

Pension Fund Committee

Meeting to be held on Friday, 16 September 2022

Electoral Division affected:
N/A;

Lancashire County Pension Fund Annual Report 2021/22

(Appendix 'A' refers)

Contact for further information:

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Brief Summary

This report sets out the draft Lancashire County Pension Fund Annual Report for the year ended 31 March 2022 for approval by Committee. The publication deadline is 1 December 2022.

Included is the Annual Report of the Lancashire Local Pension Board, as section 'I' of Appendix 'A' to this report, which was approved by the Pension Fund Committee at its meeting on 17 June 2022.

In addition the Governance Compliance Statement which is included at section 'C' of Appendix 'A' has seen minor amendments since its approval by the Pension Fund Committee at its meeting on 17 June 2022.

Recommendation

The Committee is asked to review the Annual Report at Appendix 'A' and, subject to minor changes, updated audit opinion and small account updates agreed by the Head of Fund, approve the document for publication on or before 1 December 2022.

Detail

Regulations require each administering authority to prepare an Annual Report for the Pension Fund and publish it before 1st December following the year end. The terms of reference of the Pension Fund Committee require it to approve the Annual Report for submission to Full Council and a copy of the Annual Report for the year ended 31 March 2022 is attached at Appendix 'A'.

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 2022. In March 2021 regulations came into force to extend the deadline for

publishing audited local authority accounts from 31 July to 30 September. Considering the extent of ongoing audit delays and capacity issues within external audit firms, the Department for Levelling-up, Housing and Communities (DLUHC) has more recently extended the deadline for publishing audited local authority accounts further to 30 November 2022 for the 2021/22 accounts.

The Lancashire County Council Statement of Accounts was approved by the Audit, Risk and Governance Committee at their meeting on 25 July 2022.

The external auditors of the Pension Fund, Grant Thornton, will provide their opinion on the County Council accounts alongside opinion on the Annual Report of the Fund. 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.

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.

In addition, the Pension Fund accounts have been prepared in line with the CIPFA Code of Practice Local Authority Accounting.

The Annual Report comprises of the following main sections, some of which will be familiar to the Pension Fund Committee as indicated in the footnotes:

- Foreword by the Chair of the Pension Fund Committee
- Management and Financial Performance
- Governance of the Fund¹
- Knowledge and Skills Framework
- Administration of the Fund
- Investment Policy and Performance
- Asset Pools
- Accounts of the Fund
- Local Pension Board Annual Report²
- Actuarial Valuation³
- Appendices⁴

Further information on the Annual Report was provided to members at the workshop on 2nd September 2022.

The Governance Compliance Statement has had minor amendments to it since its approval at Pension Fund Committee in June 2022. The main change is minor updates to the Internal Audit Assurance table within the Governance Compliance Statement.

¹ This contains the Governance Compliance Statement which was approved by the Committee in June 2022

² This was approved by the Committee in June 2022

³ This refers to the Actuarial Valuation as at 31st March 2019

⁴ Except for Appendix 1, all statements and policies references within the appendices have previously been considered by the Committee.



Key areas to note within the accounts are outlined below:

- **Contributions income £161.5m (2020/21 £416.3m)**

Total contribution income from employers and members at £161.5m. Following the actuarial valuation in 2019, the Fund gave some employers the option to pay their 3-year future service rate and deficit contributions up-front. Several employers opted to do this. The Fund policy is to recognise contribution income in the period of receipt.

- **Withdrawals from dealing with members £321m (2020/21 £309.1m)**

Benefits and payments to and on account of leavers were broadly in line with the prior financial year.

- **Management expenses £168.1m (2020/21 £116.4m)**

Management expenses include administrative expenses, investment management expenses and oversight and governance costs. Given the increase in asset values for the Pension Fund, this increase in expenses is not unexpected.

- **Investment income £200.1m (2020/21 £143.8m)**

Income from pooled investments increased compared to the prior year, Over the year, the Fund achieved an excellent return of 13.1% on its assets, comfortably exceeding the benchmarks against which we assess Fund performance.

- **Change in market value of investments £1,217.8m (2020/21 £1,022.2m)**

The change in market value of investments increased considerably during the year.

- **Closing net assets of the Fund £10,711.5m (2020/21 £9,605.3m)**

An overall increase in the net assets of the Fund of £1,106.20m was predominantly due to the change in market value of investments.

Further sections of interest within the Annual Report for the Committee will include Foreword by the Chair of the Pension Fund Committee, Management and Financial Performance, Administration of the Fund, Investment Policy and Performance and Asset Pools.

The Scheme Advisory Board recommends that the Annual Report is 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 at the October 2022 meeting.

Once the Annual Report has been approved, it will pass through the design process to ensure that the final Annual Report is a well designed document that engages with the audience.

The Fund is considering different methods to make the Annual Report more engaging for members and employers to read. For the 2020/21 Annual Report the Fund designed a summary document which provided readers with a snapshot of the main content from the Annual Report, and it is intended to continue with that approach this year. Discussions are also underway with designers to develop an animation/video for the new Annual Report which would be made available online.



Consultations

Both the Local Pensions Partnership Administration Limited and Local Pensions Partnership Investment Limited were consulted on the reporting of administration and investment information.

Grant Thornton is in the process of reviewing the accounts of the Fund and will provide an opinion on both the accounts, and the consistency of the Annual Report with the accounts in due course.

Implications:

This item has the following implications, as indicated:

Risk management

The Lancashire County Council Statement of Accounts for the year ended 31 March 2022, which includes the accounts of the Fund, have been approved by the Audit, Risk & Governance Committee on 25 July 2022 and a draft will be published in line with the statutory deadline of 30 September 2022.

The Annual Report of the Fund will be published on or before the statutory deadline of 1 December 2022.

Local Government (Access to Information) Act 1985

List of Background Papers

Paper	Date	Contact/Tel
N/A	N/A	N/A

Reason for inclusion in Part II, if appropriate

N/A

