

Pension Fund Committee

Meeting to be held on Friday, 18 September 2020

Electoral Division affected: None;

Lancashire County Pension Fund Annual Report 2019/20

(Appendix 'A' refers)

Contact for further information:

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Executive Summary

This report sets out the draft Lancashire County Pension Fund Annual Report for the year ended 31 March 2020 for approval by Committee. The publication deadline is 1 December 2020.

The annual report includes the statement of accounts which are included within the Lancashire County Council Statement of Accounts for the year ended 31 March 2020 and have a statutory approval date of 30 November 2020. This deadline is later than prior years due to the changes brought about by the Covid-19 pandemic.

Recommendation

The Committee is asked to:

1. Review the accounts of the Fund (section 'H' of Appendix 'A' to this report) and, subject to any audit adjustment agreed by the Head of Fund, recommend that Lancashire County Council Audit, Risk and Governance Committee approve those accounts at their meeting on 19 October 2020.
2. Consider and approve the 2019/20 Annual Report of the Lancashire Local Pension Board, included as section 'I' of Appendix 'A' to this report.
3. Review the annual report at Appendix 'A' and, subject to any agreed audit adjustments or other minor amendments, approve the document for publication on or before 1 December 2020.

Background and Advice

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

The external auditors of the Fund, Grant Thornton, will provide their opinion on the accounts and the annual report of the Fund at, or shortly after, the Lancashire County Council Audit, Risk & Governance Committee meeting scheduled for 19th October 2020. The external audit opinion will focus on whether the information within the annual report is consistent with the audited financial statements included within the Lancashire County Council Statement of Accounts.

Normally the annual report of the Lancashire Local Pension Board would have been presented to the committee in June for approval prior to its inclusion in the Fund's annual report. As the committee in June was cancelled due to the Covid-19 pandemic the annual report approved by the board has been included within the Fund's annual report attached at Appendix 'A' and the Committee is asked to approve the contents.

The terms of reference of the Pension Fund Committee require it to approve the annual report for submission to Full Council. A copy of the Lancashire County Pension Fund Annual Report for the year ended 31 March 2020 is attached at Appendix 'A'.

The Scheme Advisory Board recommends that the accounts and annual report are also reviewed under the remit of the Local Pensions Board prior to completion and it is intended to present a copy of the annual report to the Board on 13 October 2020.

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

The Fund has complied with the mandatory elements of this statutory guidance and each year looks to improve the transparency of reporting within the annual report.

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

- **Contributions income £177.0m (2018/19 £170.9m)**

Total contribution income from employers and members at £177.0m is consistent with the prior year (£170.9m) and excludes amounts from those employers who exercised the option to pay up-front following the 2016 actuarial valuation.

- **Management expenses £65.0m (2018/19 £76.3m)**

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

Administration expenses £3.4m (2018/19 £3.7m)

Fund administrative expenses are paid to the Local Pensions Partnership and include core pension administration services on a cost-per-member basis together with additional work done on behalf of the Fund around employer risk.

Investment management expenses £60.4m (2018/19 £71.7m)

The movement in investment management expenses is in line with expectations following market movements and the economies of scale associated with the pooling of assets.

Oversight and governance expenses £1.2m (2018/19 £0.9m)

The cost of the 2019 actuarial valuation is included within oversight and governance expenses and accounts for the majority of the increase in costs compared to the previous year.

• **Investment income £206.1m (2018/19 £193.5m)**

Income from pooled investments increased by £22.3m compared to the prior year, most notably within the infrastructure portfolio. This was offset in part by a £9.6m reduction in income from properties (direct and non-direct) due to a reduction in rental income receivable combined with an increase in property related expenditure.

• **Change in market value of investments £1.4m (2018/19 £781.5m)**

The significant reduction in the change in market value of investments compared to the prior year is due to market conditions – most notably the impact on the global economy of the Covid-19 pandemic in the final quarter of the financial year.

• **Closing net assets of the Fund £8,437.7m (2018/19 £8,410.1m)**

The fund account deficit, before accounting for investing activities, was £6.2m lower than the prior year, however, the £767.5m reduction in the return on investments (including investment income) compared to the year ended March 2019 resulted in an overall increase in the net assets of the Fund of £27.6m, maintaining the year end valuation at £8.4bn.

Consultations

The Local Pensions Partnership was consulted on the reporting of administration and investment information.

Grant Thornton will review the accounts of the Fund until the date of signing and will provide an opinion on both the accounts, and the consistency of the annual report with the accounts.

Implications:

This item has the following implications, as indicated:

Risk management

The Lancashire County Council Statement of Accounts for the year ended 31 March 2020, which includes the accounts of the Fund, are to be presented to the Audit, Risk & Governance Committee on 19 October 2020 for approval and will be published in line with the statutory deadline of 30 November 2020.

The annual report of the Fund will be published on or before the statutory deadline of 1 December 2020. Availability of the report will be highlighted in the next newsletter to members.

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

Paper	Date	Contact/Tel
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Not applicable.

Reason for inclusion in Part II, if appropriate

Not applicable.