

Lancashire County Pension Fund
Fund Account - Year ending 31 March 2020

	Actual year ended 31 March 2019 £'000	Budget year ended 31 March 2020 £'000	Actual for year to 31 March 2020 £'000	Full year budget variance £'000	Notes - see below
INCOME					
Contributions Receivable					
From Employers	(112,248)	(109,676)	(115,446)	(5,770)	
From Employees	(58,641)	(60,394)	(61,534)	(1,140)	
Total contributions receivable	(170,890)	(170,070)	(176,981)	(6,910)	1
Transfers in	(11,050)	(9,184)	(17,017)	(7,833)	
Total Investment Income	(198,210)	(193,220)	(212,631)	(19,410)	2
TOTAL INCOME	(380,149)	(372,475)	(406,629)	(34,154)	
EXPENDITURE					
Benefits Payable					
Pensions	226,522	233,918	239,299	5,381	
Lump Sum Benefits	48,783	43,767	47,803	4,036	
Total benefits payable	275,304	277,686	287,102	9,417	3
Transfers out	15,770	13,702	20,466	6,764	
Refund of Contributions	611	555	1,073	517	
Contributions Equivalent Premium	(4)	(4)	238	242	
Fund administrative expenses					
<u>Administrative and processing expenses:</u>					
LPP administrative expenses	3,647	3,386	3,421	35	
Write off of bad debts	1	10	1	(9)	
Total administrative expenses	3,649	3,396	3,422	26	
Investment management expenses					
<u>Investment management fees:</u>					
LPP directly invoiced investment management fees	1,767	1,895	1,922	27	
DIRECTLY INVOICED non LPP investment management fees - direct holdings	1,433	2,291	2,277	(14)	
Investment management fees on pooled investments	57,604	53,226	54,690	1,464	
Transition costs	2	120	0	(120)	
Custody fees	29	64	100	36	
Commission, agents charges and withholding tax	0	2,000	1,323	(677)	
LCC recharge for treasury management costs	52	58	58	0	
Property expenses	4,674	3,000	6,574	3,574	
Total investment management expenses	65,561	62,654	66,945	4,291	5
Oversight and Governance expenses					
Performance measurement fees (including Panel)	94	78	74	(4)	
IAS19 advisory fees	87	55	(23)	(78)	
Other advisory fees	179	200	121	(79)	
Actuarial fees	9	100	221	121	
Audit fees	45	26	37	11	
Legal & professional fees	68	120	88	(32)	
LCC recharges	446	616	616	0	
Bank charges	7	5	7	2	
Total oversight and governance expenses	935	1,200	1,142	(59)	
TOTAL EXPENDITURE	361,826	359,190	380,388	21,198	
MONEY AVAILABLE FOR INVESTMENT BEFORE REALISED AND UNREALISED PROFITS AND LOSSES ON INVESTMENTS	(18,323)	(13,285)	(26,240)	(12,956)	

NOTES
1 - Regular employer contributions income has increased during the year by more than the inflationary rise applied in the budget. £6.9m additional total contribution income amounts to a 4% budget variance.
2 - Investment income achieved is significantly higher than both the budget and the prior year and is the result of higher than anticipated income on pooled investments - most notably infrastructure. Income from pooled investments, other than pooled property, is recognised on receipt - the income from the pooled property portfolio can be forecast with more accuracy due to the majority being an allocation of rent due on previously directly held properties.
3 - Lump sum benefits are in excess of budgeted levels by £4m but in line with the prior year. It is difficult to forecast for lumpsums which are paid out on retirement and death of members
4 - Investment management fees on pooled investments - Most of the Fund's investment management fees are on pooled investments and are not invoiced but are instead offset against the net asset value of those investments. They include performance fees but the main component is based on the market value of assets under management. Individual managers advise the Fund of embedded fees on a regular basis in arrears and as a result the final figure for the year includes an estimate for fees not yet advised. Fees should be expected to move in line with investment values but will also vary dependent on the investment strategy as some asset categories are more expensive than others.
5 - Property expenses include reimbursement to BNP Paribas of cash float. Expenditure against this budget is not smooth through the year. Property managers forecast a budget overspend due to the timing of expenditure reporting around the transition from Knight Frank to BNP Paribas. 18/19 costs were underaccrued as a result and are charged to the 2019/20 fund account. During Q4 a reclassification of costs from 'other advisory' fees of £461k increased the overspend on this budget line.