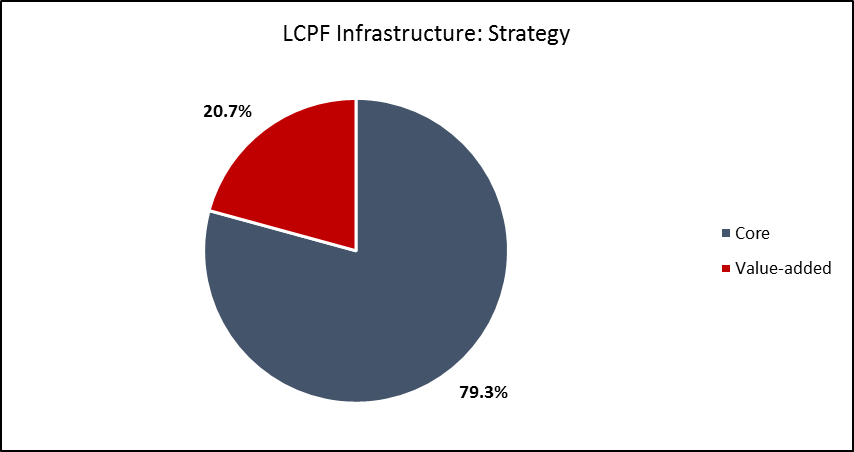
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**Infrastructure**

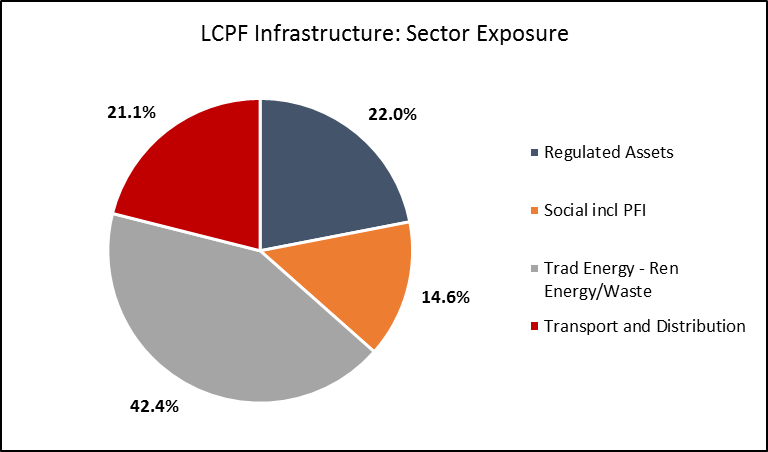
The majority of LCPF’s infrastructure exposure is through LPPI’s Global Infrastructure Fund (“GIF”). This comprises allocations to a variety of global infrastructure funds, and direct investment projects.  A key component of the pool is GLIL. Through GLIL LCPF now owns interests in various core infrastructure assets in the UK, including investments in wind-powered electricity generation, water assets, rail rolling stock and ports.  LPPI is the appointed Alternative Investment Fund Manager (AIFM) of GLIL.

Infrastructure as an asset class typically offers long-term returns that are aligned to the Fund's investment objectives whilst also providing a source of diversification from other asset classes within the portfolio.  As well as investing in infrastructure funds, the GIF has made an increasing number of direct investments in global infrastructure with significant allocations in the renewable energy sector.  The scale that the GIF brings enables investments to be made on favourable terms, which reduces fee costs over the investment horizon, and also provides stronger governance rights to protect LCPF’s long-term interests. Like real estate, significant initial investment costs may be needed which could impact performance in the short-term. From a sector exposure the LCPF’s infrastructure portfolio continues to be well diversified.

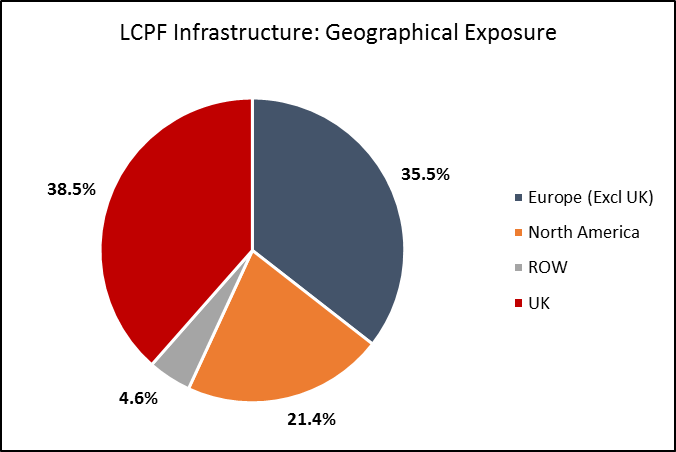
**LCPF infrastructure portfolio – strategy breakdown as at 31 March 2019**

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**LCPF infrastructure portfolio – sector breakdown as at 31 March 2019**

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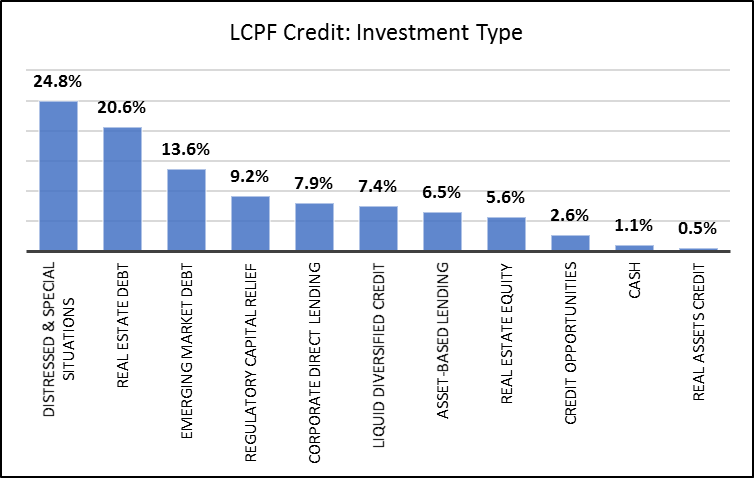
**LCPF infrastructure portfolio – geographical breakdown as at 31 March 2019**

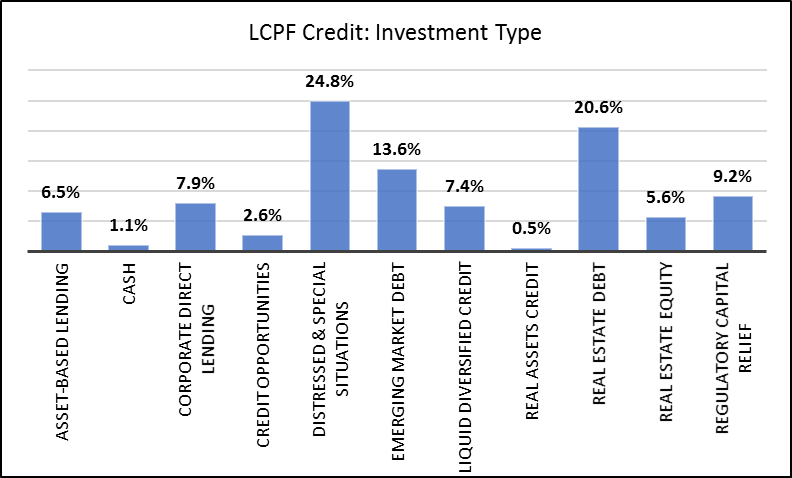
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**Credit**

The majority of LCPF’s credit exposure is through LPPI’s Global Credit Fund (“GCF”). The GCF invests in a range of credit-linked assets globally, predominantly in illiquid investments on a buy and hold basis, across the credit ratings spectrum. The income generated from the GCF is another useful source of cash to meet liability payments and this is incorporated into the cash flow modelling that LPPI conducts on behalf of the Fund.

2018 was a challenging year for credit markets. The GCF’s return over one year lagged that of the benchmark set for the strategy. Over the longer-term performance remains strong, notably outperforming the benchmark over a three-year period. The broad types of the investments comprising the GCF at 31 March 2019 are included in the graph below.

**GCF credit portfolio – investment type breakdown as at 31 March 2019** 



**Governance**

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

* The County Council’s Pension Fund Committee takes major policy decisions and monitors overall performance. The Pension Fund Committee comprises twelve County Councillors and seven voting co-optees representing other interested organisations;
* The Investment Panel ("Panel") provides expert professional advice to the Pension Fund Committee in relation to investment strategy. The Panel supports the Head of Fund with the specialist advice required by the Pension Fund Committee. The Investment Panel consists of two independent external investment advisors and the Head of Fund.
* The investment management team of Local Pensions Partnership Investments Ltd (LPP I) undertake day-to-day investment fund selection, monitoring and due-diligence;
* Where LPP I have chosen to make allocations to third party investment managers or to invest in third party unitised investment vehicles, those managers fix precise weightings and select the individual investments within their particular remit;

A more detailed description of the responsibilities of the Committee, its Sub-Committees and the Panel is found in the [Governance Policy Statement.](https://www.yourpensionservice.org.uk/media/1204/governance-policy-statement-updated-january-2018.pdf)

**Responsible investment**

The Fund's responsible investment activities, with a focus on the main changes and developments over the past 12 months are highlighted below.

As a Fund we are committed to ensuring members’ retirement savings are being managed responsibly through well-informed investment decisions and appropriate ownership oversight. Responsible Investment contributes to the delivery of the sustainable returns needed to pay pensions and its objective is to decrease investment risks and to improve risk-adjusted returns.

Our approach to RI begins at a strategic level with decisions about which asset classes the Fund will invest in and continues through the objectives and priorities we identify within our RI Policy. Whatever the asset class or the sector, it is a clear requirement for our asset managers to evaluate material influences which could affect the future value of our investments by incorporating Environmental, Social and Governance (ESG) considerations into their analysis. You can read more about our beliefs and approach to Responsible Investment including our commitment to ESG integration within our Investment Strategy Statement (ISS) which is available from our website <https://www.yourpensionservice.org.uk/media/1585/investment-strategy-statement-approved-march-2018.pdf>

The importance we place on Responsible Investment is reflected in the standards we hold ourselves and our asset managers accountable to, the policies and arrangements that guide the practical implementation of our strategy and the actions we undertake (directly and through our asset managers) as an engaged asset owner.

We became a signatory to the Principles of Responsible Investment (PRI) in 2015 as a way to measure ourselves against a globally recognised standard of good practice and we have been reporting to the PRI in detail for the past two years. During this time our thinking and priorities have continued to evolve and have also adapted to accommodate practical changes connected with asset pooling. Bringing our investments under common management arrangements alongside partner pension Funds meant agreeing a range of delegations which place day to day asset selection and portfolio management responsibilities with LPPI. Objective standards, clear expectations and strong arrangements have been an important foundation for us delegating significant aspects of the practical delivery of RI.

During 2018/19 the main landmarks from our direct activity on RI include the following;

* undertaking a thorough review of our RI Policy;
* delisting as a signatory to the Principles of Responsible Investment (a condition of enabling LPP to become a PRI signatory);
* having two representatives appointed onto the Executive of the Local Authority Pension Fund Forum (LAPFF).

In light of changes introduced by asset pooling and a continually evolving wider landscape of stewardship good practice, it was timely to review the scope and focus of Fund’s RI Policy. A sub-group of the Pension Fund Committee convened as a Responsible Investment Working Group to discuss and undertake a considered review which began in the early part of 2018. The group considered the approach and priorities for RI against good practice, latest guidance, and specific priority themes and recommended an updated RI Policy to the Pension Fund Committee which was adopted in November 2018.

The updated policy confirms the values and principles which underpin the Fund’s approach to RI, identifies climate change and corporate governance standards as issues of primary concern and divides the implementation of RI into 5 activities

* Voting Globally
* Engagement through Partnerships
* Shareholder Litigation
* Active Investing
* Divestment

The Fund receives a quarterly report from LPP on the implementation of its RI Policy which includes detailed insights on each of these areas of activity. A copy of the Fund’s RI Policy is publicly available from the Fund website <https://www.yourpensionservice.org.uk/media/1728/lcpf-responsible-investment-policy-nov-2018.pdf>

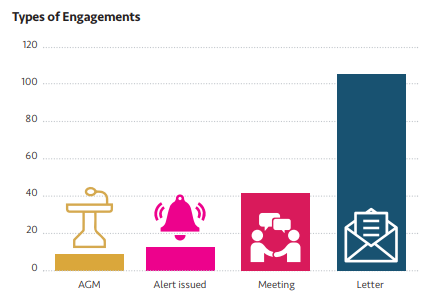
During 2018 LCPF considered the case and took the decision to support LPP becoming a signatory to the PRI in its own right. Guidance from the PRI confirmed the Fund would need to delist if LPP became a signatory to prevent duplicate reporting. We took the decision to go ahead on the basis that the practical implementation of our investment strategy and the activities which fulfil our commitment to integrate ESG are being undertaken by LPPI day to day. There are strong benefits from LPP making these same commitments, being networked directly with other practitioners and reporting on activities publicly.

LCPF delisted and LPP became a PRI signatory in July 2018. Subsequently LPP submitted a first set of detailed reporting against the PRI framework in spring 2019. A Transparency Report capturing LPP’s disclosure is accessible from the PRI website. <https://www.unpri.org/signatories/local-pensions-partnership/3478.article>.

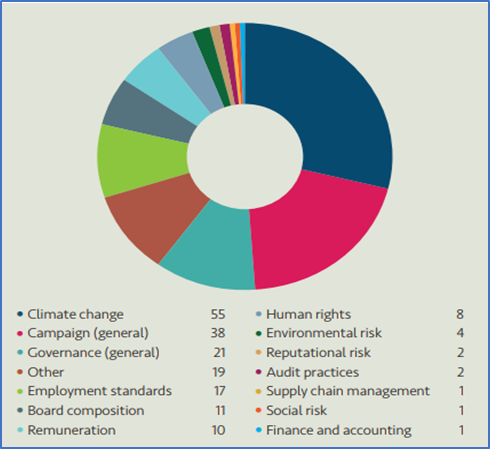
The Fund has identified collaboration with other investors and engagement through partnerships as important facets of its RI approach. We recognise that working collaboratively can achieve greater influence than acting unilaterally and we seek to align ourselves with likeminded investors through collective organisations such as the Local Authority Pension Fund Forum (LAPFF). LAPFF has long been LCPF's preferred engagement partner and the Fund has been represented at quarterly business meetings, conferences and events for a number of years. In 2018 we took the additional step of seeking nomination to the LAPFF Executive in order to contribute to strategic decision-making. Both the Chair of the Pension Fund Committee and the Head of Fund successfully gained seats on the Executive (as councillor and officer representatives respectively) at the Forum’s AGM in 2018 and have been working productively to help LAPFF develop policy, plan activities and undertake engagement with companies on behalf of the 80 LGPS funds who are members. Further information on LAPFF and its activities are available from the Forum’s website. <http://www.lapfforum.org/>

LAPFF’s Annual Report for 2018 provides details of the Forum’s engagement work during the year and illustrates the range of issues and themes covered within 166 engagements across 98 individual companies.

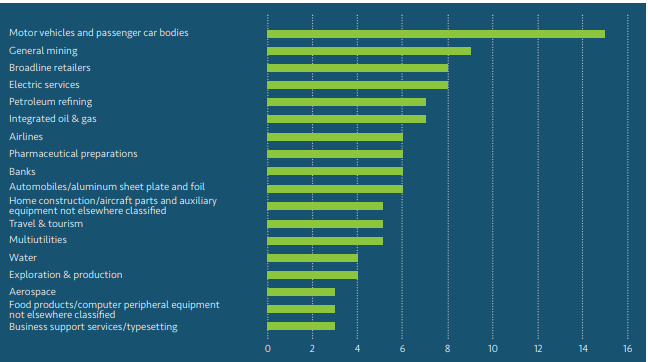
**Route of Engagement**



**Theme of Engagement**

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**Engagements by Industry**



One of the most direct routes for exerting ownership influence and sharing views with companies (to urge change or improvement) is through exercising the right of shareholders to vote at the annual meetings of listed companies. Since our investments were pooled LCPF hasn’t owned shares in listed companies directly. Our interests in listed companies are now through holding units in the LPPI Global Equities Fund.

LPPI vote all shares in their Global Equities Fund centrally and publish quarterly reports containing information on all meetings voted, the individual resolutions tabled and whether voting supported or opposed proposals. During 2018/19 shareholder voting by LPPI encompassed 483 company meetings and a total of 6,206 resolutions.

**Risk Management**

The Fund recognises the importance of managing risks effectively.  To this end, the Fund has a risk officer to manage and monitor all risks through effective risk management processes. A central risk register is maintained to identify, record and mitigate all risks under the following four main group headings:

* Investment and funding risk – all financial risks associated with the Fund;
* Member risk – all risks which may impact on the high levels of service the fund members receive;
* Operational risk – risks which could negatively impact the smooth and effective running of all aspects of Fund operations and governance;
* Transition risk – the temporary risks associated with change.  Once the change is embedded, the risk lies in one of the other categories above.

Risk management and monitoring is also supported by service level agreements with LPP, who provide analysis and reporting across the four main groups above.

Risk reporting is carried out every 6 months to the Lancashire Pension Fund Committee.  Additional oversight is also undertaken by the Lancashire Local Pension Board.The Fund’s local pension board plays a vital role in helping the Pension Fund Committee to hold LPP to account. Regular reports on performance across all aspects of pension fund management are provided and discussed. Neither the Local Pension Board, employers nor members play a formal role on the oversight structures of the LPP since the LPP is established as a group corporate structure, with statutory directors sitting on the LPP Boards. It is not a joint committee. However there are robust legal agreements in place which ensure the Fund is able to hold LPP to account.

**Compliance with Myners Principles**

The Fund is compliant with the Myners Principles, details of which can be found in the Investment Strategy Statement.

**G Asset pools**

In 2015, the Department for Housing, Communities and Local Government (DCLG, now MHCLG) issued *LGPS: Investment Reform Criteria and Guidance* which set out how the government expected funds to establish asset pooling arrangements.

The objective was to deliver:

* Benefits of scale
* Strong governance and decision making
* Reduced costs and excellent value for money
* An improved capacity and capability to invest in infrastructure.

This led to the creation of eight asset pools, of which the partnership between the LPFA and LCPF is one. Responsibility for determining asset allocation and investment strategy remains with individual pension funds.

In 2016 CIPFA and AON published *Investment Pooling Governance Principles*, in order to support LGPS funds through the transition to asset pools and specifically to ensure they continued to operate strong governance arrangements.

There are a number of governance issues to consider with new pooling arrangements, specifically:

* the relationship between the pension fund and the asset pool
* the governance structure of the pool
* the role and involvement of administering authorities.

The market value and performance of pooled assets is set out in sections F (Investment Policy and Performance) and H (Accounts of the Fund) of this annual report. The implications of pooling for the governance and risks of the Fund have been considered and incorporated within this annual report and also within the updated policies and strategy statements of the Fund.

The following disclosures aim to provide further detail regarding the transition of assets into pools, pool set up and transition costs, cumulative savings from pooling and ongoing investment management costs.

**Pool set up and investment transition costs by type of expense**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Year ended 31 March 2019** | | | **Cumulative** |
|  | **Direct costs** | **Indirect costs** | **Total** | **Total** |
|  | **£m** | **£m** | **£m** | **£m** |
| Legal fees | - | - | - | 0.5 |
| Professional fees | - | - | - | 0.5 |
| Other support costs | - | - | - | 0.1 |
| **Total** | **-** | **-** | **-** | **0.9** |
|  |  |  |  |  |
| Transition costs | - | - | - | 2.3 |

**Pool set up and investment transition costs by year**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2014/15** | **2015/16** | **2016/17** | **2017/18** | **2018/19** |
|  | **£m** | **£m** | **£m** | **£m** | **£m** |
| Legal fees | - | 0.1 | 0.1 | 0.3 | - |
| Professional fees | - | 0.1 | 0.1 | 0.3 | - |
| Other support costs | - | - | - | 0.1 | - |
| **Total** | - | **0.2** | **0.2** | **0.7** | - |
|  |  |  |  |  |  |
| Transition costs | - | - | 2.0 | 0.3 | - |

**Total expected costs and savings**

The following table sets out the fee savings realised from the inception of pooling versus the years prior to the establishment of the Local Pensions Partnership.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2014/15** | **2015/16** | **2016/17** | **2017/18** | **2018/19** |
|  | **£m** | **£m** | **£m** | **£m** | **£m** |
| Set up costs | - | 0.2 | 0.2 | 0.7 |  |
| Transition costs | - | - | 2.0 | 0.3 |  |
| Fee savings | - | - | (0.6) | 0.4 | (9.1) |
| **Net (savings)/costs realised** | - | **0.2** | **1.6** | **1.4** | **(9.1)** |

**Ongoing investment management expenses 2018/19**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Investments held within Local Pensions Partnership pools** | | | **Investments held outside Local Pensions Partnership pools** | | |  |
|  | **Direct costs** | **Indirect costs** | **Total** | **Direct costs** | **Indirect costs** | **Total** | **Total** |
|  | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Fund value based fees | 38.1 | - | 38.1 | 10.1 | - | 10.1 | 48.2 |
| Performance fees | 14.1 | - | 14.1 | 8.4 | - | 8.4 | 22.5 |
| Transaction costs | 1.0 | - | 1.0 | - | - | - | 1.0 |
| Custody fees | - | - | - | - | - | - | - |
|  | **53.2** | **-** | **53.2** | **18.5** | **-** | **18.5** | **71.7** |

**H 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 Chief Executive and Director of Resources, who is also the Section 151 Officer to the Pension Fund;
* To manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets.

**The responsibilities of the Section 151 Officer to the Pension Fund**

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

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

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

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

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

The Statement of Accounts relate to the financial year ended 31 March 2018 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.

**Angie Ridgwell**

**Section 151 Officer**

**Lancashire County Pension Fund**

**Lancashire County Pension Fund – Annual Governance Statement 2018/19**

***Introduction***

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

At 31March 2019 the Lancashire County Pension Fund provides a means of pension saving and retirement security for 176,476 members across 300 organisations with active members and a range of other organisations with only deferred or pensioner members.

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

***The Pension Fund's Responsibilities***

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

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

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

<https://www.yourpensionservice.org.uk/media/1204/governance-policy-statement-updated-january-2018.pdf>

In addition the operation of the Fund is subject to Lancashire County Council's Code of Corporate Governance. The County Council's Annual Governance Statement is prepared in accordance with the Framework prepared by CIPFA/Solace "Delivering Good Governance in Local Government" (2016 edition). The Framework defines the 7 core principles that should underpin the governance of each local authority namely:

**·** Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;

· Ensuring openness and comprehensive stakeholder engagement;

· Defining outcomes in terms of sustainable economic, social and environmental benefits;

· Determining the interventions necessary to optimise the achievement of the intended outcomes;

· Developing the Fund's capacity, including the capability of its leadership and the individuals within it;

· Managing risks and performance through robust internal control and strong public financial management; and

· Implementing good practices in transparency, reporting and audit to deliver effective accountability.

This statement sets out both how the Pension Fund has complied with its own Governance Policy Statement and Lancashire County Council's Code of Corporate Governance

***The Purpose of the Governance Framework***

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

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

This statement reports on the annual review of the governance framework by officers which confirms that the framework has been in place within the Pension Fund for the year ended 31 March 2019.

**The Fund's Governance Framework**

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

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

The Fund has a clear objective as established by statute and it has an established planning process focussed around the triennial actuarial review. The Fund has a communication strategy which keeps both Members and employing bodies informed. This is supported by the role of the Local Pension Board.

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

The Head of Fund reviews new and proposed legislation and the results of activities such as the triennial valuation on an ongoing basis and proposes any necessary changes either to objectives and outcomes or the governance arrangements to the Pension Fund Committee.

The Pension Fund Committee are responsible for establishing the strategic objectives of the Fund through a rolling 3 year Strategic Plan and for monitoring the progress on the delivery of the strategic objectives.

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

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

The Pension Fund Committee has approved a strategic plan for the Fund setting out specific objectives in relation to the four dimensions of the running of a pension fund. Many of these functions are now performed under contract by Local Pension Partnership (LPP). These functions and the overall strategic plan will continue to be monitored by the Head of Fund.

Reports on the performance against Investment Strategy are taken to each meeting of the Pension Fund Committee. This reporting focuses not just on the performance of investments but on the scale of the Fund's liabilities. Asset allocation strategies are as efficient as possible in providing the best returns (net of fees) for the appropriate amount of risk.

The administration service is undertaken by LPP. As part of its responsibility for the Governance of the Fund the Pension Fund Committee are responsible for overseeing the administration function. To do this the Committee receives a quarterly update report on the activities of LPP.

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

Appropriate guidance documents and constitutional documents such as the Governance Policy Statement provide the basis on which the management of the Fund is undertaken. Matters reserved for the Pension Fund Committee and the Head of Fund are defined in the Governance Policy Statement and more widely in the County Council's Constitution.

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

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

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

The interaction between the Pension Fund Committee and the Investment Panel, meet the needs of the Fund in terms of effective delivery of the Investment Strategy. This is reflected in specific reporting arrangements in relation to investment activity.

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

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

The management of risk is central to the Fund's activities and the Fund has continued to develop and update its risk register. Key areas of risk include:

• Investment and Funding Risk – all financial risks associated with the fund;

• Member risk – all risks which may impact on the high levels of service the fund members receive;

• Operational risk – risks which could negatively impact the smooth and effective running of all aspects of Fund operations and governance;

• Transition risk – the temporary risks associated through pooling with LPP.

Through the use of a detailed Risk Management Framework, LCPF maintain a detailed risk register cover all the risks identified within the four main risk groups. Mitigating actions are carried out and reviewed quarterly to ensure that each risk is effectively managed or reduced.

***Fulfilling the core functions of an Audit Committee***

The functions of an audit committee for the Fund are performed by Lancashire County Council's Audit, Risk and Governance Committee, which conducts an annual review of its effectiveness in undertaking this role.

***Ensuring compliance with relevant laws and regulations, internal policies and procedure and that expenditure is lawful***

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

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

The Fund's investments are managed in line with the relevant regulations with independent assurance in relation to compliance provided by either the Fund's or LPP's custodian. LPP Investments Limited is a Financial Conduct Authority (FCA) registered company and therefore has to follow strict rules over compliance and has a compliance team which is independent from the investment management team.

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

***Assurance provided by internal audit***

Assurance over the council's governance and oversight of the Fund and the operational activity for which the council is responsible is provided by the county council's internal audit service. Assurance over the Fund's administration and investment activities is provided by Local Pensions Partnership Ltd's own internal audit service.

A short programme of work has been completed in respect of the county council's responsibilities, resulting in substantial assurance the controls are adequately designed and effectively operated. The longer programme of work addressing LPP's activities has included seven audit engagements, the outcomes of which have been mixed. In particular the internal auditor has provided assurance that controls over benefits administration, cyber security, and investments' legal & regulatory compliance, are currently ineffective. However, these are being reviewed again as part of the LPP internal audit work plan for 2019/20.

***Whistle blowing and receiving and investigating complaints from the public***

The Fund participates in the National Fraud Initiative, and actively investigates all data matches found as a result of this process. The results of this work are reported to the Audit, Risk and Governance Committee.

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

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

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

Elected members undertake training needs analysis linked to the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework. This has resulted in the provision of access to a range of specific reading material and the provision of a programme of learning opportunities targeted at areas of identified need. In addition prior to major decisions coming before the Pension Fund Committee topic based training relating to the decision at hand is provided.

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

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

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

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

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

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

The Fund seeks to comply with the principles set out in CIPFA's Statement "The Role of the Chief Finance Officer in Local Government", and the arrangements within Lancashire County Council comply with the principles of this statement. The Fund, is not a local authority in its own right and therefore the applicability of some elements of the statement within the context of the Fund is limited. The responsibility for fulfilling the County Council's functions as administering authority rests with the Head of Fund.

***Review of Effectiveness***

The Pension Fund Committee is responsible for conducting, an annual review of the effectiveness of its governance framework. This is informed by the work of the Head of the Pension Fund, the Head of Internal Audit's annual report, and also reports of the external auditor. The key planned activities of the Fund during 2018/19 were:

* Continued development of a socially responsible investment policy
* Monitor Pensions administration including impact of LPP's administration transformation plan
* To review the compliance of employers and undertake an assessment of the risk they pose to the Fund.

***Actions Planned for 2019/20***

The following specific actions are proposed for during 2019/20.

* The triennial valuation of the Fund
* To monitor the administration service as changes continue to be made within LPP.
* To review the cost of LPP and estimated savings made.
* To revise the Funding Strategy Statement as necessary

***Conclusion***

Overall, the Pension Fund Committee has the appropriate systems and processes in place to ensure good governance is maintained over the Fund. The Committee have noted the issues raised by the Head of Internal Audit in relation to the Local Pension Partnerships internal audit and will continue to ensure that they are held to account for any areas of concern and that the Head of Internal Audit performs extra work in these areas to provide further assurance.

Signed

County Councillor Eddie Pope Abigail Leech

Chair of the Pension Fund Committee Head of Fund

Lancashire County Pension Fund

Date 31 July 2019



## Independent auditor’s report to the members of Lancashire County Council on the consistency of the pension fund financial statements of Lancashire County Pension Fund included in the Pension Fund Annual Report

### Opinion

The pension fund financial statements of Lancashire County Pension Fund (the ‘pension fund’) administered by Lancashire County Council (the "Authority") for the year ended 31 March 2019 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including a summary of significant accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2019 included in the Authority's Statement of Accounts (the “Statement of Accounts”).

In our opinion, the accompanying pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19 and applicable law.

### Pension Fund Annual Report – Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor’s report thereon is not a substitute for reading the audited Statement of Accounts and the auditor’s report thereon.

### The audited financial statements and our Report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 29 July 2019.

### Section 151 Officer responsibilities for the pension fund financial statements in the Pension Fund Annual Report

Under the Local Government Pension Scheme Regulations 2013 the Section 151 Officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, the Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

### Auditor’s responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority’s members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Robin Baker

Robin Baker, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

### 29 July 2019

Fund account

|  |  |  |  |
| --- | --- | --- | --- |
| **2017/18** |  | **Note** | **2018/19** |
| **£m** |  |  | **£m** |
|  | **Dealing with members, employers and others directly involved in the Fund** |  |  |
| 374.9 | Contributions 1 | 6 | 170.9 |
| 11.5 | Transfers in from other pension funds | 7 | 11.0 |
| **386.4** |  |  | **181.9** |
| (254.8) | Benefits | 8 | (275.3) |
| (17.9) | Payments to and on account of leavers | 9 | (16.4) |
| **(272.7)** |  |  | **(291.7)** |
| **113.7** | **Net (withdrawals)/additions from dealings with members** |  | **(109.8)** |
| (62.4) | Management expenses | 10 | (76.3) |
| **51.3** | **Net (withdrawals)/additions including fund management expenses** |  | **(186.1)** |
|  | **Returns on investments** |  |  |
| 138.7 | Investment income | 11 | 193.5 |
| 221.9 | Profit and losses on disposal of investments and changes in the value of investments | 13 | 781.5 |
| **360.6** | **Net return on investments** |  | **975.0** |
| **411.9** | **Net increase in the net assets available for benefits during the year** |  | **788.9** |
| **7,209.3** | **Opening net assets of the scheme** |  | **7,621.2** |
| **7,621.2** | **Closing net assets of the scheme** |  | **8,410.1** |

1 Following the actuarial valuation in 2016, the Fund gave some employers the option of paying their 3 year future service rate and deficit contributions up front. A number of employers opted to do this and as a result the normal and deficit recovery contributions from the County Council and scheduled bodies for the year ended 31 March 2018 include 3 years contributions from these employers, amounting to £218.0m.

Net assets statement as at 31 March 2019

|  |  |  |  |
| --- | --- | --- | --- |
| **31 March 2018** |  | **Note** | **31 March 2019** |
| **£m** |  |  | **£m** |
| 7,448.2 | Investment assets | 13 | 8,327.3 |
| 162.0 | Cash deposits | 13 | 67.1 |
| **7,610.2** | **Total net investments** |  | **8,394.4** |
| 23.4 | Current assets | 19 | 22.0 |
| (12.4) | Current liabilities | 20 | (6.3) |
| **7,621.2** | **Net assets of the fund available to fund benefits at the end of the reporting period** |  | **8,410.1** |

**Note:** The fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 24.

This statement of accounts is that upon which the auditor should enter his certificate and opinion. It presents fairly the position of the Lancashire County Pension Fund as at 31 March 2019 and its income and expenditure for the year then ended.

Notes to the financial statements

Note 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.

An up-front contribution of £137.0 m was received from employers during the year ended 31 March 2018, relating to the years ending 31 March 2019 and 2020. The upfront contribution was recognised in the year of receipt and therefore contribution income for the year ended 31 March 2019 is significantly reduced when compared to the prior year. Contribution income of £170.9m together with transfers in of £11.0m part funded the payment of £291.7m in respect of benefits and transfers out. The resulting net cash outflow from transactions with members for the year ended 31 March 2019, together with management expenses is funded from investment income.

The following description of the Fund is a summary only. For more detail, reference should be made to the Lancashire County Pension Fund Annual Report 2018/19 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

General

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

* the Local Government Pension Scheme (Amendment) Regulations 2018
* the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
* the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

The Fund is overseen by the Lancashire Pension Fund Committee, which reports directly to Full Council. The Head of Fund is designated as the officer responsible for the management of the Fund.

The Pension Fund Committee comprises twelve County Councillors and seven voting co-optees representing the further and higher education sectors, the Lancashire borough, district and city councils, Blackburn with Darwen Council, Blackpool Council and trade unions.

The Committee meets at least quarterly, or otherwise as necessary, with the Investment Panel in attendance and is responsible for fulfilling the role of Scheme Manager (which includes the administration of benefits and strategic management of Fund investments and liabilities), the establishment of policies for investment management, the monitoring and review of investment activity and Fund performance and the presentation of an annual report to Full Council on the state of the Fund and investment activities for the year.

The Investment Panel provides professional expert advice and makes recommendations to the Committee in relation to investment strategy. The Panel comprises the Head of Fund as Chair and two independent advisers.

Full details of the responsibilities of the Panel and Committee are published in the Investment Strategy Statement which is available from the Fund website at [Lancashire Fund Information](https://www.yourpensionservice.org.uk/local-government-scheme/about-the-funds/lancashire-fund-information/).

The Lancashire Local Pension Board, established in 2015, assists Lancashire County Council in its role as scheme manager and provides a scrutiny role to ensure effective and efficient governance and administration of the Fund. The Board comprises an independent chair together with representatives acting on behalf of employers and members. All members of the Board must be able to demonstrate the knowledge and skills set out in the terms of reference of the Board which are available to view on the Fund website at [Lancashire Fund Information](https://www.yourpensionservice.org.uk/local-government-scheme/about-the-funds/lancashire-fund-information/).

The investments of the Fund are managed by the Local Pensions Partnership (LPP), a joint venture owned, in equal shares, by Lancashire County Council and the London Pension Fund Authority (LPFA). LPP manages the administration and investment functions on behalf of the two partner authorities.

Membership

Membership of the LGPS is automatic although employees are free to opt out of the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Employees are re-enrolled every 3 years under the government's auto-enrolment regulations.

Organisations participating in the Lancashire County Pension Fund include:

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

There are 432 employer organisations (2017/18: 412) within Lancashire County Pension Fund including the County Council itself, of which 300 have active members (2017/18: 287) as detailed in the following table.

|  |  |  |
| --- | --- | --- |
| **31** **March 2018** | **Lancashire County Pension Fund** | **31 March 2019** |
| 412 | Total number of employers | 432 |
| 287 | Number of employers with active members1 | 300 |
|  | **Number of active scheme members2** |  |
| 25,126 | County Council | 25,721 |
| 26,220 | Other employers | 27,422 |
| **51,346** | **Total** | **53,143** |
|  | **Number of pensioners** |  |
| 23,722 | County Council | 24,692 |
| 23,723 | Other employers | 24,651 |
| **47,445** | **Total** | **49,343** |
|  | **Number of deferred pensioners2** |  |
| 37,410 | County Council | 37,691 |
| 35,873 | Other employers | 36,299 |
| **73,283** | **Total** | **73,990** |
| **172,074** | **Total membership** | **176,476** |

1 includes employers for whom admission to the Fund is in progress

2March 2018 membership numbers have been adjusted to transfer 5,330 pending leavers as at that date from active membership category to deferred membership category. An adjustment of 5,089 pending leavers has been made at 31 March 2019.

Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made by active members of the Fund in accordance with the LGPS (Amendment) Regulations 2018 and range from 5.5 % to 12.5% of pensionable pay for the financial year ending 31 March 2019. Employer contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016 for the three years commencing 1 April 2017. Currently, employer contribution rates range from 0.0 % to 28.0 % of pensionable pay and are dependent on the assumptions applied by the actuary when carrying out the valuation. Examples of variables which may differ between employers are demographic assumptions regarding the age profile and life expectancy of employees, probability of dependant's pensions becoming payable and the likelihood of ill health retirements.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year. Accrued pension is updated annually in line with the consumer prices index. A range of other benefits are also provided including early retirement, disability pensions and death benefits.

The scheme benefits are summarised in the following table.

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

Note 2 - Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the financial year and its position as at 31 March 2019. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in United Kingdom 2018/19* 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 nor do they take into account the actuarial present value of promised retirement benefits The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in note 24 to these accounts. The accounts have been prepared on a going concern basis.

Accounting standards issued but not yet adopted

Under the *Code of Practice on Local Authority Accounting in the United Kingdom 2018/19,* the Fund is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2019 but not yet adopted by the Code. It is anticipated that the 2019/20 code will introduce amendments in respect of:

* Amendments to IAS 40 *Investment Property: Transfers of Investment*

*Property*

* *Annual Improvements to IFRS Standards 2014 - 2016 Cycle*
* IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
* IFRIC 23 *Uncertainty over Income Tax Treatments*
* Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*

The amendments noted above are not considered likely to have a significant impact on the accounts of the Fund.

Note 3 - Accounting policies

Fund account - revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Member contributions are made in accordance with the LGPS (Amendment) Regulations 2018 using common percentage rates for all schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate recommended by the fund actuary, in the payroll period to which they relate.

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

Employers' augmentation contributions and pension strain contributions are accounted forinthe 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 to and from other schemes

Transfer values represent amounts received and paid during the period for individual members who have either joined or left the Fund during the financial year and are calculated in accordance with Local Government Pension Scheme (Amendment) Regulations 2018.

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

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in.

Investment income

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.

Dividend income

Dividend income is recognised on the date the shares are quoted ex-dividend and is included within distributions from pooled funds.

Distribution from pooled funds

Distributions from pooled funds are recognised at the date of issue.

Dividend income arising on equities which are now held within pooled funds is included within distributions from pooled funds.

Property related income

Property-related income consists primarily of rental income.

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

Any property income not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Movement in the net market value of investments

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

Fund account – expense items

Benefits payable

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

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.

Management expenses

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance "*Accounting for Local Government Pension Scheme Management Expenses (2016)".*

* Administrative expenses
* Oversight and governance costs
* Investment management expenses

Administrative expenses

Administrative expenses consist of the following:

* Expenses related to LGPS members and pensioners. These include all activities the pension scheme must perform to administer entitlements and provide members with scheme and benefit entitlement information. Examples of this include pension allocations, benefit estimates, payment of benefits, processing of the transfer of assets, commutation, communications with members and pensioners, and annual benefit statements;
* Expenses related to interaction with scheme employers e.g. data collection and verification, contributions collection and reconciliation, the employer’s help desk or other employer support, and communications with employers; and
* Associated project expenses.

All administrative expenses are accounted for on an accruals basis.

Oversight and governance costs

Oversight and governance expenses include the following costs:

* Investment advisory services (strategic allocation, manager monitoring etc.);
* Independent advisors to the pension fund;
* Operation and support of the pension fund committee (i.e. those charged with governance of the pension fund), local pensions board, or any other oversight body;
* Governance and voting services;
* Costs of compliance with statutory or non-statutory internal or external reporting (annual reports and accounts, etc.);
* Legal, actuarial and tax advisory services;
* Non-custodian accountancy and banking services; and
* Internal and external audit.

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

Investment management expenses

Investment management expenses are defined as any expenses incurred in relation to the management of pension fund assets and financial instruments entered into in relation to the management of fund assets. This includes expenses directly invoiced by investment managers, custody fees and any fees payable to fund managers which are deducted from fund assets. Transaction costs for all categories of investment, other than directly held property, are included within investment management expenses. All investment management expenses are accounted for on an accruals basis.

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

The fund has negotiated with a number of managers that an element of their fee be performance related.

Where an investment manager's fee note has not been received by the net assets statement date, an estimate based upon the market value of their mandate as at the end of the year is used for the inclusion in the fund account. In 2018/19, £0.7m of fees is based on such estimates (2017/18: £11.5m).

Net assets statement

Financial assets

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

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the code and IFRS13. For the purpose of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in *Practical Guidance on Investment Disclosures* (PRAG/Investment Association, 2016).

The investments of the Fund are managed by the Local Pensions Partnership and, other than direct property holdings and a number of legacy assets, the investments have been transitioned into pools within the partnership. Lancashire County Council is a shareholder of the Local Pensions Partnership. The Fund does not have a direct investment in the partnership itself and no investment balance is included on the net asset statement of the Fund. The pooled investments are disclosed in more detail in note 13 and note 22 provides information on the transactions between the Fund and the partnership.

Freehold and leasehold properties

The properties were valued at open market value at 31 March 2019 by independent property valuers Avison Young in accordance with the Royal Institute of Chartered Surveyors' Valuation Global Standards 2017 (the Red Book). The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arms-length terms.

Foreign currency transactions

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

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 and are recognised in the net asset statement at amortised cost

Cash and cash equivalents

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

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

Financial liabilities

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

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 International Accounting Standard (IAS) 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 24).

Additional voluntary contributions

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

AVCs are not included in the Pension Fund accounts in accordance with section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in note 18.

Note 4 - Critical judgements in applying accounting policies

Pension Fund liability

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

Unquoted private equity and infrastructure investments

It is important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments. They are inherently based on forward looking estimates and it is necessary to apply judgement to the valuation. Unquoted private equities and infrastructure investments are valued by the investment managers using the International Private Equity and Venture Capital Valuation Guidelines 2012.

Directly held property

The Fund's property portfolio includes directly owned properties which are leased commercially to various tenants. Under the classifications permitted by IAS7 and the Code, the Fund has determined that the tenant leases are operating leases. The risks and rewards of ownership of the properties remain with the Fund and therefore the properties are retained on the net asset statement at fair value. Rental income is recognised in the fund account on a straight line basis over the life of the lease.

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions are made taking into account historical experience, current trends and future expectations. The nature of estimation means that actual outcomes could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming year are set out in the following table.

|  |  |  |
| --- | --- | --- |
| **Item** | **Uncertainties** | **Impact if actual results differ from assumptions** |
| Private equity and infrastructure investments | Private equity and infrastructure investments are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2012 or equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | The market value of private equity and infrastructure investments in the financial statements totals £1,796.5 m.  There is a risk that these investments might be under or overstated in the accounts.  Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks. |
| Long-term credit investments | Long-term credit investments are valued as the Fund's percentage share of the independently audited Net Asset Value of each individual strategy as provided by the relevant manager.  In some cases the underlying investments will be classified as level 3 investments, defined in note 16 as those investments for which valuation involves at least one input which is not based on observable market data. | The market value of long-term credit investments in the financial statements (excluding the investment in Heylo Housing Trust listed separately below) totals £1,134.1m.  There is a risk that these investments might be under or overstated in the accounts.  Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks. |
| Loans secured on real assets | The Heylo Housing Trust loans are held at the best estimate of market value. The value is based on long term expectations of interest rates, inflation and credit spreads in the housing association sector. Exact market benchmarks for these estimates may not be easily observable. | The market value of housing authority loans to Heylo Housing Trust totals £352.0m in the financial statements.  There is a risk that this may be under or overstated.  Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks. |
| Indirect property valuations | Indirect properties are valued at the current open market value as defined by the RICS Appraisal and Valuation Standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation. | Indirect property investments in the financial statements total £124.0m.  There is a risk that these investments may be under or overstated in the accounts.  Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks. |
| Actuarial present value of promised retirement benefits | |  | | --- | | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Mercer) is engaged to provide the authority with expert advice about the assumptions to be applied. | | The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.25% reduction in the discount rate assumption would increase the value of the liabilities by approximately £500m.  A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £185m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £220m. |

Note 6 - Contributions receivable

|  |  |  |
| --- | --- | --- |
| **2017/18** |  | **2018/19** |
| **£m** | **By category** | **£m** |
| **56.5** | **Members** | **58.7** |
|  | Employers: |  |
| 221.3 | Normal contributions 1 | 96.8 |
| 89.9 | Deficit recovery contributions 1 | 11.4 |
| 7.2 | Augmentation contributions 2 | 4.0 |
| **318.4** | **Total employers contributions** | **112.2** |
| **374.9** | **Total contributions receivable** | **170.9** |
|  | **By type of employer** |  |
| 174.9 | County Council 1 | 57.8 |
| 176.5 | Scheduled bodies 1 | 93.1 |
| 23.5 | Admitted bodies | 20.0 |
| **374.9** |  | **170.9** |

1 Following the actuarial valuation in 2016, the Fund gave some employers the option of paying their 3 year future service rate and deficit contributions up front. A number of employers opted to do this and as a result the normal and deficit recovery contributions from the County Council and scheduled bodies for the year ended 31 March 2018 include 3 years contributions from these employers, amounting to £218.0m

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

Within the employee contributions figure for 2018/19, £0.3m is voluntary and additional regular contributions (2017/18: £0.4m).

Note 7 - Transfers in from other pension funds

|  |  |  |
| --- | --- | --- |
| **2017/18** |  | **2018/19** |
| **£m** |  | **£m** |
| 11.5 | Individual transfers in from other schemes | 11.0 |
| **11.5** |  | **11.0** |

Note 8 - Benefits payable

|  |  |  |
| --- | --- | --- |
| **2017/18** |  | **2018/19** |
| **£m** | **By category** | **£m** |
| 213.6 | Pensions | 226.5 |
| 35.1 | Commutation and lump sum retirement benefits | 43.0 |
| 6.1 | Lump sum death benefits | 5.8 |
| **254.8** |  | **275.3** |
|  | **By type of employer** |  |
| 107.1 | County Council | 116.4 |
| 126.5 | Scheduled bodies | 137.5 |
| 21.2 | Admitted bodies | 21.4 |
| **254.8** |  | **275.3** |

Note 9 - Payments to and on account of leavers

|  |  |  |
| --- | --- | --- |
| **2017/18** |  | **2018/19** |
| **£m** |  | **£m** |
| 0.6 | Refunds to members leaving service | 0.6 |
| 17.3 | Individual transfers | 15.8 |
| **17.9** |  | **16.4** |

Note 10 - Management expenses

|  |  |  |
| --- | --- | --- |
| **2017/18** |  | **2018/19** |
| **£m** |  | **£m** |
| 3.8 | Fund administrative costs | 3.7 |
| 57.3 | Investment management expenses1 | 71.7 |
| 1.3 | Oversight and governance costs 1,2 | 0.9 |
| **62.4** |  | **76.3** |

1£3.2m investment property management expenses have been reclassified from oversight and governance costs to investment management expenses in the 2017/18 comparatives.

2 Oversight and governance costs above include external audit fees which amounted to £34,169 (2017/18: £34,169). Additional fees of £10,500 were paid to the external auditor for IAS19 assurance work on behalf of Fund employers within the PSAA regime.

Investment management expenses

|  |  |  |
| --- | --- | --- |
| **2017/18** |  | **2018/19** |
| **£m** |  | **£m** |
| 0.4 | Transaction costs1 | 1.0 |
| 45.0 | Fund value based management fees 2 | 48.3 |
| 0.3 | Transition fees | - |
| 11.5 | Performance related fees3 | 22.4 |
| 0.1 | Custody fees | - |
| **57.3** |  | **71.7** |

1Transaction costs are not directly invoiced to the Fund and are included within the net asset value of investments by investment managers. In accordance with CIPFA guidance these fees are identified and reported through the Fund account.

2 Fund value based management fees include costs invoiced directly to the Fund by investment managers and fees accounted for by investment managers within net asset value and recognised in the fund account in accordance with CIPFA guidance. Fees are charged as a percentage of the value of assets held by each manager. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

3Performance related fees in the year ended 31 March 2018 included a non-recurring fee on global equities of £2.3m.

Note 11 - Investment income

|  |  |  |
| --- | --- | --- |
| **2017/18** |  | **2018/19** |
| **£m** |  | **£m** |
| 3.3 | Fixed interest securities | 2.1 |
| 0.8 | Index linked securities | - |
| 103.4 | Pooled investment vehicles | 157.2 |
| 2.2 | Pooled property investments | 1.7 |
| 28.9 | Net rents from properties | 32.0 |
| 0.1 | Interest on cash deposits | 0.5 |
| **138.7** | **Total investment income** | **193.5** |

Note 12 - Property income

|  |  |  |
| --- | --- | --- |
| **2017/18** |  | **2018/19** |
| **£m** |  | **£m** |
| 32.2 | Rental income | 36.7 |
| (3.3) | Direct operating expenses | (4.7) |
| **28.9** | **Net income** | **32.0** |

Note 13 - Reconciliation of movements in investments and derivatives

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Market value as at**  **1 April 2018** | **Purchases during the year and derivative payments** | **Sales during the year and derivative receipts** | **Change in value during the year** 1 | **Market value as at**  **31 March 2019** |
|  | **£m** | **£m** | **£m** | **£m** | **£m** |
| Fixed interest securities | 116.8 | 321.3 | (329.1) | 1.7 | 110.7 |
| Index linked securities | 178.0 | 122.2 | (3.1) | (13.5) | 283.6 |
| Pooled investment vehicles | 6,321.5 | 507.0 | (496.3) | 711.0 | 7,043.2 |
| Pooled property investments | 113.3 | 8.3 |  | 2.4 | 124.0 |
| Direct property | 715.5 | 34.8 |  | 11.6 | 761.9 |
|  | **7,445.1** | **993.6** | **(828.5)** | **713.2** | **8,323.4** |
| Other investment balances: | | | | | |
| Cash deposits | 162.0 |  |  |  | 67.1 |
| Investment income due | 3.1 |  |  |  | 3.9 |
| **Net investment assets** | **7,610.2** |  |  |  | **8,394.4** |

1 £781.5m on the face of the Fund account includes the change in market value of investments disclosed above (£713.2), plus profits and losses on disposals and changes in the market value of investments held within the pools.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Market value as at**  **1 April 2017** | **Purchases at cost and derivative payments** | **Sales proceeds and derivative receipts** | **Change in market value** 1 | **Market value as at**  **31 March 2018** |
|  | **£m** | **£m** | **£m** | **£m** | **£m** |
| Fixed interest securities | 132.2 | 341.8 | (351.3) | (5.9) | 116.8 |
| Index linked securities | 127.1 | 1,940.4 | (1,889.4) | (0.1) | 178.0 |
| Pooled investment vehicles | 6,136.7 | 1,956.1 | (1,879.5) | 108.2 | 6,321.5 |
| Pooled property investments | 99.4 | - | (0.1) | 14.0 | 113.3 |
| Direct property | 637.0 | 43.0 | (17.9) | 53.4 | 715.5 |
|  | **7,132.4** | **4,281.3** | **(4,138.2)** | **169.6** | **7,445.1** |
| Other investment balances: | | | | | |
| Cash deposits | 56.3 |  |  |  | 162.0 |
| Investment accruals | 2.7 |  |  |  | 3.1 |
| **Net investment assets** | **7,191.4** |  |  |  | **7,610.2** |

1 £221.9m on the face of the Fund account includes the change in market value of investments disclosed above (£169.6m), plus profits and losses on disposals and changes in the market value of derivatives held within the pools.

Investments analysed by fund manager

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 March 2018** | |  | **31 March 2019** | |
| **£m** | **% of net investment assets** |  | **£m** | **% of net investment assets** |
| **Investments managed by LPPI Private Equity Fund** | | | | |
| 83.5 | 1.1% | Capital Dynamics | 75.9 | 0.9% |
| 37.1 | 0.5% | HGGC | 67.6 | 0.8% |
| 22.1 | 0.3% | Hermes GPE | 38.5 | 0.5% |
| 26.1 | 0.3% | Insight Venture Partners | 38.0 | 0.5% |
| 30.0 | 0.4% | Permira | 35.3 | 0.4% |
| 32.1 | 0.4% | Genstar Capital | 33.6 | 0.4% |
| 10.0 | 0.1% | Adveq TMC | 25.7 | 0.3% |
| 13.1 | 0.2% | Colbeck Capital Management | 23.4 | 0.3% |
| 17.4 | 0.2% | BV Investment Partners | 22.3 | 0.3% |
| 15.1 | 0.2% | Waterland | 20.4 | 0.2% |
| 14.1 | 0.2% | ECI Partners | 18.8 | 0.2% |
| 14.4 | 0.2% | Mid Europa Partners | 17.6 | 0.2% |
| 15.1 | 0.2% | CVC Capital Partners | 17.2 | 0.2% |
| 21.4 | 0.3% | Nordic Capital | 16.8 | 0.2% |
| 15.2 | 0.2% | Thoma Bravo | 15.4 | 0.2% |
| 9.6 | 0.1% | CBPE Capital | 14.8 | 0.2% |
| 10.0 | 0.1% | Advent Life Sciences | 14.0 | 0.2% |
| 16.5 | 0.2% | Apax Partners | 14.0 | 0.2% |
| 16.1 | 0.2% | Hg Capital | 13.2 | 0.2% |
| 10.8 | 0.1% | Rutland Fund Management | 12.5 | 0.2% |
| 7.5 | 0.1% | Endeavour Vision | 12.0 | 0.1% |
| 14.1 | 0.2% | Ironbridge Equity Partners | 11.3 | 0.1% |
| 13.2 | 0.2% | SL Capital Partners | 10.9 | 0.1% |
| 6.3 | 0.1% | NorthEdge Capital | 9.9 | 0.1% |
| 6.0 | 0.1% | Advent Venture Partners | 9.8 | 0.1% |
| 9.9 | 0.1% | Alpha Group | 7.9 | 0.1% |
| 6.1 | 0.1% | Littlejohn & Co | 6.5 | 0.1% |
| 6.0 | 0.1% | Advent International | 5.7 | 0.1% |
| 6.3 | 0.1% | Triton Partners | 5.7 | 0.1% |
| 7.0 | 0.1% | LPP internal managers | 4.5 | 0.1% |
| 6.5 | 0.1% | Chequers Capital | 3.6 | - |
| 3.5 | 0.1% | Charterhouse Capital Partners | 3.4 | - |
| 4.4 | 0.1% | Accent | 3.0 | - |
| - | - | True Capital | 1.8 | - |
| - | - | MCP | 1.6 | - |
| 1.8 | - | Abingworth Management | 1.0 | - |
| 0.8 | - | Private Equity Partners | 0.8 | - |
| 1.8 | - | EQT Partners | 0.5 | - |
| 0.1 | - | Italian Capital Management | 0.1 | - |
| **531.0** | **7.0%** |  | **635.0** | **7.6%** |
| **Private equity investments managed outside of LPPI Private Equity Fund** | | | | |
| 16.7 | 0.2% | Trilantic Capital Partners | 15.4 | 0.2% |
| **16.7** | **0.2%** |  | **15.4** | **0.2%** |
| **Investments managed by LPPI Credit Investments Fund** | | | | |
| 200.4 | 2.6% | Prima Mortgage Investment Trust LLC | 180.6 | 2.2% |
| 114.8 | 1.5% | Bluebay | 96.1 | 1.2% |
| - | - | Robeco | 87.4 | 1.0% |
| 73.8 | 1.0% | White Oak | 78.8 | 0.9% |
| - | - | Primerica | 70.3 | 0.8% |
| 84.3 | 1.1% | Apollo | 67.1 | 0.8% |
| 61.9 | 0.8% | Venn Commercial Real Estate | 66.7 | 0.8% |
| 67.2 | 0.9% | King Street | 59.2 | 0.7% |
| 64.5 | 0.9% | Permira | 49.3 | 0.6% |
| 51.7 | 0.7% | Monarch | 47.1 | 0.6% |
| 38.5 | 0.5% | M&G | 32.3 | 0.4% |
| 37.2 | 0.5% | MFO King Street | 29.3 | 0.3% |
| 35.7 | 0.5% | Kreos | 26.7 | 0.3% |
| 10.4 | 0.1% | Muzinich Private Debt Fund | 13.5 | 0.1% |
| 14.4 | 0.2% | Blackrock | 6.6 | 0.1% |
| 8.5 | 0.1% | Westmill | 6.6 | 0.1% |
| 79.7 | 1.0% | LPPI internal managers | 5.4 | 0.1% |
| 128.1 | 1.7% | Pictet | **-** | **-** |
| **1,071.1** | **14.1%** |  | **923.0** | **11.0%** |
| **Credit investments managed outside of LPPI Credit Investments Fund** | | | | |
| 198.3 | 2.6% | Heylo Housing Trust | 352.0 | 4.2% |
| 138.0 | 1.8% | CRC | 111.5 | 1.3% |
| 56.6 | 0.7% | Neuberger Berman | 52.1 | 0.6% |
| 48.3 | 0.6% | Pimco Bravo | 31.8 | 0.4% |
| 31.2 | 0.4% | EQT | 10.1 | 0.1% |
| 18.8 | 0.3% | Hayfin | 5.6 | 0.1% |
| **491.2** | **6.4%** |  | **563.1** | **6.7%** |
| **Investments managed by LPPI Fixed Income Fund** | | | | |
| 92.0 | 1.2% | PIMCO | 157.6 | 1.9% |
| 91.8 | 1.2% | Wellington | 155.9 | 1.8% |
| - | - | LPPI internal managers | 1.2 | - |
| **183.8** | **2.4%** |  | **314.7** | **3.7%** |
| **Liquid credit investments managed outside of LPPI Fixed Income Fund** | | | | |
| 282.0 | 3.7% | LPPI internal and LCC Treasury Management | 181.6 | 2.1% |
| **282.0** | **3.7%** |  | **181.6** | **2.1%** |
| **Investments managed by LPPI Global Equities Fund** | | | | |
| 1,306.2 | 17.2% | LPPI internal managers | 1,531.8 | 18.3% |
| 482.5 | 6.3% | Magellan | 551.1 | 6.6% |
| 469.0 | 6.2% | Robeco | 548.8 | 6.5% |
| 466.7 | 6.1% | First Eagle | 540.4 | 6.4% |
| 315.1 | 4.1% | Wellington | 368.6 | 4.4% |
| 174.9 | 2.3% | Baron | 188.2 | 2.2% |
| - | - | MFS | 0.5 | - |
| - | - | Macquarie | 0.2 | - |
| **3,214.4** | **42.2%** |  | **3,729.6** | **44.4%** |
| **Investments managed by LPPI Infrastructure Investments Fund** | | | | |
| 84.2 | 1.1% | GLIL Infrastructure LLP | 266.9 | 3.2% |
| 95.0 | 1.2% | Guild Investments Limited | 105.4 | 1.3% |
| 111.4 | 1.5% | Elisandra Spain | 102.1 | 1.2% |
| 79.5 | 1.0% | Semperian PPP | 93.6 | 1.1% |
| 44.8 | 0.6% | ISquared Global Infrastructure | 56.7 | 0.7% |
| 47.2 | 0.6% | Global Infrastructure Partners | 54.3 | 0.5% |
| 61.6 | 0.8% | Cape Byron Infrastructure | 41.6 | 0.5% |
| 34.2 | 0.5% | Meridiam Infrastructure | 41.6 | 0.5% |
| 30.8 | 0.4% | ISQ Viridian | 34.6 | 0.4% |
| 32.7 | 0.4% | EQT Infrastructure | 31.8 | 0.4% |
| 35.6 | 0.5% | LPPI internal managers | 29.9 | 0.4% |
| 24.9 | 0.3% | Capital Dynamics | 27.8 | 0.4% |
| 20.7 | 0.3% | Stonepeak Infrastructure | 24.2 | 0.3% |
| 15.5 | 0.2% | Glennmont | 9.0 | 0.1% |
| 6.3 | 0.1% | Icon Infrastructure Partners | 6.9 | 0.1% |
| 3.0 | 0.1% | Stonepeak Claremont | 3.9 | - |
| **727.4** | **9.6%** |  | **930.3** | **11.1 %** |
| **Infrastructure investments managed outside of LPPI Infrastructure Investments Fund** | | | | |
| 104.6 | 1.4% | Arclight Energy | 103.2 | 1.2% |
| 77.1 | 1.0% | Icon Infrastructure Partners | 55.6 | 0.7% |
| 49.4 | 0.7% | Highstar Capital | 31.5 | 0.4% |
| 32.7 | 0.4% | Capital Dynamics Red Rose | 25.5 | 0.3% |
| **263.8** | **3.5%** |  | **215.8** | **2.6%** |
| **Property** | | | | |
| 715.5 | 9.4% | Knight Frank | 761.9 | 9.1% |
| 46.0 | 0.6% | M&G Europe fund | 47.9 | 0.6% |
| 39.0 | 0.5% | Gatefold Hayes | 40.3 | 0.5% |
| 28.3 | 0.4% | Kames Target | 28.3 | 0.3% |
| **-** | **-** | BaseCamp Real Estate Partners Ltd | 7.4 | 0.1% |
| **828.8** | **10.9%** |  | **885.9** | **10.6%** |
| **7,610.2** | **100.0%** |  | **8,394.4** | **100.0%** |

The following individual investments represent over 5% of the net assets of the fund.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **31 March 2018** | |  | **31 March 2019** | |
| **£m** | **% of total fund** |  | **£m** | **% of total fund** |
| 3,214.4 | 42.2% | LPPI Global Equity Fund | 3,729.6 | 44.4% |
| 727.4 | 9.6% | LPPI Infrastructure Fund | 930.3 | 11.1% |
| 1,071.1 | 14.1% | LPPI Credit Strategies Fund | 923.0 | 11.0% |
| 531.0 | 7.0% | LPPI Private Equity Fund | 635.0 | 7.6% |

Fixed interest securities

|  |  |  |
| --- | --- | --- |
| **31 March 2018** |  | **31 March 2019** |
| **£m** |  | **£m** |
| 32.5 | UK corporate bonds quoted | 63.8 |
| 14.2 | Overseas public sector | 12.0 |
| 70.1 | Overseas corporate bonds quoted | 34.9 |
| **116.8** |  | **110.7** |

Index linked securities

|  |  |  |
| --- | --- | --- |
| **31 March 2018** |  | **31 March 2019** |
| **£m** |  | **£m** |
| 178.0 | UK quoted | 283.6 |
| **178.0** |  | **283.6** |

Pooled investment vehicles

|  |  |  |
| --- | --- | --- |
| **31 March 2018** |  | **31 March 2019** |
| **£m** | **UK funds:** | **£m** |
| 183.8 | Fixed income funds | 314.7 |
| 108.2 | Private equity | 137.0 |
| 760.1 | Infrastructure | 955.8 |
| 1,110.3 | Long term credit investments | 997.0 |
| 67.3 | Property funds | 68.6 |
|  | **Overseas funds:** |  |
| 242.8 | Fixed income funds | 195.3 |
| 439.5 | Private equity | 513.4 |
| 231.1 | Infrastructure | 190.3 |
| 31.2 | Long term credit investments | 10.1 |
| 3,214.4 | Equity funds1 | 3,729.6 |
| 46.0 | Property funds | 55.4 |
| **6,434.7** |  | **7,167.2** |

1Equity funds are held in the LPPI Global Equity Fund which includes UK equities.

Direct property investments

|  |  |  |
| --- | --- | --- |
| **31 March 2018** |  | **31 March 2019** |
| **£m** |  | **£m** |
| 601.8 | UK – freehold | 624.8 |
| 113.7 | UK – long leasehold | 137.1 |
| **715.5** |  | **761.9** |

Property holdings

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

Details of these directly owned properties are shown in the table.

|  |  |  |
| --- | --- | --- |
| **31March 2018** |  | **31 March 2019** |
| **£m** |  | **£m** |
| **637.0** | **Opening balance** | **715.5** |
|  | Additions: |  |
| 18.3 | * Purchases | 3.4 |
| 15.5 | * New construction | 31.2 |
| 9.2 | * Subsequent expenditure | 0.9 |
| (17.9) | Disposals | - |
| 53.4 | Net increase in market value | 10.9 |
| **715.5** | **Closing balance** | **761.9** |

Operating leases

The Fund leases out property under operating leases. The table shows the future minimum lease payments receivable under non-cancellable leases in future years.

|  |  |  |
| --- | --- | --- |
| **2017/18** |  | **2018/19** |
| **£m** |  | **£m** |
| 29.3 | Leases expiring within one year | 36.3 |
| 81.1 | Leases expiring between one and five years | 109.8 |
| 126.1 | Leases expiring later than five years | 112.2 |
| **236.5** | **Total future minimum lease payments receivable under existing non-cancellable leases** | **258.3** |

The above disclosures have been reduced by a credit loss allowance of 2.1 % per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This has been based on the Fund's own historic experience but also information on similar properties received from the Fund's property management agents.

There are no contingent rents as all rents are fixed until the next rent review (generally on 5 year review patterns) and then are either reviewed to market rent, a fixed uplift or in line with an index. The income is contractually secured against a wide range of tenants who in turn operate in a range of market sectors. Income is generally reviewed to market rent five yearly, and there is also an element of the portfolio income that is indexed or has fixed uplifts (generally being in the range of 2-4% per annum). The portfolio also features a number of vacant properties for which the future income depends on the terms agreed by tenants, and the investment manager is working with property managers to fill these voids.

Cash deposits

|  |  |  |
| --- | --- | --- |
| **31 March 2018** |  | **31 March 2019** |
| **£m** |  | **£m** |
| 109.1 | Sterling | 43.5 |
| 52.9 | Foreign currency | 23.6 |
| **162.0** |  | **67.1** |

Note 14 - Financial instruments classification

The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading. Directly held property is excluded from this note.

31 March 2019

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Fair value through profit or loss** | **Loans and**  **receivables at amortised cost** | **Financial liabilities at amortised cost** |
|  | **£m** | **£m** | **£m** |
| **Financial assets** |  |  |  |
| Fixed interest securities | 110.7 |  |  |
| Index linked securities | 283.6 |  |  |
| Pooled investment vehicles | 7,043.2 |  |  |
| Pooled property investments | 124.0 |  |  |
| Cash deposits |  | 67.1 |  |
| Investment accruals | 3.9 |  |  |
| Debtors |  | 22.0 |  |
| **Total financial assets** | **7,565.4** | **89.1** |  |
| **Financial liabilities** |  |  |  |
| Creditors |  |  | 6.3 |
| **Total financial liabilities** |  |  | **6.3** |

31 March 2018

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Fair value through profit or loss** | **Loans and receivables at amortised cost** | **Financial liabilities at amortised cost** |
|  | **£m** | **£m** | **£m** |
| **Financial assets** |  |  |  |
| Fixed interest securities | 116.8 |  |  |
| Index linked securities | 178.0 |  |  |
| Pooled investment vehicles | 6,321.5 |  |  |
| Pooled property investments | 113.3 |  |  |
| Cash deposits |  | 162.0 |  |
| Investment accruals | 3.1 |  |  |
| Debtors |  | 23.5 |  |
| **Total financial assets** | **6,732.7** | **185.5** |  |
| **Financial liabilities** |  |  |  |
| Creditors |  |  | 12.4 |
| **Total financial liabilities** |  |  | **12.4** |

Note 15 - Net gains and losses on financial instruments

The net gain on financial assets at fair value through profit and loss was £781.5m (2017/18: £221.9m) after adjusting for directly owned property.

Note 16 - Financial instruments – fair value hierarchy

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

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

Level 2

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

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

Level 3

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

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

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

Fair value hierarchy

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

31 March 2019

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Quoted market price**  **Level 1** | **Using observable inputs**  **Level 2** | **With significant unobservable inputs**  **Level 3** | **Total** |
|  | **£m** | **£m** | **£m** | **£m** |
| Financial assets at fair value through profit and loss | 4,155.9 | - | 3,409.5 | 7,565.4 |
| Loans and receivables | 67.1 | - | - | 67.1 |
| Non-financial assets at fair value through profit and loss (property holdings) | - | 761.9 | - | 761.9 |
| **Net investment assets** | **4,223.0** | **761.9** | **3,409.5** | **8,394.4** |

31 March 2018

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Quoted market price**  **Level 1** | **Using observable inputs**  **Level 2** | **With significant unobservable inputs**  **Level 3** | **Total** |
|  | **£m** | **£m** | **£m** | **£m** |
| Financial assets at fair value through profit and loss | 3,399.4 | 116.9 | 3,216.4 | 6,732.7 |
| Loans and receivables | 162.0 | - | - | 162.0 |
| Non-financial assets at fair value through profit and loss (property holdings) | - | 715.5 | - | 715.5 |
| **Net investment assets** | **3,561.4** | **832.4** | **3,216.4** | **7,610.2** |

Basis of valuation

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description of asset** | **Valuation hierarchy** | **Basis of valuation** | **Observable and unobservable inputs** | **Key sensitivities affecting the valuations provided** |
| Pooled global equities | Level 1 | Unadjusted quoted bid market prices. | Not required. | Not required. |
| Fixed income funds | Level 1 | Unadjusted market values based on current yields. | Not required. | Not required. |
| Corporate and overseas government bonds | Level 2 | Market approach – active 'over the counter' markets | Corroborative indicative quotes, interest rates, inflation. | Not required. |
| Direct property holdings | Level 2 | Valuation performed by independent professional valuers Avison Young in accordance with Royal Institute of Chartered Surveyor's (RICS) Valuation Standards (9th edition). | Comparable recent market transactions on arm's length terms; general changes in property market prices; rental growth; vacant properties ;existing lease terms; nature of tenancies, | Not required. |
| Pooled property investments | Level 3 | Current open market value in accordance with RICS Appraisal and Valuation Standards. | Unobservable fund net asset value. | Ability to exit fund; market opinion; general market movements. |
| Private equity, long term credit and infrastructure investments | Level 3 | Annually at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines 2012 or equivalent. | Discount rates, cash flow projections. | Material events occurring between the date of the financial statements provided and the pension fund’s own reporting date; changes to expected cash flows; differences between audited and unaudited accounts |

Sensitivity of assets valued at level 3

Having consulted with the Fund's independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2019.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description of asset** | **Assessed valuation range1** | **Value at 31 March 2019** | **Value on increase** | **Value on decrease** |
|  | (+/-) | £m | £m | £m |
| Fixed income funds | - | 198.2 | 198.2 | 198.2 |
| Private equity funds | 7.7% | 650.3 | 700.4 | 600.2 |
| Infrastructure funds | 7.7% | 1,146.1 | 1,234.3 | 1,057.9 |
| Long term credit excluding index linked | 7.7% | 1,007.3 | 1,084.9 | 929.7 |
| Index linked long term credit | - | 283.6 | 283.6 | 283.6 |
| Pooled property investments | 4.0% | 124.0 | 129.0 | 119.0 |
| **Level 3 investments** |  | **3,409.5** | **3,630.4** | **3,188.6** |

1 All movements in the assessed valuation range derive from changes in the underlying profitability of component companies and investments.

Reconciliation of fair value measurements within level 3

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Fixed income funds** | **Private equity** | **Infrastructure funds** | **Long term credit investments** | **Property funds** | **Total level 3 investments** |
|  | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **Market value 1 April 2018** | **244.8** | **547.7** | **991.2** | **1,319.4** | **113.3** | **3,216.4** |
| Purchases during the year and derivative payments | - | 125.4 | 191.4 | 122.7 | 8.3 | 447.8 |
| Sales during the year and derivative receipts | (62.8) | (124.9) | (90.7) | (221.0) | - | (499.4) |
| Unrealised gains / losses | 3.1 | 40.9 | 4.0 | 41.3 | 2.4 | 91.7 |
| Realised gains / losses | 13.1 | 61.2 | 50.2 | 28.5 | - | 153.0 |
| **Market value 31 March 2019** | **198.2** | **650.3** | **1,146.1** | **1,290.9** | **124.0** | **3,409.5** |

Note 17 - 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.

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.

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 2018/19 reporting period.

|  |  |
| --- | --- |
| **Asset type** | **Potential market movements (+/-)** |
| Total bonds (including index linked) | 6.7% |
| Total equities | 9.8% |
| Alternatives | 7.7% |
| Total property | 4.0% |

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset type** | **31 March 2019** | **Potential market movements (+/-)** | **Potential value on increase** | **Potential value on decrease** |
|  | **£m** | **%** | **£m** | **£m** |
| Investment portfolio assets: |  |  |  |  |
| Total equities | 4,380.0 | 9.8% | 4,807.4 | 3,952.5 |
| Alternatives | 2,946.8 | 7.7% | 3,173.7 | 2,720.0 |
| Total property | 886.0 | 4.0% | 921.5 | 850.6 |
| Total bonds (including index linked) | 110.6 | 6.7% | 118.0 | 103.2 |
| **Total assets available to pay benefits** | **8,323.4** |  | **9,020.6** | **7,626.3** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Asset type** | **31 March 2018** | **Potential market movements (+/-)** | **Potential value on increase** | **Potential value on decrease** |
|  | **£m** | **%** | **£m** | **£m** |
| Investment portfolio assets: |  |  |  |  |
| Total bonds (including index linked) | 132.7 | 7.2% | 142.3 | 123.1 |
| Total equities | 3,762.1 | 9.6% | 4,123.3 | 3,400.9 |
| Alternatives | 2,721.5 | 7.4% | 2,922.9 | 2,520.1 |
| Total property | 828.8 | 3.9% | 861.1 | 796.5 |
| **Total assets available to pay benefits** | **7,445.1** |  | **8,049.6** | **6,840.6** |

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 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

|  |  |  |
| --- | --- | --- |
| **31 March 2018** | **Asset type** | **31 March 2019** |
| **£m** |  | **£m** |
| 162.0 | Cash and cash equivalents | 67.1 |
| **162.0** | **Total** | **67.1** |

Interest rate risk - sensitivity analysis

The Fund has recognised that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy (1BPS = 0.01%). The Fund's investment advisor has advised that long–term average rates are expected to move less than 100 basis points 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 +/- 1% change in interest rates:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Impact of** | |
|  | **31 March 2019** | **1% increase** | **1% decrease** |
| **Asset type** | **£m** | **£m** | **£m** |
| Cash and cash equivalents | 67.1 | 0.7 | (0.7) |
| **Total change in assets available** |  | **0.7** | **(0.7)** |

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **Impact of** | |
|  | **31 March 2018** | **1% increase** | **1% decrease** |
| **Asset type** | **£m** | **£m** | **£m** |
| Cash and cash equivalents | 162.0 | 1.6 | (1.6) |
| **Total change in assets available** |  | **1.6** | **(1.6)** |

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 2019 and as at the previous year end.

|  |  |  |
| --- | --- | --- |
| **31 March 2018** | **Currency exposure – asset type** | **31 March 2019** |
| **£m** |  | **£m** |
| 3,653.8 | Overseas equities | 4,243.0 |
| 505.2 | Overseas alternatives | 395.7 |
| 46.0 | Overseas property | 55.4 |
| 84.3 | Overseas bonds (including index linked) | 46.9 |
| **4,289.3** | **Total overseas assets** | **4,741.0** |

Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 8.0%.

An 8.0% 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 (2017/18: 8.5%).

An 8.0% 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 at 31 March 2019** | **Potential market movement**  **+/- 8.0%** | **Value on**  **increase** | **Value on decrease** |
|  | **£m** | **£m** | **£m** | **£m** |
| Overseas equities | 4,243.0 | 341.1 | 4,584.1 | 3,901.9 |
| Overseas alternatives | 395.7 | 31.8 | 427.5 | 363.9 |
| Overseas property | 55.4 | 4.5 | 59.9 | 50.9 |
| Overseas bonds (including index linked) | 46.9 | 3.8 | 50.7 | 43.1 |
| **Total assets available to pay benefits** | **4,741.0** | **381.2** | **5,122.2** | **4,359.8** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Currency exposure - asset type** | **Asset value at 31 March 2018** | **Potential market movement**  **+/- 8.5%** | **Value on**  **increase** | **Value on decrease** |
|  | **£m** | **£m** | **£m** | **£m** |
| Overseas bonds (including index linked) | 84.3 | 7.2 | 91.5 | 77.1 |
| Overseas equities | 3,653.8 | 310.6 | 3,964.4 | 3,343.2 |
| Overseas alternatives | 505.2 | 42.9 | 548.1 | 462.3 |
| Overseas property | 46.0 | 3.9 | 49.9 | 42.1 |
| **Total assets available to pay benefits** | **4,289.3** | **364.6** | **4,653.9** | **3,924.7** |

Credit risk

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

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

Contractual credit risk is represented by the net payment or receipts that remain outstanding, and the cost of replacing the derivatives position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties. Credit risk on over-the-counter derivatives contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

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

The Fund's cash holding under its treasury management arrangements at 31 March 2019 was £67.1m (31 March 2018: £162.0m) and was held with the following institutions:

|  |  |  |  |
| --- | --- | --- | --- |
| **31 March 2018** | **Summary** | **Rating** | **31 March 2019** |
| **£m** |  |  | **£m** |
|  | **Bank deposit accounts** | | |
| 154.5 | Northern Trust | A+ | 58.3 |
| 7.5 | Svenska Handelsbanken | A+ | 7.6 |
|  | **Cash float with property manager** |  |  |
| **-** | Barclays Bank Plc | A- | 1.2 |
| **162.0** | **Total** |  | **67.1** |

Liquidity risk

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

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

The Fund has financial liabilities of £6.3m at 31 March 2019, all of which is due within one year.

Note 18 - Additional voluntary contributions (AVC)

Members participating in 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 2018 to 31 March 2019 for Prudential and 1 September 2017 to 31 August 2018 for Equitable Life and are not included in the Pension Fund accounts in accordance with *Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016*

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Equitable Life** | **Prudential** | **Total** |
|  | **£m** | **£m** | **£m** |
| **Value at start of the year** | **0.7** | **27.3** | **28.0** |
| Income (incl. contributions, bonuses, interest and transfers in) | 0.0 | 5.9 | 5.9 |
| Expenditure (incl. benefits, transfers out and change in market value) | (0.1) | (4.2) | (4.3) |
| **Value at the end of the year** | **0.6** | **29.0** | **29.6** |

Note 19 - Current assets

|  |  |  |
| --- | --- | --- |
| **31 March 2018** |  | **31 March 2019** |
| **£m** |  | **£m** |
| 7.7 | Contributions due – employers | 8.0 |
| 6.3 | Contributions due – members | 4.9 |
| 9.4 | Sundry debtors | 9.1 |
| **23.4** |  | **22.0** |

Note 20 – Current liabilities

|  |  |  |
| --- | --- | --- |
| **31 March 2018** |  | **31 March 2019** |
| **£m** |  | **£m** |
| 1.6 | Unpaid benefits | 0.8 |
| 10.8 | Accrued expenses | 5.5 |
| **12.4** |  | **6.3** |

Note 21 - Contractual commitments

As at 31 March 2019 the commitments relating to outstanding call payments due to unquoted limited partnership funds held in the private equity and infrastructure part of the portfolio totalled £566.2m (2018: £546.6m). The amounts 'called' by these funds are irregular in both size and timing and commitments to these partnerships are drawn down over a number of years. The term of a fund investment is typically 10 years. Realisation of these investments in the form of distributions normally occurs in the second half of the fund life, when portfolio companies have built value and can be sold.

Commitments to outstanding call payments for credit strategies stood at £190.9m (2018: £462.4m). The majority of these amounts are expected to be called over the coming two years and relate to various different investments including direct lending and distressed credit opportunities which are expected to begin repaying capital after 5 years. In order to maintain a steady level of investment in the long term, the Fund will enter into further commitments to fund this type of strategy over the coming years.

The commitments on direct property development contracts relating to properties under construction held in the direct property part of the portfolio totalled £21.9m (2018: £47.3m). These amounts are expected to be drawn down over the next 6 months based on valuation certificates.

During the year, the Fund has invested in an indirect real estate fund with an outstanding commitment of £22.0m as at 31 March 2019(2018: £0m).

Note 22 - 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.

There are three groups of related parties; transactions between Lancashire County Council as administering authority and the Fund; between employers within the Fund and the Fund; and between members and senior officers and the Fund.

Lancashire County Council

The Lancashire County Pension Fund is administered by Lancashire County Council.

The Council incurred costs of £0.5m (2017/18: £0.6m) in relation to the administration of the Fund. This includes a proportion of relevant officers' salaries in respect of time allocated to pension and investment issues. The Council was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of the members of the Pension Fund and contributed £32.6m to the Fund in 2018/19. A contribution prepayment of £118m was received in 2017/18 for the years ending 31 March 2018, 2019 and 2020. Total employer contributions from the Council in 2017/18 amounted to £152m. All monies owing to and due from the Fund were paid in year.

Lancashire County Council is a shareholder in the Local Pensions Partnership (LPP), having an ownership in the company equal to that of the London Pension Fund Authority. LPP manages the investment and administration functions of the Fund and the Fund makes regular payments to LPP to cover investment management charges, scheme administration expenses, employer risk services and liability modelling. Payments made for the year to 31 March 2019 amount to £5.5m (2017/18: £6.8m).

Employers within the Fund

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 6 and in respect of March 2019 payroll, are included within the debtors figure in note 19.

Pension Fund Committee, Pensions Board and Senior Officers.

The Pension Fund Committee, Pensions Board members and senior officers of the Pension Fund were asked to complete a related party declaration for 2018/19 regarding membership of, and transactions with such persons or their related parties. No related party transactions were identified during the year to 31 March 2019.

Each member of the Pension Fund Committee and Pension Board formally considers conflicts of interest at each meeting.

Note 23 - Key management personnel

The key management personnel of the Fund are the Lancashire County Council Chief Executive and Director of Resources, the Lancashire County Council Director of Finance and the Head of Fund.

Total remuneration payable to key management personnel is set out below:

2018/19

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Employment period** | **Salary1** | **Employer Pension contributions1** | **Total including pension contributions1** |
|  |  | **£** | **£** | **£** |
| Head of Fund | 01/04/18 – 31/03/19 | 56,667 | 8,557 | 65,224 |
| Director of Finance | 01/04/18 – 31/03/19 | 1,938 | 293 | 2,231 |
| Chief Executive and Director of Resources | 01/04/18 – 31/03/19 | 4,029 | - | 4,029 |

1 The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work. 2017/18

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Employment period** | **Salary1** | **Employer Pension contributions1** | **Total including pension contributions1** |
|  |  | **£** | **£** | **£** |
| Head of Fund | 01/04/17 – 31/03/18 | 54,699 | 8,228 | 62,927 |
| Director of Financial Resources / Finance3 | 01/04/17 – 31/03/18 | 4,653 | 703 | 5,356 |
| Chief Executive and Director of Resources 2 | 03/01/18 – 31/03/18 | 874 | - | 874 |

1 The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work.

2 The Chief Executive and Director of Resources was a new post and was appointed on 3 January 2018.

3 Following a restructure the role of Director of Financial Resources was replaced with Director of Finance during the year ended 31 March 2018.

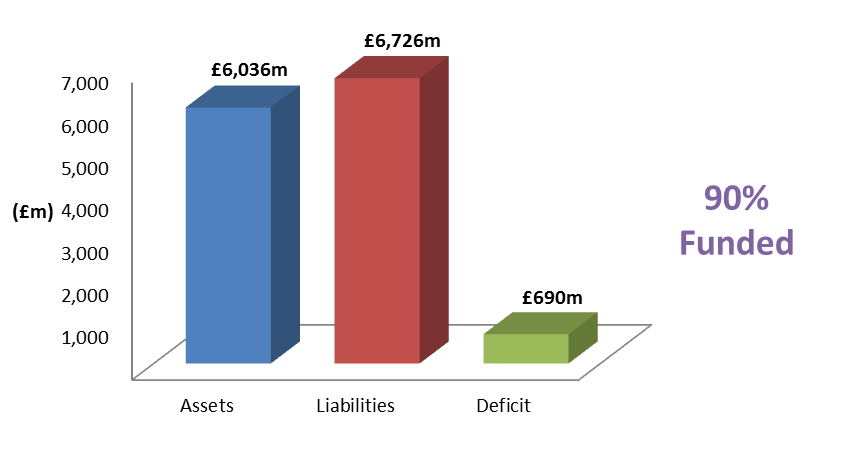
Note 24 - Funding arrangements

Accounts for the year ended 31 March 2019 - Statement by the Consulting Actuary

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

An actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund’s assets of £6,036 million represented 90% of the Fund’s past service liabilities of £6,726 million (the “Funding Target”) at the valuation date. The deficit at the valuation was therefore £690 million.



The valuation also showed that a Primary contribution rate of 14.9% of pensionable pay per annum was required from employers. The Primary 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.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 16 years, and the total initial recovery payment (the “Secondary rate”) for 2019/20 is approximately £46 million. The Secondary rate of the employer’s contribution is an adjustment to the Primary rate to arrive at the overall rate the employers are required to pay. For most employers, the Secondary rate will increase at 3.7% per annum. Finally, some employers have opted to prepay their contributions, either on an annual basis each April or by paying all 3 years’ contributions in April 2017. In each case, that contribution is reduced to reflect its earlier payment.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017.

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

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

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

|  | **For past service liabilities (Funding Target)** | **For future service liabilities (Primary rate of contribution)** |
| --- | --- | --- |
| Rate of return on investments (discount rate) | 4.4% per annum | 4.95% per annum |
| Rate of pay increases (long term)\* | 3.7% per annum | 3.7% per annum |
| Rate of increases in pensions  in payment (in excess of  Guaranteed Minimum Pension) | 2.2% per annum | 2.2% per annum |

\* allowance was also made for short-term public sector pay restraint over a 4-year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.**Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26**

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2019 (the 31 March 2018 assumptions are included for comparison):

|  | **31 March 2018** | **31 March 2019** |
| --- | --- | --- |
| Rate of return on investments (discount rate) | 2.6% per annum | 2.4% per annum |
| Rate of CPI Inflation / CARE Benefit revaluation | 2.1% per annum | 2.2% per annum |
| Rate of pay increases\* | 3.6% per annum | 3.7% per annum |
| Rate of increases in pensions  in payment (in excess of  Guaranteed Minimum Pension) / Deferred revaluation | 2.2% per annum | 2.3% per annum |

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

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields decreased slightly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.4% p.a. versus 2.6% p.a.). The expected rate of long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.2%.  Both of these factors served to increase the liabilities over the year.

The value of the Fund’s promised retirement benefits for the purposes of IAS 26 as at 31 March 2018 was estimated as £10,022 million.  Interest over the year increased the liabilities by c£261 million, and allowing for net benefits accrued/paid over the period also increased the liabilities by c£72 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations).  We have also included an amount of £64 million by way of an estimate of the effect of the McCloud judgement (see note below for further details). There was an increase in liabilities of £568 million due to “actuarial losses” (i.e. the effect of changes in the actuarial assumptions used, referred to above).

The net effect of all the above is that the estimated total value of the Fund’s promised retirement benefits as at 31 March 2019 is therefore £10,987 million.

**The McCloud Case**

In December 2018 the Court of Appeal ruled against the Government in the two linked cases of Sargeant and McCloud (which for the purposes of the LGPS has generally been shortened to “McCloud”), relating to the Firefighter unfunded pension schemes and the Judicial pension arrangements. In essence, the Court held that the transitional protections, which were afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination. The Government attempted to appeal the cases, but it was announced on 27 June 2019 that the appeal had been refused by the Supreme Court. Remedial action in the form of increases in benefits for some members of the Firefighter and Judicial arrangements will almost certainly be required. There may well also be knock-on effects for the other public service schemes, and the LGPS might therefore also be required to take some action. At this stage it is uncertain whether remedial action will be required, nor is it clear what the extent of any potential remedial action might be.

We have carried out some costings of the potential effect of McCloud as at 31 March 2019, based on the individual member data as supplied to us for the 2016 actuarial valuation, and this results in an additional liability of £64 million using the IAS26 assumptions outlined above. The approach to the calculations is as instructed by the administering authority after consideration of the categories of members potentially affected, but in very broad terms calculates the cost of applying a "final salary underpin" (on a member by member basis) to those active members who joined the Fund before 1 April 2012 and who would not otherwise have benefited from the underpin.

**GMP Equalisation**

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the “Barber” judgement) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Previously, there was no consensus or legislative guidance as to how this might be achieved in practice for ongoing schemes, but the 26 October 2018 Lloyds Bank court judgement has now provided further clarity in this area. However, in response to this judgement HM Treasury stated that “public sector schemes already have a method to equalise guaranteed minimum pension benefits, which is why we will not have to change our method as a result of this judgment", clearly implying that the Government (who have the overall power to determine benefits provision) believe the judgement itself will not affect the benefits. Therefore, the natural conclusion for the main public service pension schemes including the Local Government Pension Scheme is that it is not appropriate for any provision to be included for the effect of the Lloyds Bank judgment, at least at the present time, and so we have not made any allowance for any additional liabilities within the above figures at this stage. However, in due course there may be a further cost to the LGPS in connection with equalisation/indexation, when the Government confirms the overall approach which it wishes to adopt in this area following its consultation.

|  |  |
| --- | --- |
| *John Livesey* | *Mark Wilson* |
| *Fellow of the Institute and Faculty of Actuaries* | *Fellow of the Institute and Faculty of Actuaries* |
| *Mercer Limited* | *Mercer Limited* |
| *July 2019* | *July 2019* |

**I Lancashire Local Pension Board Annual Report – 2018/19**

The Lancashire County Pension Fund’s Local Pension Board (LPB) has now been up and running for nearly four years. As a reminder to readers, our legal duty is to assist the Pension Fund Committee (PFC). Because LPB members explicitly represent either employers or members, we also have a representative role in the Fund’s governance structure.

When they were set up in 2015, LPBs were new bodies and it has taken time to establish how we should fulfil our duties without duplicating the PFC’s role. There is a wide variation in the effectiveness of LPBs across the country and the national Scheme Advisory Board will be conducting a survey into the operation of LPBs in 2019. Your LPB is seen as one of the leading models and I shall be contributing a response in order to spread what I regard as good practice.

We create an annual work plan to ensure that we are methodical in our activities. The core of our work is to review the reports and compliance assurances which support the Fund’s activities and comment on them to the PFC. If we believe something requires particular attention, we may make a formal recommendation to them which requires a response. However, we are always aware that our role is to assist the PFC and a good relationship between the two bodies is absolutely essential.

In this report, I will start by reminding readers of the mechanics of the LPB; cover the training we undertake; and finally comment on our activities in the past twelve months, noting where we expect to focus our efforts in the next year.

**Membership of the Pension Board**

The LPB has nine members, four Employer representatives, four Scheme Member representatives and I act as the Independent Chair. Members serve an eight year term, except for the Chair who serves four. Apart from the Chair, none are remunerated other than for expenses incurred in attending meetings or training.

During the year we welcomed Keith Wallbank, who was appointed to fill a vacancy for a Scheme Member representative which had arisen in June 2018 and I have been reappointed by the County Council to serve as Chair for up to a further four years.

The LPB meets four times a year and we additionally create informal groups if we feel they are needed. Members attend training events both in Preston and elsewhere. In my capacity as Chair I am also invited to attend meetings of the Pension Fund Committee to present reports and advise on the work of the Board. I have attended three out of the four Committees held over the past year.

**Attendance of Board members at meetings of the Pension Board**

Details of individual members' attendance at Board meetings (between 1 May 2018 and 30 April 2019), together with changes to the membership of the Board, are set out below.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Name** | **Representing** | **3rd**  **July**  **2018** | **16th October 2018** | **29th January 2019** | **30th**  **April 2019** |
| W Bourne | Chair |  |  |  |  |
| T Pounder | Employer rep - LCC | apologies |  |  |  |
| County Councillor C Wakeford | Employer rep - LCC |  |  |  |  |
| S Thompson | Employer – Unitary, City, Borough, Police & Fire |  |  |  |  |
| C Gibson | Employer rep - Others | apologies |  | apologies |  |
| K Haigh | Scheme Member rep |  |  |  |  |
| R Harvey | Scheme Member rep |  |  | apologies |  |
| Y Moult | Scheme Member rep | apologies |  |  |  |
| K Wallbank | Scheme Member rep | N/A |  |  |  |
| **Change to the membership of the Board**  K Wallbank appointed in October 2018 to fill a scheme member representative vacancy which arose in June 2018. | | | | | |

**Training**

The Board has a small internal budget, which is used primarily for Members’ attendance at training events or conferences. During the year £10,474.66was spent running the Board and training.

The LPB is under a legal obligation to maintain its levels of knowledge and understanding through regular training. We conduct a gap analysis of training needs once a year as part of our own annual appraisal, which becomes an agenda item at our next meeting and have all committed to completing the online training modules from The Pension Regulator's Public Service toolkit. Members are actively encouraged to join internal training sessions held jointly with the members of the Pension Fund Committee. During the year, internal training workshops were held on a number of topics including cyber resilience, infrastructure, property, the triennial fund valuation and responsible investment. Members are also notified of and encouraged to attend external training conferences/event to extend their knowledge and meet LPB members from other funds.

The table below shows the number of training events which individual Board members attended during the period 1 May 2018 to 30 April 2019, and those who have completed online modules from The Pension Regulators Public Service Toolkit.

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Internal events** | **External events** | **Online modules** |
| W Bourne | 0 | 2 | 7 |
| County Councillor C Wakeford | 0 | 0 | 0 |
| T Pounder | 2 | 1 | 0 |
| S Thompson | 1 | 1 | 0 |
| C Gibson | 0 | 1 | 0 |
| K Haigh | 6 | 1 | 3 |
| R Harvey | 4 | 0 | 0 |
| Y Moult | 3 | 2 | 7 |
| K Wallbank | 4 | 0 | 0 |
| D Owen | 1 | 0 | 0 |

Further information about the Board, including minutes and public papers, can be viewed on the [Your Pension Service website](https://www.yourpensionservice.org.uk/local-government-scheme/about-the-funds/lancashire-local-pension-board/).

**Activities during the year**

A year ago I expected the focus to be largely on the LPB’s core scrutinising role. In particular I said we would monitor improvements expected from the Administration Transformation Plan, as well as the governance processes over LPP (Local Pensions Partnership, the entity created with the London Pension Fund Authority to perform the Fund’s investment and administration activities). The Fund’s ability to fulfil its fiduciary duty and thereby pay pensions in full and on time depends critically on LPP providing an effective service to it.

In practice, we have spent more time than we had envisaged on the changes to the administration service. The LPB was fully supportive of the concept behind the plan but did, in 2017, recommend a risk assessment ahead of its implementation date. With hindsight, had this been done and acted on it might have prevented many of the problems the service encountered in the first half of this year.

We have consequently been actively involved in engaging LPP, both through recommendations to the PFC and on occasion directly, to ensure that client service quality is given priority. We have also been carefully monitoring the recovery of service levels since the implementation of the Administration Plan. At our January 2019 meeting, we set up an informal advisory group together with LPP and officers to assist by providing feedback from the employers’ and members’ perspectives. We are aware that there is more work to be done to improve the client experience but at the same time remain firmly behind LPP’s ambition to use the combination of the two administration services as an opportunity to change things for the better.

I noted last year an external review of LPP’s effectiveness, which had been commissioned after two years’ operation to provide third-party assurance that it is indeed cost-effective for both funds. The report by PwC was duly delivered but was perhaps too early in LPP’s life to provide a definitive answer to the question. The LPB will remain vigilant on this front because LPP’s role is so important to the smooth running of the Fund.

With the next valuation due as of 31 March 2019, communication and engagement will remain at the forefront of our work in the next year. Valuations almost always involve changes to employer contributions and effective communication to manage expectations is essential.

I comment next on some of our more routine scrutinising work. At every meeting, we look at any breaches of the regulations and at the key performance indicators in detail. One of our objectives for next year is to review the KPIs to ensure they properly reflect the experience of Fund members. This will help us in our aim of assisting the PFC in monitoring LPP’s performance effectively.

During the year we also reviewed and commented on a wide range of documents. These included statutory documents such as the Administration, Investment and Governance Strategy statements, as well as policies such as that on responsible investment and climate change. We also looked for assurance that the Fund is compliant with The Pension Regulator’s Code 14 and CIPFA’s guidance, as well as internal and external audit requirements. Looking forward to the next year, we expect to be able to spend more of our time on this basic scrutiny. The regulations governing the LGPS are complex and varied, and the LPB’s second pair of eyes provides the PFC with a valuable check to ensure that the Fund is fully compliant.

Your Fund is, in my view, currently in a good position.  The funding level at 31 March 2019 is likely to be not too far off 100% and fund governance, which is the LPB's major concern, is seen as a market leader in many respects within the LGPS.  This can be expected to result in a good outcome for stakeholders i.e. that all pensions are paid in full and on time while employers' contributions are kept no higher than they need be.   The LPB is looking forward to being part of the process of continuing to seek improvements, particularly as regards administration service quality.

I would like once again to thank the officers at LCPF who support us in our duties. As part of our annual Board appraisal I speak individually to each member, and I can again record unanimous agreement that we are ably and effectively supported by the team at LCPF. In my view it is important that we recognise that publicly in this report.

**William Bourne**

Independent Chair of the Lancashire Local Pension Board

April 2019

**J**  **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 2016 which determines contribution rates effective from 1 April 2017 to 31 March 2020.

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

The FSS specifies an average period for achieving full funding of 16 years. The FSS sets out the circumstances in which this may vary from one employer to another Where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put into place which requires additional contributions to correct the shortfall.

The valuation (effective from 1 April 2017) revealed a funding level of 90% and an average employer’s contribution rate of 14.9% plus a deficit contribution in 2017/18 of £41.5m. For most employers the deficit contribution will increase at 3.7% per annum for 16 years.

The chart below, taken from the certified actuarial valuation as at 31 March 2016, compares the assets and liabilities of the Fund at 31 March 2016. Figures are also shown for the last valuation as at 31 March 2013 for comparison.

**31 MARCH 2016**

**31 MARCH 2013**

**Solvency funding level**

**Solvency funding level**

The employer contributions for 2017/18 are based on the 2016 valuation and the recommended employer contributions for the period 1 April 2017 to 31 March 2020 are set out in the Schedule to the Rates and Adjustments of this report.

The projected unit method of valuation was used for the valuation and is in common use for funding Pension Funds in the United Kingdom. The Valuation results depend on financial and demographic assumptions and these are detailed in full in the Actuarial Valuation and at Appendix 1 of the Funding Strategy Statement. [Your Pension Service - Lancashire Fund Information](http://www.yourpensionservice.org.uk/local_government/index.asp?siteid=5921&pageid=33736&e=e)

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

Rates and adjustments certificate issued in accordance with Regulation 62

|  |  |
| --- | --- |
| NAME OF FUND | Lancashire County Pension Fund |

Primary contribution rate

I hereby certify that, in my opinion, the primary rate of the employers’ contribution for the whole Fund for each of the three years beginning 1 April 2017 is 14.9% of pensionable pay.

The primary rate of contribution for each employer for the three year period beginning 1 April 2017 is set out in the attached schedule.

Secondary contribution rate

I hereby certify that, in my opinion, the secondary rate of the employer’s contribution for the whole Fund for each of the three years beginning 1 April 2017 is as follows:

2017/18 £36.0 million plus 0.6% of pensionable pay

2018/19 £37.1 million plus 0.7% of pensionable pay

2019/20 £38.1 million plus 0.9% of pensionable pay

The secondary rate of contribution for each employer for each of the three years beginning 1 April 2017 is set out in the attached schedule.

Contribution amounts payable

The total contribution payable for each employer is the total of the primary and secondary rates as detailed in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) unless otherwise noted in the schedule.

Further adjustments

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund’s Actuary and the Administering Authority.

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

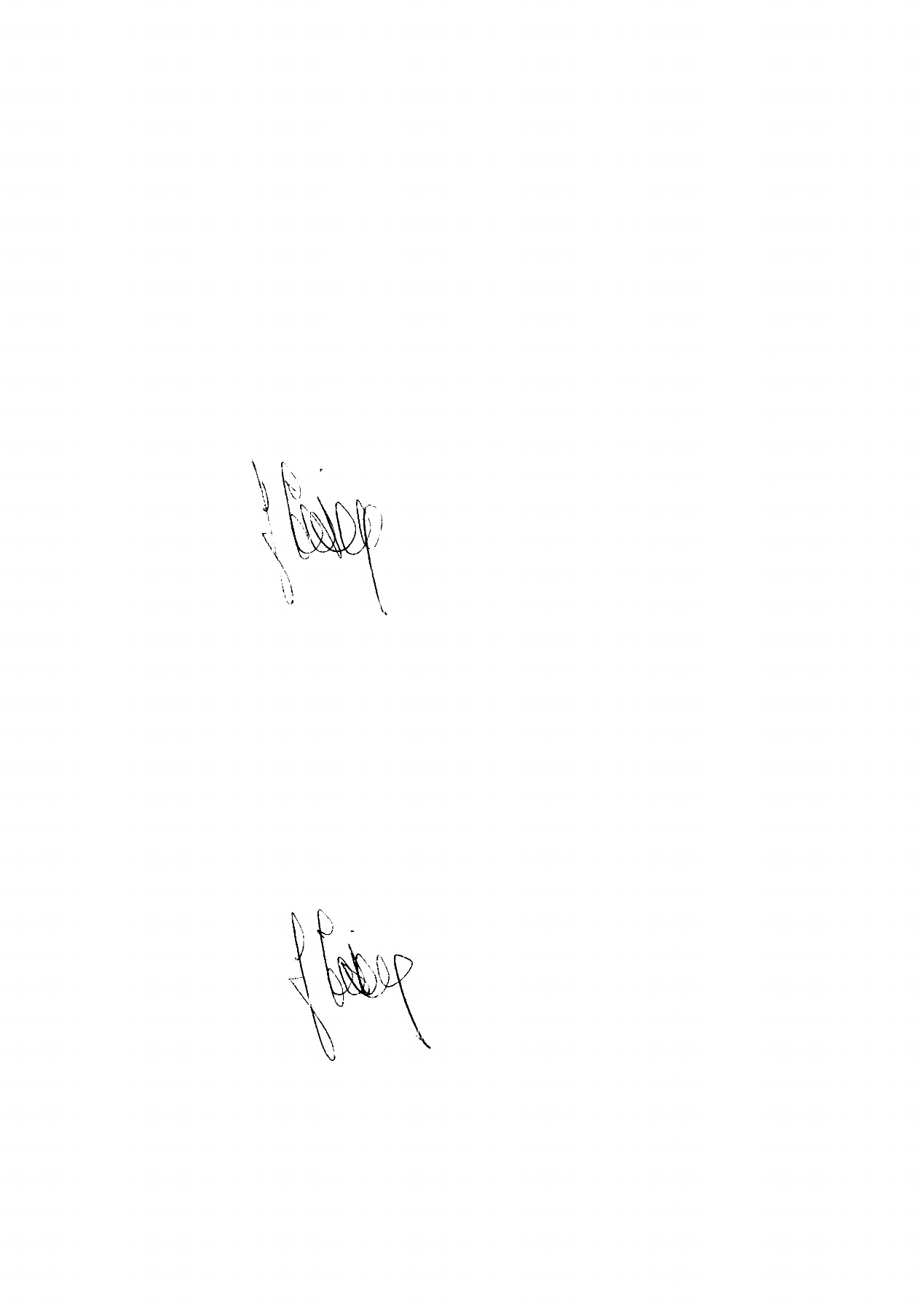
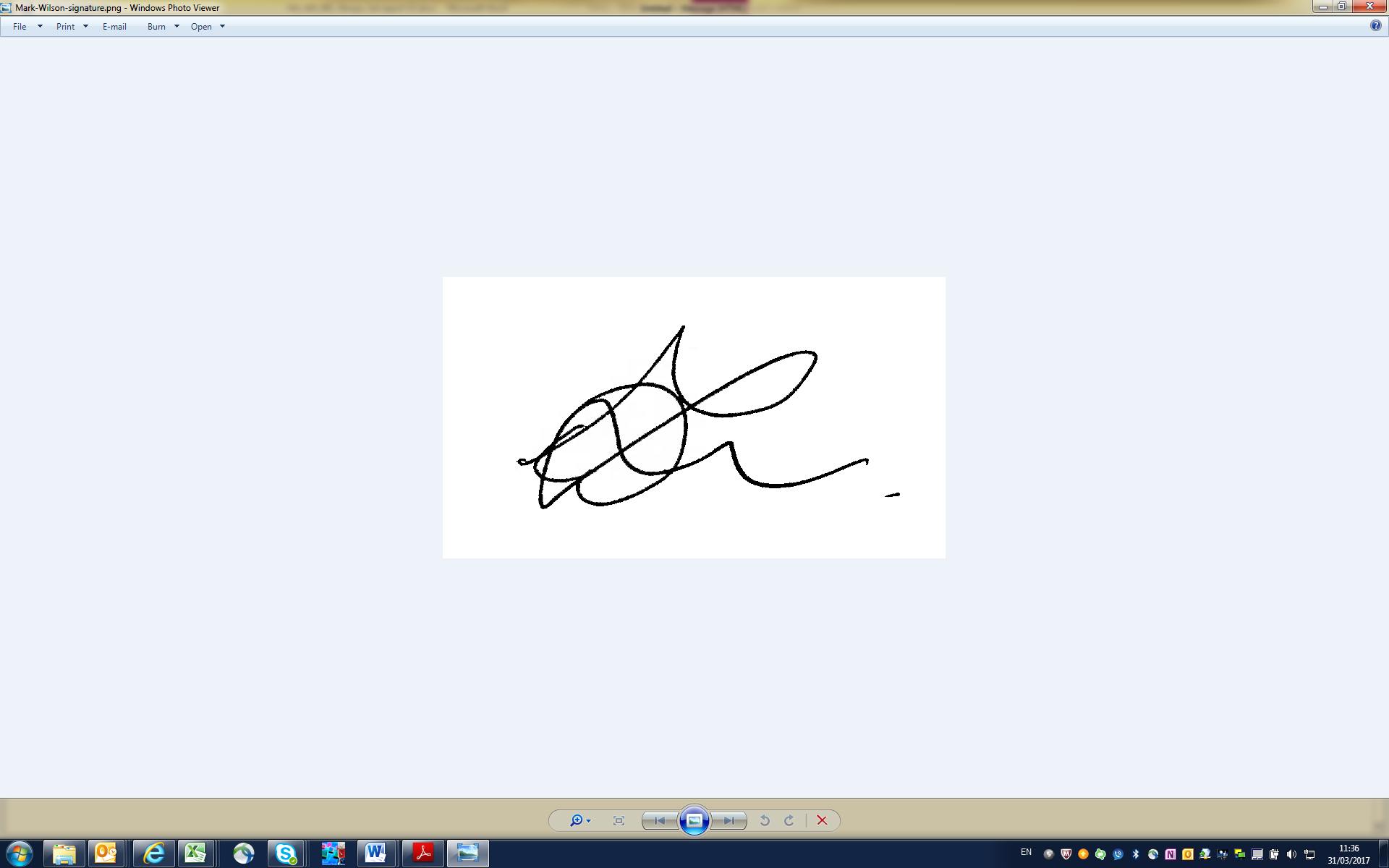
The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

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

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

Regulation 62(8)

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

**Signature:**  **Signature:** 

**Name:** John Livesey **Name:** Mark Wilson

**Qualification:** Fellow of the Institute **Qualification:** Fellow of the Institute

and Faculty of Actuaries and Faculty of Actuaries

**Date of signing:** 31 March 2017

Schedule to the rates and adjustments certificate dated 31 March 2017

| **Employer** | **Primary rate 2017/18 to 2019/20** | **Secondary rates** | | | **Total Contribution rates** | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **2017/18** | **2018/19** | **2019/20** | **2017/18** | **2018/19** | **2019/20** |
| **Major authorities** | | | | | | | |
| Blackburn with Darwen Borough Council | 14.8% | -2.4% plus £4,773,000 | -1.4% plus £4,773,000 | £4,857,500 | 12.4% plus £4,773,000 | 13.4% plus £4,773,000 | 14.8% plus £4,857,500 |
| Blackpool Borough Council | 14.8% | \*£3,315,200 | \*£4,087,500 | \*£4,501,400 | 14.8% plus \*£3,315,200 | 14.8% plus \*£4,087,500 | 14.8% plus \*£4,501,400 |
| Burnley Borough Council | 15.4% | \*£1,379,800 | \*£1,370,600 | \*£1,361,400 | 15.4% plus \*£1,379,800 | 15.4% plus \*£1,370,600 | 15.4% plus \*£1,361,400 |
| Chorley Borough Council | 14.4% | £790,500 | £840,500 | £966,300 | 14.4% plus £790,500 | 14.4% plus £840,500 | 14.4% plus £966,300 |
| Fylde Borough Council | 15.2% | \*£583,800 | \*£579,900 | \*£576,000 | 15.2% plus \*£583,800 | 15.2% plus \*£579,900 | 15.2% plus \*£576,000 |
| Hyndburn Borough Council | 15.3% | 12.7% | 12.7% | 12.7% | 28% | 28% | 28% |
| Lancashire Chief Constable | 14.0% | \*\*£1,791,700 | \*\*£1,858,000 | \*\*£1,926,700 | 14% plus \*\*£1,791,700 | 14% plus \*\*£1,858,000 | 14% plus \*\*£1,926,700 |
| Lancashire County Council - excluding schools | 15.1% | \*£9,534,200 | \*£9,470,300 | \*£9,406,900 | 15.1% plus \*£9,534,200 | 15.1% plus \*£9,470,300 | 15.1% plus \*£9,406,900 |
| Lancashire County Council schools | 15.1% | 4.7% | 4.8% | 4.9% | 19.8% | 19.9% | 20.0% |
| Lancashire Fire & Rescue Service | 14.7% | \*\*\*(£312,700) | \*\*\*(£324,300) | \*\*\*(£336,300) | 14.7% less \*\*\*£312,700 | 14.7% less \*\*\*£324,300 | 14.7% less \*\*\*£336,300 |
| Lancaster City Council | 15.5% | \*£945,900 | \*£939,600 | \*£933,300 | 15.5% plus \*£945,900 | 15.5% plus \*£939,600 | 15.5% plus \*£933,300 |
| Pendle Borough Council | 15.5% | \*£1,219,900 | \*£1,211,700 | \*£1,203,600 | 15.5% plus \*£1,219,900 | 15.5% plus \*£1,211,700 | 15.5% plus \*£1,203,600 |
| Preston City Council | 15.4% | \*£1,409,100 | \*£1,399,700 | \*£1,390,300 | 15.4% plus \*£1,409,100 | 15.4% plus \*£1,399,700 | 15.4% plus \*£1,390,300 |
| Ribble Valley Borough Council | 16.5% | \*\*£173,500 | \*\*£179,900 | \*\*£186,500 | 16.5% plus \*\*£173,500 | 16.5% plus \*\*£179,900 | 16.5% plus \*\*£186,500 |
| Rossendale Borough Council | 15.6% | \*£996,900 | \*£990,200 | \*£983,600 | 15.6% plus \*£996,900 | 15.6% plus \*£990,200 | 15.6% plus \*£983,600 |
| South Ribble Borough Council | 14.9% | \*\*£547,200 | \*\*£567,500 | \*\*£588,400 | 14.9% plus \*\*£547,200 | 14.9% plus \*\*£567,500 | 14.9% plus \*\*£588,400 |
| West Lancashire District Council | 16.3% | \*£985,600 | \*£979,000 | \*£972,400 | 16.3% plus \*£985,600 | 16.3% plus \*£979,000 | 16.3% plus \*£972,400 |
| Wyre Borough Council | 15.8% | \*£707,700 | \*£702,900 | \*£698,200 | 15.8% plus \*£707,700 | 15.8% plus \*£702,900 | 15.8% plus \*£698,200 |
|  | | | | | | | |
| **Other scheme employers** | | | | | | | |
| Accrington & Rossendale College | 15.1% | £269,300 | £279,200 | £289,600 | 15.1% plus £269,300 | 15.1% plus £279,200 | 15.1% plus £289,600 |
| Blackburn College | 14.2% | £82,800 | £85,900 | £89,000 | 14.2% plus £82,800 | 14.2% plus £85,900 | 14.2% plus £89,000 |
| Blackburn St Mary's College | 14.6% | £9,100 | £9,400 | £9,800 | 14.6% plus £9,100 | 14.6% plus £9,400 | 14.6% plus £9,800 |
| Blackpool & The Fylde College | 14.4% | £192,600 | £199,700 | £207,100 | 14.4% plus £192,600 | 14.4% plus £199,700 | 14.4% plus £207,100 |
| Blackpool Coastal Housing | 13.9% | -1.9% | -1.9% | -1.9% | 12% | 12% | 12% |
| Blackpool Housing Company Ltd | 13.4% | -0.1% | -0.1% | -0.1% | 13.3% | 13.3% | 13.3% |
| Blackpool Sixth Form College | 12.1% | -0.3% | -0.3% | -0.3% | 11.8% | 11.8% | 11.8% |
| Burnley College | 13.2% | £124,900 | £129,500 | £134,300 | 13.2% plus £124,900 | 13.2% plus £129,500 | 13.2% plus £134,300 |
| Cardinal Newman College | 13.9% | £49,400 | £51,200 | £53,100 | 13.9% plus £49,400 | 13.9% plus £51,200 | 13.9% plus £53,100 |
| County Councils Network | 5.2% | £700 | £700 | £800 | 5.2% plus £700 | 5.2% plus £700 | 5.2% plus £800 |
| Edge Hill University | 14.3% | £780,300 | £809,200 | £839,100 | 14.3% plus £780,300 | 14.3% plus £809,200 | 14.3% plus £839,100 |
| Lancaster & Morecambe College | 15.3% | £121,300 | £125,800 | £130,400 | 15.3% plus £121,300 | 15.3% plus £125,800 | 15.3% plus £130,400 |
| Myerscough College | 14.2% | £165,800 | £171,900 | £178,300 | 14.2% plus £165,800 | 14.2% plus £171,900 | 14.2% plus £178,300 |
| Nelson and Colne College | 14.0% | £50,700 | £52,500 | £54,500 | 14% plus £50,700 | 14% plus £52,500 | 14% plus £54,500 |
| Police & Crime Commissioner | 13.9% | £3,800 | £3,900 | £4,100 | 13.9% plus £3,800 | 13.9% plus £3,900 | 13.9% plus £4,100 |
| Preston College | 13.3% | £259,900 | £269,500 | £279,500 | 13.3% plus £259,900 | 13.3% plus £269,500 | 13.3% plus £279,500 |
| Runshaw College | 15.7% | £86,000 | £89,200 | £92,500 | 15.7% plus £86,000 | 15.7% plus £89,200 | 15.7% plus £92,500 |
| University of Central Lancashire | 14.3% | £949,800 | £984,900 | £1,021,400 | 14.3% plus £949,800 | 14.3% plus £984,900 | 14.3% plus £1,021,400 |
|  | | | | | | | |
| **Designated / Resolution body** | | | | | | | |
| Blackpool Transport Services Ltd | 23.1% | -23.1% | -23.1% | -23.1% | 0% | 0% | 0% |
| Catterall Parish Council | 25.3% | Nil | Nil | Nil | 25.3% | 25.3% | 25.3% |
| Darwen Town Council | 15.9% | Nil | Nil | Nil | 15.9% | 15.9% | 15.9% |
| Garstang Town Council | 17.5% | Nil | Nil | Nil | 17.5% | 17.5% | 17.5% |
| Habergham Eaves Parish Council | 15.8% | Nil | Nil | Nil | 15.8% | 15.8% | 15.8% |
| Kirkland Parish Council | 25.2% | -0.7% | -0.7% | -0.7% | 24.5% | 24.5% | 24.5% |
| Lancs Sports Partnership Ltd | 10.9% | -0.6% | -0.6% | -0.6% | 10.3% | 10.3% | 10.3% |
| Marketing Lancashire Ltd | 12.6% | -1.1% | -1.1% | -1.1% | 11.5% | 11.5% | 11.5% |
| Morecambe Town Council | 19.2% | -1.2% | -1.2% | -1.2% | 18% | 18% | 18% |
| Old Laund Booth Parish Council | 15.9% | Nil | Nil | Nil | 15.9% | 15.9% | 15.9% |
| Penwortham Town Council | 15.8% | -3.4% | -3.4% | -3.4% | 12.4% | 12.4% | 12.4% |
| Pilling Parish Council | 27.6% | £100 | £100 | £100 | 27.6% plus £100 | 27.6% plus £100 | 27.6% plus £100 |
| Preesall Town Council | 23.2% | £100 | £100 | £100 | 23.2% plus £100 | 23.2% plus £100 | 23.2% plus £100 |
| Rossendale Transport Ltd. | 25.6% | Nil | Nil | Nil | 25.6% | 25.6% | 25.6% |
| St Anne’s on Sea Town Council | 17.0% | £1,100 | £1,100 | £1,200 | 17% plus £1,100 | 17% plus £1,100 | 17% plus £1,200 |
| The Lancashire Colleges Ltd | 17.8% | -3.7% | -3.7% | -3.7% | 14.1% | 14.1% | 14.1% |
| Whittle-le-woods Parish Council | 17.0% | Nil | Nil | Nil | 17% | 17% | 17% |
| Whitworth Town Council | 12.8% | £2,200 | £2,200 | £2,300 | 12.8% plus £2,200 | 12.8% plus £2,200 | 12.8% plus £2,300 |
|  | | | | | | | |
| **Academies / schools** | | | | | | | |
| Academy at Worden | 14.6% | £13,400 | £13,900 | £14,400 | 14.6% plus £13,400 | 14.6% plus £13,900 | 14.6% plus £14,400 |
| Accrington Academy | 14.3% | -2.9% | -2.9% | -2.9% | 11.4% | 11.4% | 11.4% |
| Albany Science College (Academy) | 16.2% | £23,800 | £24,700 | £25,600 | 16.2% plus £23,800 | 16.2% plus £24,700 | 16.2% plus £25,600 |
| All Saints CE Primary School (Academy) | 14.1% | £16,200 | £16,800 | £17,400 | 14.1% plus £16,200 | 14.1% plus £16,800 | 14.1% plus £17,400 |
| Anchorsholme Academy | 16.0% | £34,900 | £36,200 | £37,500 | 16% plus £34,900 | 16% plus £36,200 | 16% plus £37,500 |
| ANWET - Darwen Aldridge Community Academy | 14.3% | -2% | -2% | -2% | 12.3% | 12.3% | 12.3% |
| ANWET - Darwen Vale Academy | 15.1% | £64,600 | £67,000 | £69,500 | 15.1% plus £64,600 | 15.1% plus £67,000 | 15.1% plus £69,500 |
| ANWET - Sudell PS Academy | 19.1% | £18,300 | £19,000 | £19,700 | 19.1% plus £18,300 | 19.1% plus £19,000 | 19.1% plus £19,700 |
| Bacup and Rawtenstall Grammar School (Academy) | 14.8% | £22,600 | £23,400 | £24,300 | 14.8% plus £22,600 | 14.8% plus £23,400 | 14.8% plus £24,300 |
| Belthorn Primary Academy | 18.6% | £7,300 | £7,600 | £7,900 | 18.6% plus £7,300 | 18.6% plus £7,600 | 18.6% plus £7,900 |
| BFET (Marton Primary Academy) | 16.3% | £22,800 | £23,600 | £24,500 | 16.3% plus £22,800 | 16.3% plus £23,600 | 16.3% plus £24,500 |
| BFET (South Shore Academy) | 14.9% | £48,200 | £50,000 | £51,800 | 14.9% plus £48,200 | 14.9% plus £50,000 | 14.9% plus £51,800 |
| Bishop Rawstorne C of E High Academy | 17.5% | £28,500 | £29,600 | £30,600 | 17.5% plus £28,500 | 17.5% plus £29,600 | 17.5% plus £30,600 |
| Blackpool MAT (Revoe) | 14.6% | £47,500 | £49,300 | £51,100 | 14.6% plus £47,500 | 14.6% plus £49,300 | 14.6% plus £51,100 |
| Blessed Edward MAT (Christ) | 16.3% | £11,900 | £12,300 | £12,800 | 16.3% plus £11,900 | 16.3% plus £12,300 | 16.3% plus £12,800 |
| Blessed Edward MAT (St Cuthbert) | 15.3% | £24,900 | £25,800 | £26,800 | 15.3% plus £24,900 | 15.3% plus £25,800 | 15.3% plus £26,800 |
| Blessed Edward MAT (St Mary’s) | 15.5% | £46,500 | £48,200 | £50,000 | 15.5% plus £46,500 | 15.5% plus £48,200 | 15.5% plus £50,000 |
| Bowland High Academy Trust | 17.6% | £29,000 | £30,100 | £31,200 | 17.6% plus £29,000 | 17.6% plus £30,100 | 17.6% plus £31,200 |
| Cidari Ed Ltd (Marsden St John) | 17.0% | £9,600 | £10,000 | £10,400 | 17% plus £9,600 | 17% plus £10,000 | 17% plus £10,400 |
| Cidari Edu Ltd (Baines Endowed) | 12.7% | £39,300 | £40,800 | £42,300 | 12.7% plus £39,300 | 12.7% plus £40,800 | 12.7% plus £42,300 |
| Cidari Education Trust | 8.8% | £2,400 | Nil | Nil | 8.8% plus £2,400 | 8.8% | 8.8% |
| Cidari Education Ltd (St Aidans) | 14.0% | £17,100 | £17,700 | £18,400 | 14% plus £17,100 | 14% plus £17,700 | 14% plus £18,400 |
| Cidari Education Ltd (St Barnabas) | 16.2% | £20,100 | £20,800 | £21,600 | 16.2% plus £20,100 | 16.2% plus £20,800 | 16.2% plus £21,600 |
| Cidari Education Ltd (St James) | 13.8% | £17,300 | £17,900 | £18,600 | 13.8% plus £17,300 | 13.8% plus £17,900 | 13.8% plus £18,600 |
| Clitheroe Royal Grammar School (Academy) | 16.7% | £58,000 | £60,100 | £62,400 | 16.7% plus £58,000 | 16.7% plus £60,100 | 16.7% plus £62,400 |
| CSCST (Burnley High Free School) | 13.6% | £300 | £300 | £300 | 13.6% plus £300 | 13.6% plus £300 | 13.6% plus £300 |
| Devonshire Academy | 15.7% | £36,900 | £38,300 | £39,700 | 15.7% plus £36,900 | 15.7% plus £38,300 | 15.7% plus £39,700 |
| Education Partnership Trust (Coal Clough) | 17.6% | £20,000 | £20,700 | £21,500 | 17.6% plus £20,000 | 17.6% plus £20,700 | 17.6% plus £21,500 |
| Education Partnership Trust (Eden School) | 10.7% | £1,400 | £1,500 | £1,600 | 10.7% plus £1,400 | 10.7% plus £1,500 | 10.7% plus £1,600 |
| Education Partnership Trust (Pleckgate HS) | 15.9% | £66,200 | £68,600 | £71,200 | 15.9% plus £66,200 | 15.9% plus £68,600 | 15.9% plus £71,200 |
| FACT (Unity Academy) | 13.5% | £59,500 | £61,700 | £64,000 | 13.5% plus £59,500 | 13.5% plus £61,700 | 13.5% plus £64,000 |
| FCAT (Aspire Academy) | 17.1% | £48,500 | £50,300 | £52,200 | 17.1% plus £48,500 | 17.1% plus £50,300 | 17.1% plus £52,200 |
| FCAT (Montgomery HS Academy) | 14.3% | £55,000 | £57,000 | £59,100 | 14.3% plus £55,000 | 14.3% plus £57,000 | 14.3% plus £59,100 |
| Fulwood Academy | 15.2% | -3.9% | -3.9% | -3.9% | 11.3% | 11.3% | 11.3% |
| Fylde Coast Academy Trust | 13.4% | £1,500 | £1,600 | £1,600 | 13.4% plus £1,500 | 13.4% plus £1,600 | 13.4% plus £1,600 |
| Garstang Community Academy | 17.9% | £27,900 | £28,900 | £30,000 | 17.9% plus £27,900 | 17.9% plus £28,900 | 17.9% plus £30,000 |
| Hambleton Primary Academy | 13.6% | £6,800 | £7,100 | £7,300 | 13.6% plus £6,800 | 13.6% plus £7,100 | 13.6% plus £7,300 |
| Hawe Side Primary School | 15.6% | £17,500 | £18,100 | £18,800 | 15.6% plus £17,500 | 15.6% plus £18,100 | 15.6% plus £18,800 |
| Hodgson Academy | 17.5% | £43,400 | £45,000 | £46,700 | 17.5% plus £43,400 | 17.5% plus £45,000 | 17.5% plus £46,700 |
| Lancashire Care Foundation | 20.1% | -5% | -5% | -5% | 15.1% | 15.1% | 15.1% |
| Lancaster Girls Grammar School (Academy) | 15.5% | £41,900 | £43,400 | £45,000 | 15.5% plus £41,900 | 15.5% plus £43,400 | 15.5% plus £45,000 |
| Lancaster Royal Grammar School (Academy) | 17.9% | £66,500 | £69,000 | £71,500 | 17.9% plus £66,500 | 17.9% plus £69,000 | 17.9% plus £71,500 |
| Langdale Free School | 15.4% | Nil | Nil | Nil | 15.4% | 15.4% | 15.4% |
| Lostock Hall Academy Trust | 17.2% | £30,100 | £31,200 | £32,400 | 17.2% plus £30,100 | 17.2% plus £31,200 | 17.2% plus £32,400 |
| Maharishi School (Free School) | 18.4% | -0.1% | -0.1% | -0.1% | 18.3% | 18.3% | 18.3% |
| Moorside Community PS Academy | 14.8% | £10,800 | £11,200 | £11,600 | 14.8% plus £10,800 | 14.8% plus £11,200 | 14.8% plus £11,600 |
| Norbreck Primary Academy | 15.0% | £18,400 | £19,100 | £19,800 | 15% plus £18,400 | 15% plus £19,100 | 15% plus £19,800 |
| Parbold Douglas CE Academy | 16.1% | £9,700 | £10,100 | £10,400 | 16.1% plus £9,700 | 16.1% plus £10,100 | 16.1% plus £10,400 |
| Park Academy | 13.2% | £55,300 | £57,300 | £59,500 | 13.2% plus £55,300 | 13.2% plus £57,300 | 13.2% plus £59,500 |
| Parklands High School (Academy) | 14.6% | £25,900 | £26,800 | £27,800 | 14.6% plus £25,900 | 14.6% plus £26,800 | 14.6% plus £27,800 |
| Pendle Education Trust (Colne Primet) | 17.5% | £14,200 | £14,700 | £15,300 | 17.5% plus £14,200 | 17.5% plus £14,700 | 17.5% plus £15,300 |
| Pendle Education Trust (Castercliff) | 17.2% | £24,900 | £25,800 | £26,800 | 17.2% plus £24,900 | 17.2% plus £25,800 | 17.2% plus £26,800 |
| Pendle Education Trust (Walter Street Primary School) | 15.5% | £14,700 | £15,200 | £15,800 | 15.5% plus £14,700 | 15.5% plus £15,200 | 15.5% plus £15,800 |
| Penwortham Priory Academy | 15.4% | £17,100 | £17,700 | £18,300 | 15.4% plus £17,100 | 15.4% plus £17,700 | 15.4% plus £18,300 |
| Queen Elizabeth's Grammar School | 16.1% | £67,100 | £69,600 | £72,200 | 16.1% plus £67,100 | 16.1% plus £69,600 | 16.1% plus £72,200 |
| Ripley St Thomas C of E Academy | 17.6% | £43,000 | £44,600 | £46,200 | 17.6% plus £43,000 | 17.6% plus £44,600 | 17.6% plus £46,200 |
| Roseacre Primary Academy | 15.3% | £23,100 | £24,000 | £24,800 | 15.3% plus £23,100 | 15.3% plus £24,000 | 15.3% plus £24,800 |
| St Christopher's C of E high School (Academy) | 16.1% | £88,000 | £91,300 | £94,600 | 16.1% plus £88,000 | 16.1% plus £91,300 | 16.1% plus £94,600 |
| St Georges Academy | 15.1% | £39,200 | £40,700 | £42,200 | 15.1% plus £39,200 | 15.1% plus £40,700 | 15.1% plus £42,200 |
| St Luke and St Philip (Academy) | 14.7% | £28,100 | £29,100 | £30,200 | 14.7% plus £28,100 | 14.7% plus £29,100 | 14.7% plus £30,200 |
| St Michael's C of E High School (Academy) | 16.5% | £45,600 | £47,200 | £49,000 | 16.5% plus £45,600 | 16.5% plus £47,200 | 16.5% plus £49,000 |
| St Wilfrid's C of E Academy | 13.9% | £91,900 | £95,300 | £98,800 | 13.9% plus £91,900 | 13.9% plus £95,300 | 13.9% plus £98,800 |
| Tarleton Academy | 14.9% | £29,400 | £30,500 | £31,600 | 14.9% plus £29,400 | 14.9% plus £30,500 | 14.9% plus £31,600 |
| Tauheedul Education Trust | 11.2% | -1.1% | -1.1% | -1.1% | 10.1% | 10.1% | 10.1% |
| Tauheedul ET (Eden BS Preston) | 10.8% | £900 | Nil | Nil | 10.8% plus £900 | 10.8% | 10.8% |
| Tauheedul ET (Eden GS Birmingham) | 10.1% | Nil | Nil | Nil | 10.1% | 10.1% | 10.1% |
| Tauheedul ET (Eden GS Slough) | 12.2% | £100 | Nil | Nil | 12.2% plus £100 | 12.2% | 12.2% |
| Tauheedul ET (Olive Blackburn) | 8.5% | -1% | -1% | -1% | 7.5% | 7.5% | 7.5% |
| Tauheedul ET (Olive London) | 8.3% | -1.1% | -1.1% | -1.1% | 7.2% | 7.2% | 7.2% |
| Tauheedul ET Eden BS Bolton FS | 14.2% | £100 | £100 | £100 | 14.2% plus £100 | 14.2% plus £100 | 14.2% plus £100 |
| Tauheedul ET Eden GS Coventry | 8.6% | -0.3% | -0.3% | -0.3% | 8.3% | 8.3% | 8.3% |
| Tauheedul ET Eden GS Waltham | 11.6% | £1,300 | £1,300 | £1,400 | 11.6% plus £1,300 | 11.6% plus £1,300 | 11.6% plus £1,400 |
| Tauheedul ET Islam Girls HS | 16.1% | £17,900 | £18,600 | £19,200 | 16.1% plus £17,900 | 16.1% plus £18,600 | 16.1% plus £19,200 |
| Tauheedul Islam Boys High School (Free School) | 10.5% | £900 | £900 | £1,000 | 10.5% plus £900 | 10.5% plus £900 | 10.5% plus £1,000 |
| Thames Primary Academy | 14.2% | £29,100 | £30,200 | £31,300 | 14.2% plus £29,100 | 14.2% plus £30,200 | 14.2% plus £31,300 |
| The Heights Free School | 14.0% | £22,600 | £23,400 | £24,300 | 14% plus £22,600 | 14% plus £23,400 | 14% plus £24,300 |
| Tower MAT (Blackpool Gateway Academy) | 12.0% | £4,400 | £4,600 | £4,700 | 12% plus £4,400 | 12% plus £4,600 | 12% plus £4,700 |
| Waterloo Primary School (Academy) | 14.2% | £30,900 | £32,000 | £33,200 | 14.2% plus £30,900 | 14.2% plus £32,000 | 14.2% plus £33,200 |
| Wensley Fold CE Primary Academy | 14.1% | £29,900 | £31,000 | £32,200 | 14.1% plus £29,900 | 14.1% plus £31,000 | 14.1% plus £32,200 |
| Westcliff Primary School (Academy) | 15.3% | £12,600 | £13,100 | £13,500 | 15.3% plus £12,600 | 15.3% plus £13,100 | 15.3% plus £13,500 |
| Witton Park Academy Trust | 15.8% | £55,900 | £58,000 | £60,100 | 15.8% plus £55,900 | 15.8% plus £58,000 | 15.8% plus £60,100 |
|  | | | | | | | |
| **Admitted bodies (community)** | | | | | | | |
| Arnold Schools Ltd. | 19.4% | £26,200 | £27,100 | £28,100 | 19.4% plus £26,200 | 19.4% plus £27,100 | 19.4% plus £28,100 |
| Blackpool Fylde Wyre Blind Society | 21.6% | -20.6% | -20.6% | -20.6% | 1% | 1% | 1% |
| Blackpool Zoo | 19.6% | -4.4% | -4.4% | -4.4% | 15.2% | 15.2% | 15.2% |
| Blackpool, Fylde and Wyre Credit Union | 21.2% | -1.6% | -1.6% | -1.6% | 19.6% | 19.6% | 19.6% |
| Calico Housing Limited | 13.8% | £209,200 | £216,900 | £224,900 | 13.8% plus £209,200 | 13.8% plus £216,900 | 13.8% plus £224,900 |
| Catholic Caring Services | 16.6% | £65,500 | £67,900 | £70,400 | 16.6% plus £65,500 | 16.6% plus £67,900 | 16.6% plus £70,400 |
| Chorley Community Housing | 16.4% | -3.9% | -3.9% | -3.9% | 12.5% | 12.5% | 12.5% |
| Community and Business Partners CIC | 14.8% | -2% | -2% | -2% | 12.8% | 12.8% | 12.8% |
| Community Council of Lancashire | 19.5% | £26,000 | £27,500 | £28,500 | 19.5% plus £26,000 | 19.5% plus £27,500 | 19.5% plus £28,500 |
| Community Gateway Association | 16.1% | -1.5% | -1.5% | -1.5% | 14.6% | 14.6% | 14.6% |
| Contour Housing Group | 22.2% | -22.2% | -22.2% | -22.2% | 0% | 0% | 0% |
| Fylde Community Link | 16.8% | £11,200 | £11,700 | £12,100 | 16.8% plus £11,200 | 16.8% plus £11,700 | 16.8% plus £12,100 |
| Galloways Society for Blind | 20.2% | £16,600 | £17,200 | £17,800 | 20.2% plus £16,600 | 20.2% plus £17,200 | 20.2% plus £17,800 |
| Hyndburn Homes Ltd | 18.4% | -2.8% | -2.8% | -2.8% | 15.6% | 15.6% | 15.6% |
| Kirkham Grammar School (Independent) | 19.9% | £29,300 | £30,400 | £31,500 | 19.9% plus £29,300 | 19.9% plus £30,400 | 19.9% plus £31,500 |
| Lancashire County Branch Unison | 18.2% | -18.2% | -18.2% | -18.2% | 0% | 0% | 0% |
| Lancaster University | 13.4% | £504,700 | £523,400 | £542,700 | 13.4% plus £504,700 | 13.4% plus £523,400 | 13.4% plus £542,700 |
| Leisure in Hyndburn | 13.0% | £47,800 | £49,600 | £51,400 | 13% plus £47,800 | 13% plus £49,600 | 13% plus £51,400 |
| Local Pensions Partnership Ltd | 12.4% | Nil | Nil | Nil | 12.4% | 12.4% | 12.4% |
| Lytham Schools Foundation | 18.0% | -4.4% | -4.4% | -4.4% | 13.6% | 13.6% | 13.6% |
| North West & North Wales Sea Fisheries Committee | 16.6% | £25,500 | £26,500 | £27,500 | 16.6% plus £25,500 | 16.6% plus £26,500 | 16.6% plus £27,500 |
| Pendle Leisure Trust | 12.6% | £20,600 | £21,400 | £22,200 | 12.6% plus £20,600 | 12.6% plus £21,400 | 12.6% plus £22,200 |
| Preston Care and Repair | 13.7% | £3,600 | Nil | Nil | 13.7% plus £3,600 | 13.7% | 13.7% |
| Progress Housing Group Ltd | 17.9% | -2.3% | -2.3% | -2.3% | 15.6% | 15.6% | 15.6% |
| QEGS Blackburn Ltd | 16.5% | -0.3% | -0.3% | -0.3% | 16.2% | 16.2% | 16.2% |
| Ribble Valley Homes Ltd | 18.9% | -10.2% | -10.2% | -10.2% | 8.7% | 8.7% | 8.7% |
| Rossendale Leisure Trust | 13.6% | -2.1% | -2.1% | -2.1% | 11.5% | 11.5% | 11.5% |
| Surestart Hyndburn | 13.8% | £22,400 | £23,200 | £24,100 | 13.8% plus £22,400 | 13.8% plus £23,200 | 13.8% plus £24,100 |
| The Ormerod Home Trust Ltd. | 21.2% | £145,100 | £150,400 | £156,000 | 21.2% plus £145,100 | 21.2% plus £150,400 | 21.2% plus £156,000 |
| Together Housing | 14.7% | £87,700 | £90,900 | £94,300 | 14.7% plus £87,700 | 14.7% plus £90,900 | 14.7% plus £94,300 |
| University of Cumbria | 14.0% | £608,700 | £631,200 | £654,600 | 14% plus £608,700 | 14% plus £631,200 | 14% plus £654,600 |
| Wyre Housing Association | 19.3% | £257,600 | £267,100 | £277,000 | 19.3% plus £257,600 | 19.3% plus £267,100 | 19.3% plus £277,000 |
| **Admitted bodies (contractor)** | | | | | | | |
| Alternative Futures Group Ltd | 22.2% | -22.2% | -22.2% | -22.2% | 0% | 0% | 0% |
| Andron (formerly Solar) | 21.3% | -21.3% | -21.3% | -21.3% | 0% | 0% | 0% |
| Bootstrap Enterprises Ltd | 18.8% | -17.9% | -17.9% | -17.9% | 0.9% | 0.9% | 0.9% |
| Bulloughs (Carr Head PS) | 25.6% | £500 | Nil | Nil | 25.6% plus £500 | 25.6% | 25.6% |
| Bulloughs (Lytham Hall) | 21.0% | Nil | Nil | Nil | 21% | 21% | 21% |
| Bulloughs (Our Lady) | 16.8% | -7.3% | -7.3% | -7.3% | 9.5% | 9.5% | 9.5% |
| Burnley Leisure | 13.6% | -2% | -2% | -2% | 11.6% | 11.6% | 11.6% |
| Capita (Rossendale BC Transfer) | 20.7% | -20.7% | -20.7% | -20.7% | 0% | 0% | 0% |
| Catering Academy Ltd | 20.1% | -20.1% | -20.1% | -20.1% | 0% | 0% | 0% |
| Caterlink (Mount Pleasant School) | 16.8% | -1.9% | -1.9% | -1.9% | 14.9% | 14.9% | 14.9% |
| CG Cleaning (Kennington Rd) | 22.7% | -17.4% | Nil | Nil | 5.3% | 22.7% | 22.7% |
| CG Cleaning (St Augustine) | 22.1% | -3% | Nil | Nil | 19.1% | 22.1% | 22.1% |
| Churchill (Holy Family) | 21.4% | -16% | Nil | Nil | 5.4% | 21.4% | 21.4% |
| Churchill (St Anne St Joseph) | 18.5% | -2.8% | Nil | Nil | 15.7% | 18.5% | 18.5% |
| Cofely FM Ltd (Blake/Cross) | 26.7% | -26.7% | -26.7% | -26.7% | 0% | 0% | 0% |
| Cofely FM Ltd (Lend Lease) | 21.9% | -5.4% | -5.4% | -5.4% | 16.5% | 16.5% | 16.5% |
| Cofely FM Ltd (Pleckgate) | 18.8% | -10.8% | -10.8% | -10.8% | 8% | 8% | 8% |
| Cofely FM Ltd (Witton Park) | 23.2% | -3.2% | -3.2% | -3.2% | 20% | 20% | 20% |
| Compass Contract Services | 23.4% | -0.4% | -0.4% | -0.4% | 23% | 23% | 23% |
| Compass Contract Services (UK) Ltd (Preston College) | 20.9% | -0.9% | -0.9% | -0.9% | 20% | 20% | 20% |
| Consultant Caterers Ltd | 22.5% | -17.8% | -17.8% | -17.8% | 4.7% | 4.7% | 4.7% |
| Creative Support Limited (Midway Mental health) | 18.2% | -4.2% | -4.2% | -4.2% | 14% | 14% | 14% |
| Creative Support Ltd | 21.0% | -21% | -21% | -21% | 0% | 0% | 0% |
| Elite CES Ltd (Fulwood Cadley) | 19.9% | Nil | Nil | Nil | 19.9% | 19.9% | 19.9% |
| Elite CES Ltd (Moor Nook PS) | 23.1% | Nil | Nil | Nil | 23.1% | 23.1% | 23.1% |
| Elite Cleaning and Environmental Services Ltd | 16.7% | -9.8% | -9.8% | -9.8% | 6.9% | 6.9% | 6.9% |
| Eric Wright Facilities Management Ltd (Highfield High School) | 20.2% | -19.5% | -19.5% | -19.5% | 0.7% | 0.7% | 0.7% |
| FCC Environment | 20.6% | Nil | Nil | Nil | 20.6% | 20.6% | 20.6% |
| Fylde YMCA | 16.5% | -16.5% | -16.5% | -16.5% | 0% | 0% | 0% |
| I CARE | 26.1% | -26.1% | -26.1% | -26.1% | 0% | 0% | 0% |
| Ind Living Fund (Blackpool BC) | 19.7% | -2% | Nil | Nil | 17.7% | 19.7% | 19.7% |
| Lend Lease Cons.(EMEA) ICT | 18.8% | -5.3% | -5.3% | -5.3% | 13.5% | 13.5% | 13.5% |
| Lend Lease Cons.(EMEA) ph3 | 13.9% | -3% | -3% | -3% | 10.9% | 10.9% | 10.9% |
| Lend Lease Construction (EMEA) Limited  (Fulwood Academy) | 16.9% | -1.9% | -1.9% | -1.9% | 15% | 15% | 15% |
| Liberata (UK) Ltd (Burnley) | 18.7% | -1.4% | -1.4% | -1.4% | 17.3% | 17.3% | 17.3% |
| Liberata UK Ltd (Pendle) | 19.2% | -6.5% | -6.5% | -6.5% | 12.7% | 12.7% | 12.7% |
| Mack Trading Int. (Ltd) | 21.1% | -21.1% | -21.1% | -21.1% | 0% | 0% | 0% |
| May Gurney Fleet and Passenger Services Limited | 21.7% | -21.7% | -21.7% | -21.7% | 0% | 0% | 0% |
| Mellor's (Bishop Rawstorne) | 21.2% | -6% | -6% | -6% | 15.2% | 15.2% | 15.2% |
| Mellors (Brinscall St John) | 18.9% | -0.1% | -0.1% | -0.1% | 18.8% | 18.8% | 18.8% |
| Mellor's (Hambleton PS) | 27.6% | -1.7% | -1.7% | -1.7% | 25.9% | 25.9% | 25.9% |
| Mellors (Queens Drive) | 20.5% | Nil | Nil | Nil | 20.5% | 20.5% | 20.5% |
| Mellors (Trinity, St Michael) | 24.7% | Nil | Nil | Nil | 24.7% | 24.7% | 24.7% |
| Mellor's (Worden SC) | 28.8% | -28.8% | -28.8% | -28.8% | 0% | 0% | 0% |
| Mellor's Catering (Belthorn Academy) | 21.1% | Nil | Nil | Nil | 21.1% | 21.1% | 21.1% |
| NCP Services Ltd | 23.6% | -23.6% | -23.6% | -23.6% | 0% | 0% | 0% |
| RCCN (Basnett Nursery) | 22.2% | Nil | Nil | Nil | 22.2% | 22.2% | 22.2% |
| Ridge Crest Clean Nrth Sacred | 28.8% | -28.8% | -28.8% | -28.8% | 0% | 0% | 0% |
| Service Alliance (Barnoldswick) | 21.3% | Nil | Nil | Nil | 21.3% | 21.3% | 21.3% |
| Service Alliance (Whalley PS) | 22.2% | Nil | Nil | Nil | 22.2% | 22.2% | 22.2% |
| Service Alliance Ltd (Altham) | 25.7% | -3.1% | Nil | Nil | 22.6% | 25.7% | 25.7% |
| Service Alliance Ltd (RCC) | 26.6% | £500 | Nil | Nil | 26.6% plus £500 | 26.6% | 26.6% |
| South Ribble Community Leisure (Serco) | 13.5% | £80,400 | £83,400 | £86,500 | 13.5% plus £80,400 | 13.5% plus £83,400 | 13.5% plus £86,500 |
| Urbaser Ltd | 23.9% | £400 | £400 | £400 | 23.9% plus £400 | 23.9% plus £400 | 23.9% plus £400 |
| West Lancashire Community Leisure (Serco) | 14.9% | -14.9% | -14.9% | -14.9% | 0% | 0% | 0% |
|  | | | | | | | |
| **Other employers confirmed post valuation** | | | | | | | |
| Freckleton Parish Council | 18.6% | Nil | Nil | Nil | 18.6% | 18.6% | 18.6% |
| PET (West Craven) | 17.2% | £18,100 | £18,800 | £19,500 | 17.2% plus £18,100 | 17.2% plus £18,800 | 17.2% plus £19,500 |
| Andron Heyhouses | 23.3% | Nil | Nil | Nil | 23.3% | 23.3% | 23.3% |
| Blessed Edward Trust | 10.7% | Nil | Nil | Nil | 10.7% | 10.7% | 10.7% |
| Churchill Moorside | 25.1% | -4.3% | -4.3% | -4.3% | 20.8% | 20.8% | 20.8% |
| Clayton-le-Woods Parish Council | 17.8% | -0.9% | -0.9% | -0.9% | 16.9% | 16.9% | 16.9% |
| Cliviger Parish Council | 15.9% | Nil | Nil | Nil | 15.9% | 15.9% | 15.9% |
| Compass HHC | 21.6% | Nil | Nil | Nil | 21.6% | 21.6% | 21.6% |
| Education Partnership Trust | 11.2% | -0.4% | -0.4% | -0.4% | 10.8% | 10.8% | 10.8% |
| FCAT Mereside Primary Academy | 16.3% | £27,600 | £28,600 | £29,700 | 16.3% plus £27,600 | 16.3% plus £28,600 | 16.3% plus £29,700 |
| Mellors Lostock | 21.9% | Nil | Nil | Nil | 21.9% | 21.9% | 21.9% |
| PET | 15.5% | £700 | £700 | £700 | 15.5% plus £700 | 15.5% plus £700 | 15.5% plus £700 |
| Tauheedul Highfield Humanities | 16.4% | £57,700 | £59,800 | £62,000 | 16.4% plus £57,700 | 16.4% plus £59,800 | 16.4% plus £62,000 |
| Tauheedul Olive Birmingham | 7.6% | Nil | Nil | Nil | 7.6% | 7.6% | 7.6% |
| Tauheedul Olive Bolton | 11.1% | Nil | Nil | Nil | 11.1% | 11.1% | 11.1% |
| Tauheedul Olive Preston | 9.7% | Nil | Nil | Nil | 9.7% | 9.7% | 9.7% |
| Taylor Shaw (Parklands HS) | 22.4% | -3% | -3% | -3% | 19.4% | 19.4% | 19.4% |
| Tor View | 12.6% | £57,300 | £59,400 | £61,600 | 12.6% plus £57,300 | 12.6% plus £59,400 | 12.6% plus £61,600 |
| Vision Learning Trust | 13.3% | -0.1% | -0.1% | -0.1% | 13.2% | 13.2% | 13.2% |
|  | | | | | | | |
| **Employers grouped with Council** | | | | | | | |
| Andron Fearns Sport College | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Bulloughs (St Patrick) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Churchill (Clayton Brook) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Churchill (Morecambe Bay) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Consultant Cleaners (St James) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Elite CES Ltd (St Annes) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Elite CES Ltd (Carr Hill) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| I Care (Ind) | 14.8% | -2.4% | -1.4% | Nil | 12.4% | 13.4% | 14.8% |
| Maxim (Acorns PS) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Maxim (Newton Bluecoat) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Maxim (St Matthews CE PS) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Mellors (Delph Side PS) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Mellors (Holy Cross) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Mellors (Little Hoole) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Mellors (White Ash PS) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Premiserv (St Peter) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| RCCN (Burscough) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| RCCN (Our Ladys Catholic HS) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| RCCN (St Johns) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| RCCN (Whitefield) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Service Alliance (Clitheroe Pendle Primary) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Service Alliance (St Mary Magdalene) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Service Alliance (St Marys RCP) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Service Alliance (St Wilfred) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |
| Service Alliance (Whittlefield) | 15.1% | Nil | Nil | Nil | 15.1% | 15.1% | 15.1% |

**Other interested bodies with no pensionable employees**

|  |  |
| --- | --- |
| **Employer** | **Proportion of Pension Increases to be Recharged**  **%** |
|
| Blackpool & Fylde Society for the Deaf | 100 |
| Burnley & Pendle Development Association | 100 |
| Burton Manor Residential College | 100 |
| Ex Department of Transport | 100 |
| Ex National Health Service | 100 |
| Fylde Coast Development Association | 100 |
| Lancashire South East Probation Committee | 100 |
| Spastics Society | 100 |

Notes:

1. Cash payments in respect of £ lump sums marked \* are payable by 30 April 2017. Cash payments in respect of £ lump sums marked \*\* are payable by 30 April of the year in which they are due. Cash payments in respect of £ lump sums marked \*\*\* are payable by the end of the year in which they are due Where applicable these amounts have been reduced to reflect this early payment;
2. With the agreement of the Administering Authority employers may also opt to pay any other element of their employer contributions early, with either all three years being paid in April 2017 or payment being made in the April of the year in question. The cash amounts payable will be reduced in return for this early payment as follows:

* Payments made in the April of the certified year will be reduced by 2.1% (i.e. the above amounts will be multiplied by 0.979)
* 2018/19 payments made in April 2017 will be reduced by 6.3% (i.e. the above amounts will be multiplied by 0.937)
* 2019/20 payments made in April 2017 will be reduced by 10.2% (i.e. the above amounts will be multiplied by 0.898)

For these cases the employer will need to estimate in advance the pensionable pay for the entire period, and a balancing adjustment to reflect the actual pensionable pay over the period would be made at the end of the period (no later than 19th April or 22nd April as appropriate following the year-end).

1. The percentages shown are percentages of pensionable pay and apply to all members, including those who are members under the 50:50 option under the LGPS from 1 April 2014;
2. The total contributions payable by each employer each year will be subject to a minimum of zero;
3. In cases where an element of an existing Scheme Employer’s deficit is transferred to a new employer on its inception, the Scheme Employer’s deficit recovery contributions shown in this certificate may be reallocated between the Scheme Employer and the new employer to reflect this, on advice from the actuary.
4. There are a number of additional employers who no longer had any active members within the Fund as at the valuation date. Any final contribution requirement for these employers will be assessed by the Fund in due course on the basis of actuarial advice.
5. The Fund has implemented an internal captive insurance arrangement in order to pool the risks associated with ill health retirement costs. The captive has been designed for employers that could be materially affected by the ill health retirement of one or more of their members. The employers (both existing and new) that will be included in the captive are those with less than 150 active members (excluding major Councils). New employers entering the Fund who fall into this category will also be included. For those employers in the ill-health captive arrangement, 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.

**K Contacts**

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**Pension Fund Accounts**

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**L Glossary**

**Accounting policies**

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

**Accrual**

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

**Active management**

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

**Actuarial strain**

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

**Actuarial valuation**

An investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the fund actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits.

**Actuary**

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

**Additional voluntary contributions (AVC's)**

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

**Administering authority**

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

**Admitted bodies**

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

**Alternative investments**

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

**Asset allocation**

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

**Assumed pensionable pay**

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

**Auditor**

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

**Auto enrolment**

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

**Benchmark**

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

**Bid price**

The price a buyer pays for a stock.

**Bonds**

Loans, with a fixed rate of interest, made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date.

**Career average revalued earnings (CARE) scheme**.

With effect from 1 April 2014, the benefits accrued by members of the LGPS will be in the form of CARE benefits. Every year a member accrues a pension benefit equivalent to 1/49th of their pensionable pay in that year. The pension accrued will increase in line with the annual change in the consumer prices index over the period to retirement.

**Cash and cash equivalents**

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

**Collateral**

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

**Conflicts of interest**

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

**Consumer price index (CPI)**

CPI is a measure of inflation based on the change in the price of a fixed basket of goods and services. The difference between CPI and retail price index (RPI) is that CPI excludes some items used in RPI such as mortgage interest payments and council tax, and includes other items not used in RPI. The basket of goods and services on which CPI is based is expected to provide lower, less volatile, inflation increases.

**Corporate governance**

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

**Creditors**

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

**Credit strategies**

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

**Currency forward**

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

**Current assets and liabilities**

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

**Custody / custodian**

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

**Debtors**

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

**Deficit**

The extent to which the Fund's past service liabilities exceed the value of the Fund's assets.

**Defined benefit**

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

**Discount rate**

The rate of interest used to convert a future cash amount to a present day value. It is a measure of the 'time value' of money.

**Emerging markets**

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

**Equities**

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

**ESG (environmental, social and corporate governance)**

Responsible Investors understand that ESG characteristics are financially material to investment decision-making if they are likely to have an impact on a company and its performance within the period of their ownership. Long term investors such as pension funds which aim to hold assets for an extended period of time need to assess the impact of a variety of potential influences, some of which are systemic risks which are not possible to predict with certainty (such as climate change).

Investors who integrate the consideration of ESG characteristics are seeking insight into future risks and opportunities which may be financially material to the investments they are already holding or those that are under consideration.

Environmental criteria look at how a company performs as a steward of the natural environment both as a consumer of resources and a producer of goods, services and waste.

Social criteria examine how a company manages relationships with its employees, suppliers, customers and the communities where it operates.

Governance criteria examine a company's management and decision-making framework, the corporate culture this creates and the quality of corporate leadership offered.

ESG is often used as a catch-all term for the approach to assessing these various criteria as part of being an informed and responsible investor.

**Financial instrument**

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

**Fixed interest securities**

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

**Future service contribution rate**

The contribution rate payable by an employer, expressed as a % of pensionable pay. This rate is the rate which will be sufficient to meet the costs of new benefits being accrued by active members in the future.

**Funding level**

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

**Index-linked securities**

Investments in stock where the interest payments and the final redemption proceeds are linked to the retail price index. Such stocks provide protection against inflation.

**Infrastructure**

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

**Investment management expenses**

All expenses relating to managing the Fund's investments.

**Investment strategy**

Investor's long-term distribution of assets among various asset classes taking into consideration, goals of the Fund, attitude to risk and timescale.

**Liabilities**

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

**LPP – Local Pensions Partnership**

The Local Pensions Partnership (LPP) is a collaboration between two successful LGPS funds – Lancashire County Pension Fund and London Pensions Fund Authority, with the goals of creating:

* A best-in-class, end-to-end pensions services organisation for public sector funds; LPP currently provide pensions administration services to 13 funds, including LGPS, fire and police schemes.
* An FCA-regulated structure for asset pooling.
* An organisation focused on managing assets and liabilities (risk) together in order to improve long-term fund performance, stabilise contributions and reduce deficits.
* A partnership which is open to other LGPS and public sector funds to join as owner shareholders or as investors only in LPP’s pool.

**Market value**

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

**Myners review**

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

**Over the counter (OTC)**

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

**Past service liability**

The value, in present day terms, of the benefits accrued by members up to the valuation date. Calculated on the basis of a set of assumptions agreed between the administering authority and the actuary.

**Pension boards**

The role of each board is to help ensure each scheme complies with governance and administration requirements. They may have additional duties, if scheme or other regulations so specify.

Pension boards need to have an equal number of employer representatives and member representatives. They may also have other types of members, such as independent experts. All pension board members have a duty to act in accordance with scheme regulations and other governing documents.

**Pooled investment vehicles**

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

**Private equity**

Shares in un-quoted companies.

**Property**

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

**Quantitative easing**

The introduction of new money into the money supply by a central bank. The central bank increases the money supply and buys government bonds.

**Related party**

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

**Responsible investment**

An approach to investment which recognises that the consideration of environmental, social and governance factors forms an important part of the evaluation of the future risks and opportunities facing investee companies. Responsible Investors seek to understand the influences that are likely to impact the performance of investments during their period of ownership in order to assess the balance of risks relative to returns.

Pension funds invest the retirement savings of scheme members in order to fund the benefits they are entitled to receive in the future. There is an underlying fiduciary duty to protect the financial interests of scheme beneficiaries which is exercised through the approach to investment and the evaluation of risks and opportunities as part of investment stewardship.

**Scheduled bodies**

Organisations which are listed in parts 1 and 2 of schedule 2 to the LGPS Regulations 2013. These bodies automatically have the right to offer LGPS membership to eligible employees.

Organisations listed in part 1 are required to enrol eligible employees into the LGPS. This list includes, but is not limited to: County and District Councils, Combined Authorities, Fire and Rescue Authorities, Police and Crime Commissioners, Chief Constables, Further and Higher Education Corporations, Sixth Form Colleges and Academies.

If an organisation is listed in part 2 it can choose to offer membership to all or some employees. This list includes, but is not limited to: Parish Councils, subsidiaries of County or District Councils, Other precepting authorities not listed in Part 1.

**Service level agreement**

A commitment between a service provider (for example LPP) and a client (for example, the Fund) that defines exactly which services will be provided and the level or standard expected for those services.

**Stock lending**

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

**Transfer values**

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

**Triennial actuarial valuation**

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

**Venture capital**

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

**50:50 scheme**

In the LGPS, active members are given an option to accrue a lower benefit in return for paying a lower level of contribution.

**Appendix 1**

**Scheme employers with active members at 31 March 2019**

|  | Contributions Received | | |
| --- | --- | --- | --- |
| Employer Name | Employer (£'000) | Employee (£'000) | Deficit recovery  (£'000) |
| Total active employers | **96,816** | **58,651** | **11,414** |
| County Council | **32,575** | **24,077** | **-** |
| Lancashire County Council (excluding schools) | 32 | 14,657 | - |
| Lancashire County Council Schools | 28,426 | 8,195 | - |
| Archbishop Temple | 103 | 32 | - |
| Ashton Community Science College | 154 | 47 | - |
| Baines High School | 107 | 31 | - |
| Balshaws Church of England High School | 113 | 34 | - |
| Barrowford Primary School | 92 | 26 | - |
| Blessed Trinity Roman Catholic College | 206 | 62 | - |
| Brownedge St Marys | 164 | 49 | - |
| Cardinal Allen | 136 | 44 | - |
| Carnforth High School | 21 | 6 | - |
| Central Lancaster High School | 124 | 37 | - |
| Delph Side | 58 | 16 | - |
| Haslingden High School | 255 | 77 | - |
| Heysham High | 46 | 15 | - |
| Hillside Specialist School | 169 | 49 | - |
| Hollins Technology College | 182 | 55 | - |
| Hutton Church of England Grammar School | 116 | 34 | - |
| John Cross | 22 | 6 | - |
| Lea Endowed Church of England Primary | 36 | 10 | - |
| Leyland St James Church of England Primary | 46 | 13 | - |
| Moor Park High | 128 | 39 | - |
| Morecambe High | 293 | 85 | - |
| Morecambe Road School | 165 | 47 | - |
| Mount Carmel | 150 | 45 | - |
| New Longton All Saints Church of England Primary School | 38 | 11 | - |
| Ormskirk School | 221 | 65 | - |
| Our Lady Queen of Peace | 121 | 37 | - |
| Peel Park | 158 | 45 | - |
| Rhyddings School Accrington | 134 | 42 | - |
| St Andrews Church of England Primary School | 82 | 23 | - |
| St Richards Roman Catholic Primary School | 43 | 12 | - |
| The Loyne Specialist School | 199 | 58 | - |
| Walton Le Dale | 99 | 33 | - |
| Westgate Primary School | 136 | 38 | - |
| Scheduled bodies (167) | **52,475** | **29,084** | **8,833** |
| Blackburn With Darwen Borough Council | 7,981 | 3,787 | - |
| Ashleigh Primary | 39 | 17 | - |
| Audley County Infant | 65 | 28 | - |
| Avondale County Primary | 66 | 29 | - |
| Blackburn Central High School | 127 | 59 | - |
| Blackburn the Redeemer Church of England Primary School | 63 | 26 | - |
| Brookhouse Primary School | 27 | 11 | - |
| Cedars Primary | 47 | 20 | - |
| Crosshill School | 30 | 14 | - |
| Hoddlesden St Paul's | -9 | -4 | - |
| Holy Trinity Church of England Primary | 44 | 19 | - |
| Longshaw County Infant | 47 | 21 | - |
| Longshaw County Junior | 51 | 22 | - |
| Sacred Heart Primary | 22 | 10 | - |
| St Albans Roman Catholic Primary | 31 | 14 | - |
| St Barnabas & St Pauls Church of England Primary | 71 | 30 | - |
| St James Church of England Primary School | 44 | 19 | - |
| St Michael with St John Church of England Primary School | 26 | 12 | - |
| St Silas Church of England Primary | 37 | 16 | - |
| Turncroft Nursery | 19 | 9 | - |
| Blackpool Borough Council excluding Schools | 5 | 3,547 | - |
| Blackpool Borough Council Schools | - | 381 | - |
| Burnley Borough Council | 910 | 389 | - |
| Chorley Borough Council | 1,106 | 510 | 841 |
| Fylde Borough Council | - | 352 | - |
| Hyndburn Borough Council | 1,902 | 431 | - |
| Lancaster City Council | - | 980 | - |
| Pendle Borough Council | 749 | 326 | - |
| Preston City Council | 2,229 | 917 | - |
| Ribble Valley Borough Council | 768 | 312 | 180 |
| Rossendale Borough Council | - | 254 | - |
| South Ribble Borough Council | 930 | 410 | 568 |
| West Lancashire Borough Council | 2,126 | 760 | - |
| West Lancashire Borough Council OCL | - | 72 | - |
| Wyre Borough Council | - | 420 | - |
| Blackpool Transport Services Ltd | - | 32 | - |
| Edge Hill University | 3,579 | 1,675 | 809 |
| University of Central Lancashire | 5,327 | 2,517 | 985 |
| Lancaster & Morecambe College | 518 | 207 | 126 |
| Blackpool & The Fylde College | 1,644 | 746 | 200 |
| Preston College | 615 | 294 | 269 |
| Runshaw College | 808 | 313 | 89 |
| Blackburn College | 1,016 | 452 | 86 |
| Accrington & Rossendale College | 227 | 91 | 186 |
| Burnley College | 601 | 285 | 130 |
| Nelson and Colne College | 748 | 333 | 146 |
| Myerscough College | 816 | 343 | 172 |
| Blackpool Sixth Form College | 205 | 103 | - |
| Cardinal Newman College | 318 | 146 | 51 |
| Blackburn St Mary's | 184 | 75 | 9 |
| QEGS Blackburn Academy | 144 | 51 | 70 |
| Lancs Fire and Rescue Service | 765 | 338 | -324 |
| Penwortham Town Council | 14 | 8 | - |
| Blackpool Coastal Housing | 486 | 268 | - |
| Pilling Parish Council | 9 | 2 | - |
| Kirkland Parish Council | 1 | - | - |
| Catterall Parish Council | 4 | 1 | - |
| Garstang Town Council | 6 | 2 | - |
| Accrington Academy | 121 | 62 | - |
| ANWET (Darwen Aldridge Community) | 264 | 151 | - |
| Fulwood Academy | 82 | 43 | - |
| St Anne's on Sea Town Council | 18 | 7 | 1 |
| Lancs Sports Partners Ltd | 73 | 47 | - |
| Lancaster Girls Grammar School (Academy) | 93 | 39 | 43 |
| Lancaster Royal Girls School (Academy) | 185 | 65 | 69 |
| Clitheroe Royal Girls School (Academy) | 114 | 41 | 60 |
| Hodgson Academy | 151 | 63 | 45 |
| FCAT (Hambleton Primary Academy) | 25 | 12 | 7 |
| Ripley St Thomas Church of England (Academy) | 231 | 80 | 45 |
| St Michael's CE High (Academy) | 96 | 37 | 47 |
| ATCT (Bowland High Academy Trust) | 103 | 35 | 30 |
| St Wilfrid's Church of England Academy | 115 | 49 | 95 |
| Lostock Hall Academy Trust | 78 | 27 | 31 |
| St Christopher's Church of England (Academy) | 179 | 77 | 91 |
| Bishop Rawstorne High Academy | 76 | 26 | 30 |
| Belthorn Primary Academy | 49 | 15 | 8 |
| Garstang Community Academy | 92 | 30 | 29 |
| Parbold Douglas Church of England Academy | 30 | 11 | 10 |
| FCAT (Westcliff Prim Academy) | 40 | 15 | 13 |
| All Saints CE Prim Sch (Academy) | 43 | 17 | 17 |
| Tarleton Academy | 96 | 42 | 31 |
| FCAT (Montgomery Academy) | 119 | 50 | 57 |
| Morecambe Town Council | 5 | 2 | - |
| Parklands High School Academy | 113 | 48 | 27 |
| Penwortham Priory Academy | 106 | 41 | 18 |
| Albany Academy | 110 | 39 | 25 |
| Norbreck Primary Academy | 82 | 33 | 19 |
| Waterloo Primary Academy | 129 | 54 | 29 |
| Hawes Side Academy | 93 | 34 | 18 |
| The Lancashire Colleges Ltd | 21 | 12 | - |
| Academy at Worden | 55 | 23 | 14 |
| Wensley Fold Church of England Primary Academy | 76 | 31 | 31 |
| Star Academies | 214 | 169 | - |
| Bacup Rawtenstall Grammar School (Academy) | 114 | 47 | 23 |
| Roseacre Primary Academy | 75 | 28 | 24 |
| Star Academies Islam Boys Free School | 27 | 16 | 1 |
| Thames Primary Academy | 96 | 39 | 30 |
| Maharishi School (Free School) | 47 | 15 | - |
| Pendle Education Trust - Colne Primet | 72 | 24 | 15 |
| Pendle Education Trust - Walter Street | 75 | 28 | 15 |
| Moorside Community Academy | 65 | 25 | 11 |
| Fylde Coast Academy Trust | 43 | 20 | 2 |
| Blackpool MAT (Devonshire Academy) | 98 | 35 | 38 |
| Blackpool MAT (Park Academy) | 130 | 58 | 57 |
| Blackpool MAT (Anchorsholme Academy) | 86 | 31 | 36 |
| FCAT (Unity Academy) | 155 | 66 | 62 |
| Langdale Free School | 13 | 5 | - |
| Star Academies (Olive Blackburn) | 26 | 20 | - |
| Star Academies (Olive London) | 30 | 23 | - |
| Education Partnership Trust (The Heights) | 63 | 27 | 23 |
| Preesall Town Council | 8 | 2 | - |
| BFET (South Shore Academy) | 112 | 46 | 50 |
| Darwen Town Council | 1 | - | - |
| Habergham Eaves Parish Council | - | - | - |
| Old Laund Booth Parish Council | - | - | - |
| Police & Crime Commissioner | 87 | 50 | 4 |
| Blackpool MAT (Revoe) | 103 | 41 | 49 |
| Cidari Education (St Georges) | 70 | 28 | 41 |
| ATCT (Witton Park Academy Trust) | 119 | 45 | 58 |
| Cidari Education (Lukes & Philips) | 37 | 14 | 29 |
| Cidari Education Ltd (Darwen St James Church of England Primary) | 38 | 16 | 18 |
| Cidari Education Ltd (St Barnabas Church of England Primary) | 27 | 10 | 21 |
| Cidari Education Ltd (St Aidans Primary School) | 28 | 11 | 18 |
| Blessed Edward MAT (St Marys) | 144 | 57 | 48 |
| Blessed Edward MAT (St Cuthberts) | 49 | 18 | 26 |
| FCAT (Aspire Academy) | 112 | 40 | 50 |
| Blessed Edward MAT (Christ the King) | 36 | 12 | 12 |
| ANWET (Darwen Vale Academy) | 103 | 40 | 67 |
| Star Academies Eden Girls' School Waltham | 27 | 16 | 1 |
| Star Academies Eden Girls' School Coventry | 38 | 29 | - |
| Star Academies Eden Boys' School Bolton | 62 | 27 | - |
| Lancashire Chief Constable | 7,356 | 3,314 | 2,000 |
| BFET (Marton Primary Academy) | 59 | 20 | 24 |
| CSCST (Burnley High Free School) | 34 | 14 | - |
| Cliviger Parish Council | - | - | - |
| Star Academies Islam Girls High School | 70 | 28 | 19 |
| Cidari Education Trust | 26 | 25 | - |
| Cidari Education Ltd (Baines Endowed) | 59 | 27 | 41 |
| Cidari Education Ltd (Marsden St John) | 35 | 12 | 10 |
| ANWET (Sudell Primary Academy) | 39 | 11 | 19 |
| Blackpool Housing Company Ltd | 94 | 51 | - |
| Pendle Education Trust (Castercliff) | 52 | 22 | 26 |
| Education Partnership Trust (Coal Clough) | 100 | 35 | 21 |
| Star Academies (Eden Boys' School Preston) | 17 | 10 | - |
| Star Academies (Eden Girls' School Slough) | 52 | 28 | - |
| Star Academies (Eden Boys' School Birmingham) | 31 | 20 | - |
| FCAT (Blackpool Gateway Academy) | 36 | 17 | 5 |
| Eden School | 14 | 8 | 2 |
| Whittle le Woods Parish Council | 2 | 1 | - |
| Education Partnership Trust (Pleckgate High School) | 131 | 49 | 69 |
| Freckleton Parish Council | 1 | - | - |
| PET (West Craven) | 81 | 27 | 19 |
| Star Academies Highfield Humanities | 118 | 44 | 60 |
| Pendle Education Trust | 35 | 17 | 1 |
| Education Partnership Trust | 30 | 24 | - |
| Blessed Edward Trust | 12 | 8 | - |
| Star Academies Olive Bolton | 10 | 5 | - |
| Star Academies Olive Preston | 17 | 10 | - |
| Star Academies Olive Birmingham | 19 | 16 | - |
| Clayton-Le-Woods Parish Council | 4 | 1 | - |
| FCAT (Mereside) | 74 | 27 | 29 |
| Tor View Specialist Learning Community | 186 | 84 | 59 |
| FCAT (Westminster Primary Academy) | 60 | 24 | 37 |
| Mosaic Academy Trust | 92 | 36 | 31 |
| Cidari (Newchurch St Mary's Primary School) | 10 | 4 | 3 |
| Star Academies - Eden Girls Manchester | 24 | 12 | - |
| Star Academies - Eden Boys Manchester | 14 | 6 | - |
| Admitted bodies (142) | **11,766** | **5,490** | **2,581** |
| UCST (AKS Arnold) | 29 | 11 | 27 |
| Galloways Society for Blind | 2 | 1 | 17 |
| Lancaster University | 4,160 | 1,914 | 523 |
| Lancashire County Branch Unison | - | - | - |
| North Western Inshore Fisheries & Conservation Authority | 99 | 39 | 26 |
| UCST (AKS Lytham) | 27 | 13 | - |
| University of Cumbria | 1,800 | 851 | 631 |
| Whitworth Town Council | 5 | 2 | 2 |
| Kirkham Grammar School (Independent) | 104 | 31 | 30 |
| Caritas Care Limited | 266 | 109 | 68 |
| Community Council of Lancashire | 24 | 9 | 28 |
| Progress Housing Group | 209 | 117 | - |
| The Omerod Home Trust Ltd | - | - | 195 |
| Preston Care and Repair | 4 | 2 | - |
| Calico Housing Ltd | - | - | 631 |
| Pendle Leisure Trust Ltd | 245 | 116 | 25 |
| Twin Valley Homes Ltd | 1,507 | 684 | 91 |
| Leisure in Hyndburn | 113 | 52 | 50 |
| Sure Start Hyndburn | 44 | 22 | 23 |
| Blackpool Zoo (Grant Leisure) | 30 | 15 | - |
| Rossendale Leisure Trust | 25 | 14 | - |
| Marketing Lancashire Ltd | 38 | 25 | - |
| Liberata UK Ltd (Pendle) | 141 | 71 | - |
| West Lancs Community Leisure | - | 44 | - |
| South Ribble Community Leisure | 112 | 48 | 83 |
| Community Gateway Association Ltd | 216 | 115 | - |
| Bulloughs (Our Lady) | - | - | - |
| Chorley Community Housing Ltd | 93 | 53 | - |
| NSL Ltd.(Lancaster) | - | 1 | - |
| Capita(Rossendale BC Transfer) | - | 10 | - |
| Consultant Caterers Ltd | 4 | 5 | - |
| Bootstrap Enterprises Ltd | 1 | 8 | - |
| Alternative Futures Group Ltd | - | 8 | - |
| Creative Support Ltd | - | 13 | - |
| New Progress Housing | 373 | 158 | - |
| Community and Business Partn | 35 | 22 | - |
| I Care (Home) | - | 3 | - |
| Fylde Coast YMCA (Fylde TUPE) | - | 1 | - |
| Cofely FM Ltd (Lend Lease) | 35 | 12 | - |
| Creative Support Ltd (Midway) | 20 | 9 | - |
| Mellor's (Bishop Rawstorne) | 6 | 2 | - |
| Mellor's (Hambleton Primary S) | 1 | - | - |
| Andron (formerly Solar) | - | 1 | - |
| Cofely FM Ltd (Pleckgate) | 2 | 2 | - |
| Liberata UK Ltd (Burnley) | 230 | 84 | - |
| Essential Fleet Services Ltd | - | 9 | - |
| Elite Cleaning and Environment | 1 | 1 | - |
| Eric Wright FM - Site Supervisors Highfield HC | - | 3 | - |
| Cofely FM Ltd (Witton Park) | 4 | 1 | - |
| Mellors (Little Hoole) | 2 | 1 | - |
| Mellors (Holy Cross) | 8 | 3 | - |
| Lend Lease Con. (EMEA)(Fulwood) | 2 | 1 | - |
| Cofely FM Ltd (Blake/Cross) | - | 1 | - |
| Service Alliance Ltd (Altham) | 1 | - | - |
| Lancashire Care Foundation | 73 | 30 | - |
| Service Alliance (Ribblesdale) | 2 | - | - |
| Mellors (Brinscall) | 6 | 2 | - |
| Burnley Leisure | 203 | 107 | - |
| CG Cleaning (Kennington Road) | 2 | - | - |
| CG Cleaning (St Augustines) | - | - | - |
| Compass Contract Services (UK) Ltd | 25 | 6 | - |
| Caterlink (Mount Pleasant School) | 1 | 1 | - |
| Churchill (Moorside) | 2 | 1 | - |
| Service Alliance (St Wilfrid) | 1 | 1 | - |
| Blackpool, Fylde and Wyre Credit Union | 10 | 4 | - |
| QEGS Blackburn Ltd | 5 | 2 | - |
| Mellors (Queens Drive) | 1 | - | - |
| Service Alliance (Whalley Primary) | 1 | - | - |
| RCCN (Whitefield) | 1 | 1 | - |
| Bulloughs (Carr Head Primary) | 1 | - | - |
| FCC Environment | 19 | 6 | - |
| County Councils Network | 13 | 17 | 1 |
| Urbaser Ltd | 76 | 19 | - |
| Service Alliance (ClithPendle) | 1 | - | - |
| I Care | 15 | 7 | - |
| Ind Living Fund (Blackpool BC) | 6 | 2 | - |
| Elite CES (Fulwood&Cadley) | 1 | - | - |
| Elite CES Ltd(Moor Nook School) | 3 | 1 | - |
| Elite CES Ltd (Carr Hill) | 3 | 1 | - |
| Service Alliance (St Mary Mag) | 2 | 1 | - |
| Churchill (Morecambe Bay) | 1 | - | - |
| Consultant Cleaners (St James) | 1 | 1 | - |
| Compass CS (Preston) | 19 | 5 | - |
| Lend Lease Construction (EMEA) Ltd (Phase 3) | 1 | - | - |
| Local Pensions Partnership Investments | 119 | 84 | - |
| Local Pensions Partnership | 379 | 196 | - |
| Premiserv (St Peters) | 1 | - | - |
| 5AM Contract Cleaning (Blackpool Coastal) | 2 | 1 | - |
| Churchill (Clayton Brook) | 1 | - | - |
| RCCN (Burscough) | 1 | 1 | - |
| Maxim (Acorns Primary School) | 3 | 1 | - |
| Elite CES (Hambleton) | 3 | 1 | - |
| Elite CES Ltd (St Annes) | 2 | 1 | - |
| Bulloughs (BFET Marton) | 2 | - | - |
| CG Cleaning (Intack) | - | - | - |
| Mellors (Delph Side) | 2 | 1 | - |
| Mellors (Lostock Hall Academy) | 6 | 2 | - |
| Maxim (Lancaster Girls Grammar) | 1 | - | - |
| Maxim (Lancaster Royal Grammar) | 11 | 3 | - |
| Maxim (Newton Bluecoat) | 1 | - | - |
| Maxim (St John with St Michael) | 1 | - | - |
| CG Cleaning (St Teresas) | 1 | - | - |
| Service Alliance (St Marys RC Primary) | 1 | - | - |
| Capita (Property & Infrastructure) | 20 | 9 | - |
| Maxim (St Georges CE Primary) | 1 | - | - |
| Compass CS Ltd (Highfield) | 9 | 2 | - |
| Greenwich Leisure Limited (Preston City) | 131 | 49 | - |
| Cockerham Parish Council | - | - | - |
| Nether Wyresdale Parish Council | - | - | - |
| Aspens Services (BEBC St Marys) | - | - | - |
| Clarets in the Community Ltd | 3 | 1 | - |
| Compass Contract Services (Hodgson Academy) | 4 | 1 | - |
| Mellors (Parklands High School) | 9 | 2 | - |
| Maxim (Mayfield Primary School) | 1 | - | - |
| United Learning (The Hyndburn Academy) | 84 | 34 | 18 |
| Simply Clean (NW) Ltd | - | - | - |
| Calico (Preston Harris Museum) | 1 | - | - |
| Orian (Larches House) | 1 | - | - |
| Noonan (Hyndburn CCTV) | 8 | 3 | - |
| Bay Learning Trust (Carnforth High School) | 78 | 30 | 23 |
| Mellors (St Michaels CE Academy Trust) | 24 | 8 | - |
| Star Academies (Bay Leadership Academies) | 62 | 27 | 20 |
| Compass CS (Mer/Mon/Uni) | 32 | 8 | - |
| RCCN (St John the Baptist) | 2 | 1 | - |
| Maxim (St Joseph's Primary School) | 2 | 1 | - |
| Pendle Education Trust (Casterton Primary Academy) | 39 | 15 | 12 |
| Mellors (Tarleton Community PS) | 8 | 3 | - |
| FCAT (Armfield Academy) | 14 | 5 | - |
| Andron (Longridge High School) | 7 | 3 | - |
| Maxim (Bolton le Sands Primary School) | 1 | - | - |
| Maxim (Kelbrook Primary School) | 1 | 1 | - |
| Endeavour LT (Burscough Priory Academy) | 32 | 12 | 11 |
| Maxim (St Augustines) | 1 | - | - |
| Laneshaw Bridge Primary School | 17 | 6 | 5 |
| Maxim (Helmshore Primary School) | 1 | - | - |
| Andron (Cidari - St Georges School) | 8 | 2 | - |
| Blacko Primary School | 9 | 3 | 2 |
| Colne Park High School | 63 | 25 | 19 |
| Lord Street Primary School | 34 | 13 | 11 |
| The Pennine Trust | 8 | 3 | 2 |
| Mellors (Fulwood Academy) | - | - | 7 |
| Maxim (Newchurch St Nichol) | 1 | - | - |