

# Lancashire County Pension Fund Annual Report 2021-22

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

I would like to welcome you to the Annual Report of the Lancashire County Pension Fund (the Fund) for the year 2021/22. During a year of continuing concerns regarding Covid and turmoil internationally, particularly in relation to Ukraine, our staff have continued their excellent work in maintaining the level of investments and administration service at a high level of performance. As we move into an important valuation year it is encouraging to see in our report very good investment performance whilst our commitment to responsible investment remains strong. Overall, our need to provide reassurance to our members is maintained, with funding levels in excess of 100%, and improvements taking place in administration to increase communication with all members.

### **Some of the highlights of the year are as follows:**

#### **Membership**

Overall, there are now 183,698 members of the Fund showing an increase of just under 6,000 members from the previous year. Within this membership we – in partnership with Local Pensions Partnership Administration Limited (LPPA) – have continued to provide a quality administration service to all members to support them at different stages of their pensions journey. Over the year, an overall service level performance of 97.1% has been achieved against a target of 95% across all types of administration work. Key to this has been supporting over 300 active employers for whom we provide pension training and an effective overall administration support business.

#### **Investment**

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. With the assets rising significantly by approximately £1bn to a total investment asset value of approximately £10.6bn, this performance has helped us to ensure that the Fund continues to be funded at a level in excess of 100%. This performance placed the Fund in the top 3 Funds of the 2021/22 Local Authority Fund league table for total fund performance during 2021/22. This league table is published by Pensions and Investments Research Consultants Ltd (PIRC) and the vast majority of local government pension funds are covered by this.

Performance was achieved against a backdrop of strong economic recovery in the first three quarters of the year followed by an increasingly challenging environment, with financial conditions tightening, growth expectations being revised lower and inflation rising to a high, as well as geopolitical tensions.

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We manage our investment costs through pooling arrangements with Local Pensions Partnership Investment Limited (LPPI), which have worked well for the Fund. 100% of our assets are managed by LPPI with over 92% of our assets in pooling vehicles<sup>1</sup>, resulting in annual savings for the Fund of £15m for 2021/22. Since we began pooling in 2016, £43.5m worth of savings have been achieved across both of LPPIs shareholders, the Fund and London Pension Fund Authority. These savings have continually been re-invested into the fund to give greater returns.

In addition, a review of the investment services provided to the Fund by LPPI was undertaken during the year by the Independent Investment Advisors covering investment beliefs, fees, service and governance. The report provided assurance that the investment management services provided by LPPI are fit for purpose and fulfil the Fund's objectives.

### **Responsible Investment**

Responsible Investment is an important part of our approach to investing the assets of the Fund and this year, we successfully reviewed our Responsible Investment policy to ensure it reflects developments within this fast moving area. This resulted in us confirming our existing focus climate and governance, as well as identifying other new priorities for the Fund.

During the year, LPPI announced its commitment to having a net zero carbon footprint across all assets that it manages from 2050 and to working towards this outcome in partnership with the Fund. This commitment recognises the risks and opportunities that climate change poses to the Fund and challenges faced in effectively transitioning to a lower carbon footprint and maintaining the returns required on assets to meet pension liabilities.

We continue to work actively with the Local Authority Pension Funds Forum (LAPFF), a collaborative shareholder group which aims to promote good corporate governance and responsibility by companies.

### **Management of the Fund**

Pensions is very a complex, technical and regulatory driven area so the Fund heavily relies on expert management and advice. I would like to thank all the staff and advisers involved in managing the Fund. During the course of the year, a new Independent Investment Advisor, Marian George, was recruited to replace Eric Lambert, a long-standing member of the Investment Panel who has now retired. I would like to thank Eric for his sound advice to the Fund provided over the years and welcome Marian into her new role.

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<sup>1</sup> 'Pooling vehicles' are investment vehicles made available to clients of LPPI across eight asset classes, further information is provided in sections F and G.

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## **Future developments**

During the forthcoming year, there are a number of priorities to focus on. Preparatory work has been undertaken on the actuarial valuation for 2022 and this project will be completed by the end of March 2023 with the objective of assessing the financial health of the Fund and determining local employer contribution rates.

LPPA is undertaking a change programme to implement a new pensions administration system called Universal Pensions Management. The objective is to improved employer and member experience, simplify administration processes and offer better value for money. The Fund has a targeted 'go live' date in Autumn 2022 and, so far, LPPA has successfully delivered this new system to other clients whilst maintaining reasonable service levels for the Fund.

**I would encourage you all to read this report, there is extensive information provided on Investments, Responsible Investment and finance emphasising our main objective of being able to continue to pay your pensions as they become due.**

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## **B Management and Financial Performance** – Further contact details available in section K of this Annual Report

### **Administering Authority**

Lancashire County Council

### **Pension Fund Committee**

Lancashire County Council committee members

County Councillor M Brown

County Councillor J Burrows

County Councillor M Clifford

County Councillor F De Molfetta

County Councillor G Dowding

County Councillor M Goulthorp

County Councillor M Pattinson

County Councillor E Pope (Chair)

County Councillor A Schofield (Deputy Chair)

County Councillor S Smith

County Councillor D Westley

County Councillor R Woollam

### Co-opted representatives

P Crewe – Trade Union

Vacancy – Trade Union

Councillor D Borrow – City and Borough Councils

Councillor M Hindley – City and Borough Councils

Councillor M Smith – Blackpool Council  
Councillor R Whittle – Blackburn with Darwen Council  
J Eastham – Further / Higher Education

### **Scheme administrators**

Local Pensions Partnership Administration Limited

### **Head of Fund**

S Greene

### **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

Y Moulton

D Parker

G Peach (Joined January 2022)

T Pounder (Finished January 2022)

County Councillor M Salter

S Thompson

### **Custodian to the Fund**

Northern Trust

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## **Independent investment advisors**

A Devitt  
M George  
E Lambert

MacFarlanes  
Taylor Wessing  
Pinsent Masons

## **AVC providers**

Prudential  
Utmost Life and Pensions

## **Independent property valuer**

Avison Young Partnership

## **Legal advisors**

Addleshaw Goddard  
Allen and Overy  
Clifford Chance  
DAC Beachcroft LLP  
DWF  
Eversheds  
Lancashire County Council

## **Performance measurement**

Northern Trust

## **Governance and research consultants**

Pension and Investment Research  
Consultants

## **Bankers**

Natwest Bank plc  
Svenska Handelsbanken

## **Financial Performance of the Fund**

The Fund asset value increased by approximately £1.0bn from £9.6bn at 31 March 2021 to approximately £10.6bn as at 31 March 2022 and delivered a 13.1% return on investment assets over the twelve months, outperforming the actuarial benchmark (the rate at which the Fund's liabilities are assumed to grow year on year) by 4.0%. Key financial results are highlighted in this section with further detail in section H.

## **Net cash flow, income and expenditure**

Benefits payable and transfers out of the Fund exceed the value of contribution income and transfers into the Fund on a regular basis, resulting in a net cash outflow which is funded from investment income, which was the case for 2021/22.

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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.

A comparison of the key components of income and expenditure of the Fund over time is set out in the table below.

Fund Account	2021/22	2020/21	2019/20
	£m	£m	£m
Members Contributions	67.7	64.5	61.4
Employers Contributions	93.7	351.8	115.6
<b>Contributions Income</b>	<b>161.5</b>	<b>416.3</b>	<b>177</b>
Transfers in from other pension funds	15.9	10.8	17
Benefits Payable	-306.6	-291.8	-287.1
Transfers out and other payments to leavers	-14.4	-17.3	-21.8
<b>Net (withdrawals)/additions from dealings with members</b>	<b>-143.6</b>	<b>118</b>	<b>-114.9</b>
Fund Administration Costs	-4.1	-4	-3.4
Investment Management Costs	-162.6	-111.3	-60.4
Oversight & Governance Costs	-1.4	-1.1	-1.2
<b>Net (outflow)/inflow before investments</b>	<b>-311.7</b>	<b>1.6</b>	<b>-179.9</b>
Investment Income	200.1	143.8	206.1
Change in market value of investments	1217.8	1022.2	1.4
<b>Net increase/(decrease) in the Fund</b>	<b>1106.2</b>	<b>1167.6</b>	<b>27.6</b>

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. A number of employers opted to do this and as a result the employer contributions from the County Council and scheduled bodies for the year ending 31 March 2021 include contributions for the 3 years to 31 March 2023, amounting to £262.9m. This had a significant impact on cash flow and reported income in that year. The Fund policy is to recognise contribution income in the period of receipt.

Fund administrative costs are paid to the LPPA 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.

The most significant element of investment management costs is based upon the value of the Fund's assets, with charges calculated as a percentage of investment value. An increase in these costs would therefore be expected to follow an increase in asset values. As the Fund's

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assets increased during the reporting period, investment management costs increased. Some of the Fund's mandates also include payment of a performance fee.

More information on investment management costs and the impact of pooling can be found within [section 'G'](#) of this Annual Report.

The change in market value of investments as reported above includes market movements but also profits and losses on disposals and the impact of investment manager fees embedded within the market value of the investments under their management.

Non-investment assets and liabilities comprise contributions due from employers and members, unpaid benefits, and accrued expenses and sundry short-term debtors. More information can be found in notes 19 and 20 to the financial statements in [section 'H'](#) of this report.

### **Budgeting**

A one-year budget is prepared for the Fund on an annual basis and both officers and the Pension Fund Committee (PFC) closely monitor investment performance, contribution income and expenditure against the budget, with PFC reporting on a quarterly basis. Budgeted items were largely in line with expectations with the exception of investment management costs. As there was a significant increase in the value of the Fund's assets, higher than expected performance fees were due to the investment managers.

### **Funding level**

The last triennial valuation was carried out as at 31 March 2019 by the Fund's actuary, Mercer, resulting in a 100% funding level, an improvement on 90% reported following the previous valuation as at 31 March 2016. The 2019 valuation has set the contribution rates for employers within the Fund for three years commencing 1 April 2020 and a copy of the actuarial valuation report is included as [section 'J'](#) of this Annual Report. The next valuation will be as at 31 March 2022.



## **c Governance of the Fund**

The Lancashire County Pension Fund (LCPF/the Fund) is part of the Local Government Pension Scheme (LGPS).

The LGPS is established by statute and its purpose is to provide death and retirement benefits for all eligible employees.

The Fund covers the county of Lancashire, and consequently Lancashire County Council is the administering authority. The Fund provides pensions for numerous public sector employers as well as many other eligible employers admitted into the Fund.

### **Lancashire County Pension Fund Governance Compliance Statement**

Under regulation 55 of the LGPS Regulations 2013, all Local Government Pension Schemes (LGPS) in England and Wales are required to publish a Governance Compliance Statement.

The Governance Compliance Statement must set out whether the local authority delegates its functions, or part of its functions to a committee, a sub-committee, or an officer of the authority.

LCPF, although not a separate legal entity, has its own specific governance arrangement and controls which sit within the overall governance framework of Lancashire County Council.

As the Administering Authority the County Council is responsible for making decisions relating to the operation of the Fund, including the following:

- To ensure that the Fund operates in accordance with the Local Government Pension Scheme Regulations,
- To monitor and review all aspects of the Fund's performance, which includes administration and investment,
- The collection of employee and employer contributions, investment income and other amounts to the Fund as stipulated in the Regulations,
- To ensure that cash is available to meet the Fund's liabilities,

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- To ensure that assets are invested in accordance with the Fund's Investment Strategy Statement,
- The development, maintenance and implementation of various policies and strategies as required such as the Administration Strategy, Discretions Policies, Breaches Policy, Investment Strategy Statement, and Funding Strategy Statement which together ensure effective governance of the Fund.

### **Governance Structure**

The Pension Fund Committee (PFC) fulfils the role of 'Scheme Manager'<sup>2</sup>, as set out in Regulations, for the Fund which includes the administration of benefits and the strategic management of Fund investments and liabilities. It is responsible for establishing, and monitoring progress on, the strategic objectives of the Fund through a rolling three-year Strategic Plan.

The County Council has established two bodies to assist and support the PFC oversee the Fund:

- The Investment Panel; and
- The Lancashire Local Pension Board (LPB).

The Investment Panel provides expert professional independent advice to the PFC in relation to investment strategy and supports the Head of Fund with the specialist advice as required by the PFC.

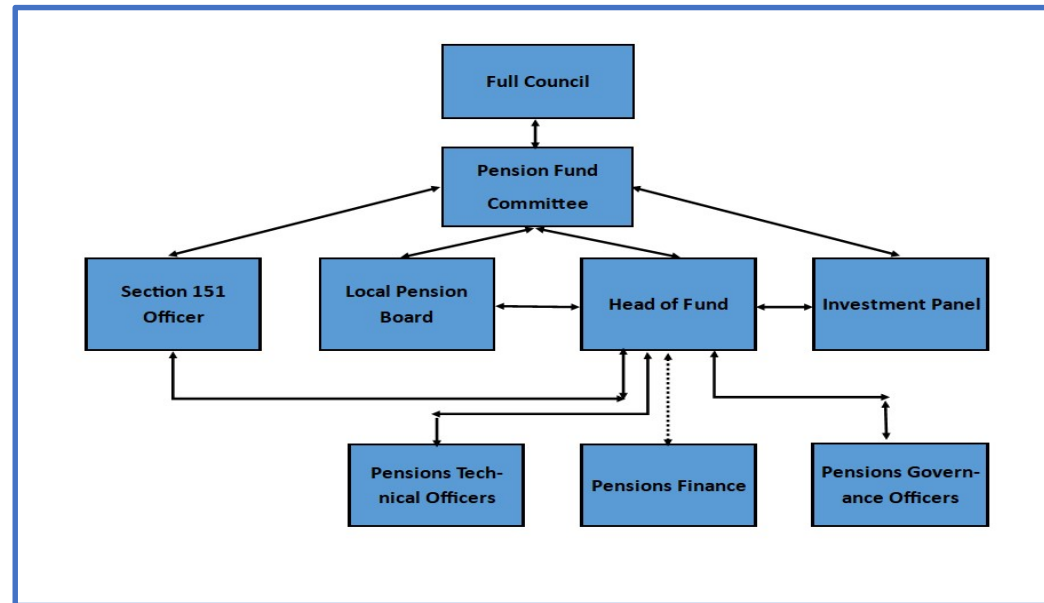
The role of the LPB is to assist the County Council as the Administering Authority which includes:

- to secure compliance with the LGPS Regulations and any other legislation relating to the governance and administration of the LGPS,
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
- in such other matters as the LGPS Regulations may specify.

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<sup>2</sup> A person or body responsible for managing or administering a pension scheme established under section 1 of the 2013 Act. In the case of the LGPS, each Fund has a Scheme Manager which is the Administering Authority.

Fund Structure (Fig,1)



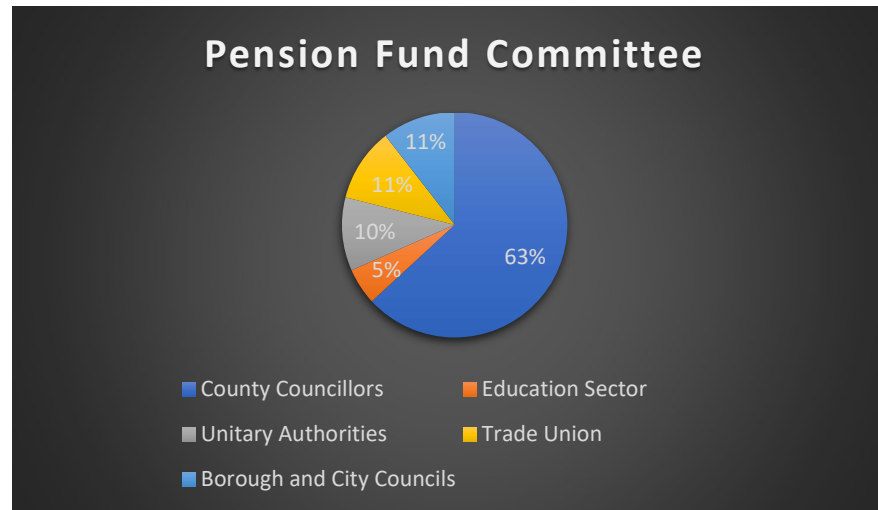
**Note to Fig.1:** The LPB assist the County Council the Administering Authority in its role as Scheme Manager (as delegated to the PFC).

### The Pension Fund Committee

The PFC is a non-executive committee of the County Council with a constitution of 19, made up of 12 County Councillors and 7 voting Co-opted members as set out below:

- One representative of the further and higher education sector in Lancashire;
- One representative of Blackburn with Darwen Council;
- One representative of Blackpool Council;
- Two Trade Union representatives; and
- Two representatives of the Lancashire Borough and City Councils

Fig.2 – Breakdown of Pension Fund Committee representation by percentage



The PFC meets on a quarterly basis.

The Governance Structure above provides an overview of the role of the PFC however full Terms of Reference can be accessed by the link below (page 12):

[Part 2 - Article 7 Other Committees of the Council - Dec 2021.pdf \(lancashire.gov.uk\)](#)

### **The Investment Panel**

The Investment Panel consists of the Head of the Fund and at least two Independent Investment Advisers.

The Investment Panel meet on a quarterly basis or otherwise as necessary to review the Fund's long term investment strategy and provide advice on investment strategies proposed by Local Pensions Partnership Investment Limited .

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The full Terms of Reference for the Investment Panel can be accessed by the link below (page 24)

[Part 2 - Article 7 Other Committees of the Council - Dec 2021.pdf \(lancashire.gov.uk\)](#)

## **Lancashire Local Pension Board**

As required by the Public Service Pensions Act 2013, the County Council as administering authority established the LPB to assist in the good governance of the scheme by ensuring the Fund's compliance with legislation and statutory guidance.

The Terms of Reference for the LPB are available via the link below (page 25).

[Part 2 - Article 7 Other Committees of the Council - Dec 2021.pdf \(lancashire.gov.uk\)](#)

The LPB is non-executive body which consists of 9 members and is constituted as follows:

- An independent member selected by the PFC who is not a member of the Lancashire County Pension Fund and who will be the Chair of the Board.
- 4 employer representatives on the following basis:
  - 2 nominated from Lancashire County Council.
  - 1 nominated from unitary, city or borough councils or Police and Fire bodies.
  - 1 nominated following consultation with other employers within the Fund.
- 4 scheme member representatives drawn from the membership of the Fund

The LPB meet on a quarterly basis and review items specified in the LPB Workplan.

## **Knowledge and Skills**

The Fund is required under section 248a of the Pension Act 2004, as amended by the Public Service Pensions Act 2013 coupled with the Pension Regulators Code of Practice, to ensure that members of the PFC and LPB have sufficient level of knowledge and understanding to undertake the roles and functions of the positions they have been appointed to.

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The Fund have developed a combined training plan for the LPB and PFC which is developed in line with the CIPFA Knowledge and Skills Framework for LGPS Committee Members and LGPS Officers (2021) and CIPFA Local Pensions Board (2015). The training courses incorporated in the training plan are identified following the Fund officers undertaking a learning needs analysis.<sup>1</sup>

### **Officers**

The PFC delegates specific functions to the Head of Fund, the Director of Corporate Services and section 151 Officer.

The Head of Fund is designated as the officer responsible for the management of the Fund, which includes leading and delivering strategy, accountability to the PFC and LPB and financial and investment management of the Fund.

The Head of Fund may authorise the Senior Officers of the Fund to exercise on their behalf the functions delegated to them.

The Officers of the Fund adhere to the County Council's employee Code of Conduct which sets out behavioural standards that must be upheld by all staff. The details of the employee's code of conduct can be found below:

<https://council.lancashire.gov.uk/documents/s149251/Appendix%20F.pdf>

The Fund Officers are subject to an annual appraisal process which identifies training requirements and any knowledge gaps relevant to their role. Staff who are members of professional bodies also have obligations to undertake continuing professional development relevant to their role.

### **Accountability and Publication of Information**

Details of PFC and LPB meetings, including agenda and minutes are publicly available via the County Council's Website.

Meetings of the PFC and the LPB are accessible to the press and public except where they are excluded from the meeting when items being discussed are exempt from the press and public under part 1 of schedule 12A of the Local Government Act 1972.

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<sup>1</sup> Section D of this report provides details of training delivered throughout 2021/22

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The LPB workplan is submitted to the PFC in March each year for approval and a report of the work undertaken by LPB is presented annually to PFC in June. There is also a section in the Lancashire County Pension Fund Annual Report which is dedicated to the activities undertaken by the LPB.

A copy of the Fund's Annual Report can be viewed on the Fund website at [www.lancashirecountypensionfund.org.uk](http://www.lancashirecountypensionfund.org.uk).

### **Investment and Administration Services**

Since 2016 pensions administration and investment functions have been delivered on behalf of the Fund by the Local Pension Partnership Limited (LPPL) a company owned by Lancashire County Council and the London Pensions Fund Authority (LPFA). Pension administration services are provided by the administration arm of the Local Pensions Partnership, which is called Local Pensions Partnership Administration Limited (LPPA), with investment services being undertaken by the investment arm, Local Pensions Partnership Investments Limited (LPPI). The PFC monitors the performance of both these functions and receives reports at each quarterly meeting to ensure good control and oversight over the services provided by the LPPA and LPPI.

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 the form of a contract or “service level agreement” where a contract is not appropriate.

### **Risk Management**

The management of risk is central to the activities of the Fund which it has established its own risk management arrangements that include the following:

- Risks are monitored and assessed on a quarterly basis.
- Risk reporting and the Risk Register are regularly presented to the PFC and the LPB.
- Additional oversight is provided by the County Council's Audit, Risk & Governance Committee; and
- the Fund has a 'Risk Management Framework' policy document which is reviewed periodically and sets out all the risk management arrangements for managing all risks for the Fund.

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The risk register is broken down into the following key risk areas:

- Investment and Funding Risk – all financial risks associated with the Fund, including risks associated with managing scheme assets and pension liabilities.
- 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 – temporary risks arising from changes in the management of investments or service delivery.
- Emerging risk - evolving, new risk that is difficult to characterise or assess at a point in time, as the cause and / or how the risk will impact the organisation is unclear.

### **Conflicts of Interest and Code of Conduct**

A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's ability to undertake the functions of the role they have been appointed to. A conflict could arise where an individual has been appointed to a Governing Body (such as the PFC or LPB) who at the same time has a separate personal interest or responsibility (financial or otherwise) in a matter being discussed. The Fund has established a Conflicts of Interest policy that sets out its approach to identifying, monitoring, and managing conflicts of interest for members of the LPB.

In addition to the policy there is also Lancashire County Council Members and Co-Opted Members' Code of Conduct which all members of the PFC and LPB are required to adhere to.

Full details of the members and co-opted members code of conduct can be viewed by accessing the link below:

<https://council.lancashire.gov.uk/documents/s179038/Appendix%20E.pdf>

Under the Code of Conduct, members of the PFC and LPB must have regard to the 'Nolan' principles when active in a capacity as a member or co-opted member.



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The operation of the Fund is subject to the 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 builds on the seven principles listed below.

- Selflessness,
- Integrity,
- Objectivity,
- Accountability,
- Openness,
- Honesty; and
- Leadership.

In addition, there is a Code of Conduct for Officers which follows the same principles.

Members of the PFC and LPB are required to complete declarations of interest and the Fund maintains a Register of Interests. The Declaration of Interests is also a standing agenda item at all meetings of both the PFC and the LPB. In addition, elected members are expected to follow the policies agreed by the Local Authority, including the relevant Councillor Code of Conduct.

The Myners' first principle states that decisions should only be taken by persons or organisations with the skills, information, and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take. The governance controls referred to above – Knowledge & Skills and Code of Conduct – ensure that this principle is adhered to.

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## Internal Audit Assurance

The table below details the work undertaken by the County Council's Internal Audit Service and the assurance it provides for 2021/22.

Audit work	Assurance
<b>Assurance provided by the county council's Internal Audit Service over the work of the Lancashire County Pension Fund Service</b>	
Admission of employers to the fund	Substantial
Recovery of pension overpayments	Moderate
Accounting through the council's general ledger	Substantial
Employers' contributions- follow up.	
<b>Assurance relating to LPPA's administration of benefits</b>	
Compliance Effectiveness - Deloitte	Effective with Scope for Improvement
Finance system implementation - Deloitte	Effective with Scope for Improvement
<b>Assurance relating to Local Pensions Partnership Investments (LPPI)</b>	
Type 1 Service auditor's assurance - KPMG	Unqualified opinion.

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## LANCASHIRE COUNTY PENSION FUND GOVERNANCE COMPLIANCE STATEMENT

The table below shows how the Fund complies with the standards set out by the Secretary of State for Levelling Up, Housing and Communities as required under Regulation 55 of the LGPS Regulations. The statement sets out where the Fund is fully compliant with the guidance and provides an explanation where it is not fully compliant.

<p><b>A. Structure</b></p>	<p>(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</p> <p>(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)</p> <p>(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</p> <p>(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.</p>	<p>√</p> <p>Partial (see Note 1)</p> <p>√</p> <p>√</p>
<p><b>B. Representation</b></p>	<p>That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1)</p> <p>These include:</p> <p>(i) employing authorities (including non-scheme employers, e.g. admitted bodies)</p>	<p>Partial (see Notes 1 and 2)</p>

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	<p>(ii) scheme members (including deferred and pensioner scheme members)</p> <p>(iii) independent professional observers (2)</p> <p>(iv) expert advisers (on an ad hoc basis)</p>	
<b>C. Selection and Role of Lay Members</b>	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).	√
<b>D. Voting</b>	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.	√
<b>E. Training/Facility time/Expenses</b>	(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.	√
<b>F. Meetings - Frequency</b>	(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.	√

## Lancashire County Pension Fund Annual Report 2021-22

	(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.	v
<b>G. Access</b>	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.	v
<b>H. Scope</b>	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	v
<b>I. Publicity</b>	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.	v

### Notes - Reasons for partial compliance

- 1) Unitary councils, City/Borough Councils and further and higher education employers, are represented. Other admitted bodies only represent 14% 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 LPB.

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- 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.

# Lancashire County Pension Fund Annual Report 2021-22

## D Knowledge & Skills

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.

Details of training (both internal and external) attended by members of the PFC and LPB during the year ended 31<sup>st</sup> March 2022 are detailed below:

Date	Event	Held	Participants	
			PFC	LPB
29 Apr 2021	Private Markets Investor Forum Responsible Investment in private markets	Online	0	1
18/19 May 2021	Pensions & Lifetime Savings Association (PLSA) Local Authority Conference 2021	Online	2	1
9 June 2021	Presentation to newly appointed members of the Pension Fund Committee.	Online	8	1
23 June 2021	Training session for Audit Risk and Governance Committee & others on Statement of Accounts	Online	3	2
1 Sept 2021	Internal Workshop on LCPF Annual Report and accounts	Zoom	10	7
28 <sup>th</sup> Sept 2021	Chartered Institute of Public Finance and Accountancy (CIPFA) training for LLPB members	Online	0	2
6 Oct 2021	Internal Workshop – Update on Responsible Investment.	Zoom	8	5
12/14 Oct 2021	PLSA Annual Conference	Online	2	0

## Lancashire County Pension Fund Annual Report 2021-22

28 Oct 2021	Overview of the Local Government Pension Scheme Webinar	Online	2	1
26 Nov 2021	Pre-Committee briefing impact of Covid-19 on Fund	County Hall	15	1
6 Dec 2021	Internal Workshop – Regulatory Update	MSTeams	8	7
6 Dec 2021	Internal Workshop – Update on the Investment Service Based Review	MSTeams	8	6
20 Jan 2022	Local Government Pension Scheme (LGPS) Governance Conference	Online	0	1
26 Jan 2022	LGPS Overview webinar	Online	2	0
10 Feb 2022	Internal Workshop – LCPF Valuation	County Hall	9	7
18 Feb 2022	Internal Workshop – Local Pensions Partnership Limited Budget 2021/22	County Hall & MSTeams	5	6
1/2 Mar 2022	LPPI Investment Conference	London	2	0
11 Mar 2022	Pre-Committee briefing on the outcome of the Investment Service Based Review	County Hall	12	1
29 Mar 2022	Internal Workshop – Employer Risk and Engagement	County Hall & MSTeams	6	2
			<b>103</b>	<b>51</b>



## E Administration of the Fund

LPPA provides all administration services on behalf of the Fund.

2021/22 has been a particularly busy year as LPPA has been undertaking work to move its existing administration systems to one core administration system as part of the Pensions Administration Core Evaluation Project (PACE). There has been a phased approach to mitigate the impact on performance with the Fund being moved to the new administration system in 2022/23.

- **Key highlights**

The administration service has maintained 'business as usual' services throughout the pandemic and whilst LPPA has continued to work remotely since March 2020, many operational teams have started to spend more of their working time in the office. LPPA's administration service has been maintained over the period with no breaks in service.

Performance against service level agreements has remained strong. Annual events such as pensions increase update, P60 communications and annual benefit statements were issued ahead of the statutory deadlines.

The LPPA Employer Engagement team has continued to deliver training sessions and events virtually using video conferencing. This has resulted in increased efficiency with LPPA being able to deliver more training sessions to more employers and increased level of feedback post event that has been used to make future amendments to training sessions. LPPA has continued to work with employers to improve member data. This includes capturing more member email addresses and driving more members towards the use of My Pension Online. 2021 saw the launch of Project PACE and the implementation of the UPM (Universal Pension Management) administration system for several LPPA clients. The Fund is scheduled to be transitioned to UPM later in 2022, which will provide numerous benefits including:

- Improved employer and member experience
- Improved administration functionality
- Simplified and efficient processes
- Better value

The operating model for the administration service has three main elements:

- Member Services (including data quality and payroll);

# Lancashire County Pension Fund

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- Engagement and Communications; and
- Helpdesk.

### **Member Services (including data quality and payroll)**

The Fund is administered on behalf of over 300 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'. Some employers are required to participate in the scheme (known as Scheduled Bodies) and some are admitted to the scheme following application for membership (known as Admitted Bodies).

Scheduled Bodies listed in the LGPS Regulations are employers which are required to enrol eligible members into the LGPS. The list includes but is not limited to:

- County/District Councils and Unitary Authorities
- Combined Authorities
- Fire and Rescue Authorities
- Police and Crime Commissioner
- Chief Constables
- Further and Higher Education Institutions
- Sixth Form Colleges
- Academies

Admitted bodies participate through a written contractual agreement and the majority of agreements 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 normally re-enrolled every 3 years under the Government's auto-enrolment Regulations.

## Lancashire County Pension Fund Annual Report 2021-22

Overall fund membership shown below has increased slightly during the year.

<b>Lancashire County Pension Fund</b>	<b>Membership at 31/03/2021</b>	<b>Membership at 31/03/2022</b>
Number of Active Members	54,277	55,687
Number of Pensioners	52,406	54,436
Number of Deferred Members	71,116	73,575
<b>Total Membership</b>	<b>177,799</b>	<b>183,698</b>

For the year 2021/22, casework service performance metrics have been consistently achieved with an overall performance of 97.05% delivered in an exceptional year. The target performance is 95%+.

Additionally, LPPA monitor the performance of individual case types such as retirement and bereavement. All case types performed exceptionally well and, on an annual basis, above the 95% target. 105 complaints were received, an average of 26 per quarter. This is a reduced volume of complaints from the previous year.

	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Annual</b>
<b>Performance against SLA</b>	97.15%	98.4%	97.6%	94.7%	97.05%
<b>Complaints</b>	36	24	17	28	105

During the year to 40,721 individual calculations and enquiries were completed, this compares to 44,137 reported in the previous year.

LPPA processed 2,228 retirements for the year ending 31 March 2022. These retirements are made up of 725 members who retired under normal retirement. Of the remaining 1,563 members who retired early, 161 members retired on ill health grounds.

# Lancashire County Pension Fund Annual Report 2021-22

The table below describes the ratios of casework allocated to staff engaged on administration for the Fund:

	2021 - 22
Fund to staff member ratio	1:3,280
Average cases per member of staff	727

LPPA has continued to evolve the member experience by measuring and reporting on elapsed time to show how long processes are taking end to end. The aim of this piece of work has been to ensure the maximum number of pensioners receive their payments quickly and efficiently. This is reliant on employers and third parties (such as AVC providers) providing accurate and timely information, as well as LPPA processing casework on a timely basis. There have been known issues with sector wide significant delays at Prudential who are the AVC provider for the Fund. LPPA has also provided regular data on performance of employers to the Fund.

In connection with data quality, LPPA tracks the accuracy of both common and conditional data. These were 98.42% and 97.76% respectively at year end, LPPA are continuing to perform regular data cleansing exercises.

Common data is information which allows a member to be uniquely identified which includes information such as the members national insurance number, name sex and date of birth.

The conditional data is scheme specific data which includes, members status, salary records, details of pension benefits.

- **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 LGPS 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 on behalf of the Fund to review the disagreement.

During the year to 31 March 2022 a total of 28 appeals have been received (19 Stage 1 and 9 Stage 2).

# Lancashire County Pension Fund

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- **Overpayments**

The Fund seeks to manage and recover, where appropriate, any pension or benefit overpayments made to members, most overpayments arise from late notification of a member's death. In addition, the Fund participates in the National Fraud Initiative and actively investigates all data matches found as a result of this process.

### **Engagement and Communications**

2021-22 has seen an increase in proactive member communications as part of a wider member engagement strategy. The aim has been to encourage member engagement and understanding through every stage of the pension process – making sure members have the information and support they need. Activities included:

- Development of the LPPA member website ([www.lppapension.co.uk](http://www.lppapension.co.uk)) and member portals (MPO and PensionPoint) – enhancements made to the language and navigation of the site.
- An increased volume of member emails helped to increase member engagement and raise awareness of key information. This was made possible by the addition of email software, which enables LPPA to personalise message to specific audiences, while tracking the success of different communications
- LPPA Member Panel established – to gain first hand feedback on LPPA communications. Initially the panel was made up of about 50 members across all Funds (including LCPF) and is growing steadily. The group is being used to get feedback on member communications, such as the member letters, the LPPA website and the launch communications for Project PACE.
- Retirement campaign (Life is for living) – encouraging members to share their views and opinions on retirement at different life-stages. As well as increasing member engagement (there were over 12,000 responses), the campaign was hosted on a page, which highlighted a range of retirement support materials (such as retirement checklists) to help people navigate their retirement. LPPA also collated many useful insights around retirement priorities based on the different age groups, which will help to inform future communications.
- Ongoing improvements made to member letters – simplifying language, signposting more effectively, and reducing the word count.
- New LPPA style guide (for internal use) – to ensure consistency of language across all communications.
- New animated characters developed across all communications – to help create an LPPA corporate identity that is instantly recognisable to members.
- Scheme essentials and Retirement essentials – online member engagement sessions to improve scheme understanding. These sessions have helped members to understand the key benefits and milestones of their pension journey – ultimately speeding up the process and reducing queries further down the line.

# Lancashire County Pension Fund

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Current member engagement activity aims to improve the amount and quality of member contact data and encourage members to use LPPA's digital services. Throughout the course of the year, LPPA has continued to update the [www.lppapensions.co.uk](http://www.lppapensions.co.uk) website, while focusing on accessibility, usability and simpler language when communicating to members.

As part of the ongoing emphasis on digital communications, LPPA has continued to distribute a comprehensive programme of member email communications to:

- Increase online registrations
- Increase member death nominations
- Increase number, accuracy and security of members' personal contact details including the capturing of email, telephone, and post code details.

Each year LPPA's dedicated Employer Engagement team manages a series of visits, training events and support meetings with Fund Employers to maintain and improve working relationships. In 2021/22, the team undertook more than 41 virtual support sessions with Employers, and over 160 employer representatives attended training sessions from those on offer throughout the year (these included Leaver Essentials, Ill Health and Absence and Assumed Pensionable Pay).

In addition, sessions are provided to scheme members. Throughout the year, and as a result of the ongoing Covid-19 pandemic, these sessions continued to be delivered remotely to employers and members, with the team delivering Retirement Essentials sessions to over 450 Members, and a further 190 Members attending Scheme Essentials presentations.

- **Online Service**

'My Pension Online' is an online facility allowing members to view their details and securely update changes in personal details. As part of the review of the core administration systems mentioned above, this facility will be transitioned into UPM in 2022.

Members who are registered can run various pension estimates assisting with planning for retirement. Members can also view their P60, payslips and annual benefit statement. LPPA publish letters and communications to the portal when administrative tasks are undertaken. Other benefits of the system include allowing members to view their nominated beneficiaries, access to a host of forms and guides and allows the administration service to communicate with registered members via email.

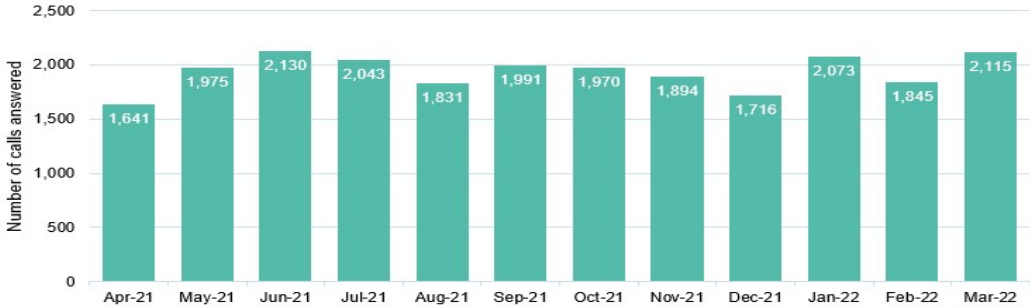
Currently 32% of deferred, 41% of active and 51% of pensioner members are registered.

# Lancashire County Pension Fund Annual Report 2021-22

## Helpdesk

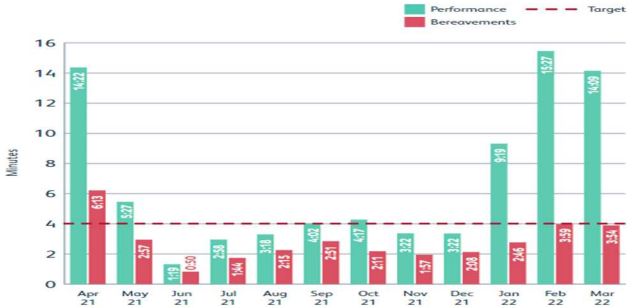
A dedicated helpdesk provides the first point of contact for members and employers. The helpdesk has a target to answer 90%+ of calls received. Between 1 April 2021 and 31 March 2022, this target was largely achieved (exceptions included April 2021, and February and March 2022). In total 23,500 calls were received in the period, compared to 19,317 in the previous year (an increase of over 20%).

Fig.1: Annual call volumes



Performance on call handling has been monitored, particularly average call wait time, abandoned rates and % of calls resolved, and is provided in the chart below. It is noted that performance on the bereavement line has been strong due to LPPA prioritising such calls to support next of kin.

Fig.2 Breakdown of average call wait time



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Satisfaction surveys have continued during the year to measure member satisfaction at key points in the member journey. A total of 2,483 surveys were completed in the period. A summary of the satisfaction results is detailed below:

	Q1	Q2	Q3	Q4	Annual
<b>Retirement</b>	83.64%	82.88%	86.82%	81.93%	83.88%
<b>Calls</b>	93.61%	91.30%	95.95%	93.41%	93.32%

### **Charges and value for money**

It is important that the costs and charges of running the Fund provide good value in relation to the benefits and services provided to members.

To ensure that this is the case, the cost per member is monitored as well as broader financial performance. The PFC is required to consider and approve the budget for the LPPL and its subsidiaries, including administration functions and there is the opportunity to challenge anticipated costs. The shareholder agreement principles include a requirement for any decision made by LPPL to ensure long term value for money. Where a new service is carried out by the partnership then comparison should be made to wider market benchmarks.

The PFC monitors the performance of the pension's administration function – including contractual and non-contractual Key Performance Indicators - on a quarterly basis. Further detail on this is provided in Appendix 2 (Administration Annual Report).

In addition, benchmarking is regularly undertaken to compare the costs and services of LPPA against other pension administrators. The latest results indicate that LPPA is at a near central point in terms of cost and services compared to its peers, with a total administration cost lower than that of its peers.

For further information relating to the administration of the scheme please refer to the Annual Administration Report, Communication Policy Statement and the Pensions Administration Strategy Statement included as Appendices 2, 3 and 4 to this Annual Report respectively.



## **Legislative Changes**

There have been no changes to the LGPS Regulations during this financial year, however, there has been activity in the following areas -

- **Exit Cap.**

Following the announcement on 12 February 2021 that previous exit cap Regulations were to be disapplied, the Department for Levelling up, Housing and Communities (DLUHC) plan to introduce further changes to exit payments and has confirmed that it will consult again on further reforms to exit payments before any changes are made. As part of those steps DLUHC wrote to Chief Financial Officers of Councils and Combined Authorities in England on 9 April 2021 requesting data to inform delivery of the Government's policy commitment to end excessively high exit payments in the public sector. In addition, the government issued guidance clarifying rules on special severance payments which are relevant to employer decision making not the Fund itself.

- **McCloud**

When the Government reformed public service pension schemes in 2014 and 2015 it introduced protections for older members. It was later judged that these protections discriminated against younger members of the relevant pension schemes. A ruling was made to apply to all the main public service pension schemes, including the LGPS, to remove the discrimination. This ruling is often called the 'McCloud judgment'. There have been developments in respect of McCloud this year.

Following a consultation by DLUHC, The Public Service Pensions and Judicial Offices Bill received royal assent on 10 March 2022. DLUHC wrote to all LGPS Administering Authorities in March 2022 to outline the assumptions to be made around the McCloud remedy when valuing members' benefits and setting contribution rates during the 2022 Valuation process, as they want to ensure consistency between funds. It is expected that amendments to the LGPS Regulations will come into force on 1 October 2023 and these will be implemented by LPPA.

- **Widowers Benefits**

The Government has agreed that married men should get no lower benefits than same sex partners. It is expected that this will be included in the next set of scheme amendments. There is no further update on likely timescales.

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- **Spring Budget**

The Lifetime Allowance (that is, the limit on how much members can build up in pension benefits over their lifetime while still enjoying the full tax benefits) has been frozen at its current level (£1,073,100) until April 2026. The Annual Allowance (that is, the most a member can save into their pension in a tax year before having to pay tax) remained at £40,000 and the thresholds unchanged.

- **Stronger Nudge to Pensions Guidance**

On 17 January 2022 the Department for Work and Pensions (DWP) laid before Parliament the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022. The Regulations come into force on 1 June 2022. The Regulations will require pension schemes to explain the nature and purpose of Pension Wise guidance and facilitate the booking of a Pension Wise appointment as part of the application process. Administering authorities will need to give the stronger nudge where it receives an application from a member to start receiving their additional voluntary contributions (AVCs) on or after 1 June 2022. The Regulations also apply to applications from members aged 50 or over to transfer out their AVCs.

- **Finance Act 2022**

The Finance Act received Royal Assent on 24 February 2022 and introduced several changes relevant to LGPS. Deadlines for electing for scheme pays (that is, the mechanism by which any annual allowance tax charge can be paid out of a pension scheme, rather than by the member personally) and associated payment and reporting deadlines will be extended for certain members who are informed of a change in pension input amount for a past pension input period. The normal minimum pension age will increase from 55 to 57 from 6 April 2028. The Act provides for protected pension ages for members who meet the entitlement condition. DLUHC will need to amend the LGPS Regulations to introduce a protected pension age for LGPS. The Act provides HM Treasury with the power to make Regulations to address tax impacts that arise as a result of implementing the McCloud remedy. The Regulations will have retrospective effect.

- **Pensions Dashboard**

The Government intends to introduce a Pensions Dashboard which will enable millions of workers to view all their pension pots in one place online. DWP published a consultation on the draft Pensions Dashboards Regulations on 31 January 2022. The consultation closed on 13 March 2022 and the Local Government Association have now published their response to the consultation.

The consultation proposed a staging deadline of the end of April 2024 for public service pension schemes, including the LGPS. The Local Government Association responded to the consultation stating that the deadline was too ambitious.

# Lancashire County Pension Fund

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- **The Public Service Pensions (Valuations and Employer Cost Cap) (Amendment) Directions 2021**

In the LGPS in England & Wales, there are two mechanisms used to assess the costs of the LGPS, the employer cost cap process as operated by HM Treasury, and the future service cost process as operated by the LGPS Scheme Advisory Board (SAB). The Scheme is normally assessed every three years in line with these cost control mechanisms, and the assessment could potentially lead to scheme changes to ensure the long-term stability of the LGPS. However, there was a pause in February 2019 due to uncertainty around the McCloud case. On 7 October 2021, HMT published the Public Service Pensions (Valuation and Employer Cost Cap) (Amendment) Directions 2021, which allowed schemes to conclude their 2016 valuations. The SAB accordingly published the outcome of the SAB 2016 cost management process on 15 October 2021. Despite a slight shortfall in the cost of the scheme the SAB agreed not to recommend any scheme changes.

- **DWP launch second review of State Pension age**

The review was launched on 14 December 2021. It will consider if the State Pension age (SPA) rules are still appropriate based on the latest life expectancy data and other evidence. A member's pension is usually payable from their Normal Pension Age, which is partly or completely linked to a member's SPA.

The Pensions Act 2014 requires Government to regularly review SPA and for the latest review to be published by 7 May 2023.

- **Single Code of Practice**

The Pensions Regulators (TPR)'s new single Code of Practice (SCoP) is expected to be laid before Parliament in Summer 2022 and to come into force from October 2022. Codes of Practice (CoP) are the regulations set out by the Pensions Regulator which all Local Government Pension Funds need to follow. The current LGPS regulations are the basis of Code of Practice 14, however this will be replaced by the Single Code of Practice later in 2022. The SCoP aims to combine multiple CoPs into one for occupational, personal and public service pension schemes. The reason from implementing the SCoP was due to several codes being out of date and duplication of content between some CoPs and guidance. The Fund have identified a number of new areas from the draft SCoP which it will look to evolve its compliance with the new requirements once implemented.

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## F Investment Policy and Performance Performance

The Fund's investment horizon is long-term. The investment strategy is set by the Fund and outlined in the Investment Strategy Statement which was last updated in 2021. The Fund's primary investment objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due. Accordingly, the Fund invests its assets to meet its liabilities over the long-term, and performance should be assessed against these objectives and over a commensurate period.

Over the longer-term (over a 3-year or 5-year horizon) the Fund's returns have been strong, exceeding both its actuarial benchmark (the rate at which the Fund's liabilities are assumed to grow year on year) and policy portfolio benchmark. Over the year ended 31 March 2022, the Fund delivered a +13.1% return on assets, which was above both the actuarial benchmark and policy portfolio benchmark. This is illustrated in the enclosed charts.

The value of the Fund's investment assets at 31 March 2022 was £10,640 million, up from £9,599 million at 31 March 2021. There were double-digit gains made across a number of asset classes, including Public Equities, Infrastructure, Private Equity and Real Estate. This is detailed in the charts below.

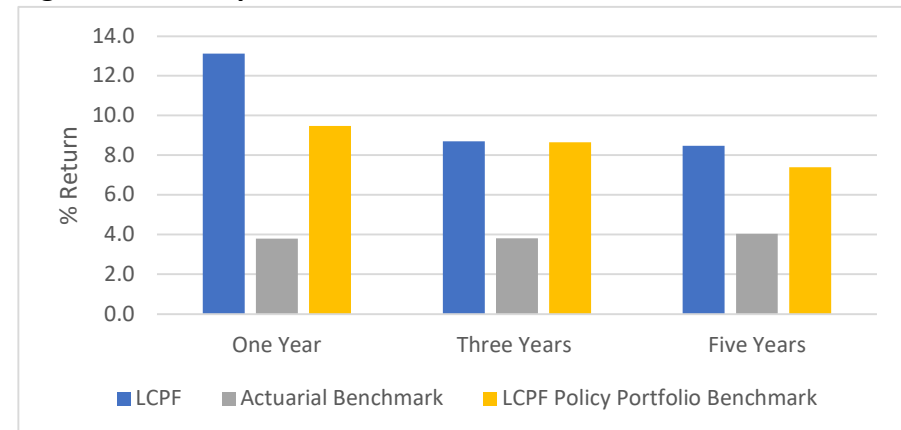
### Investment assets returns compared to benchmarks

Return Metric	1 Year	3 Year*	5 Year*
<b>Investment Assets Return</b>	13.1%	8.7%	8.5%
<b>Actuarial Benchmark</b>	3.8%	3.8%	4.0%
<b>Policy Portfolio Benchmark</b>	9.5%	8.6%	7.4%

Asset returns are shown net of fees

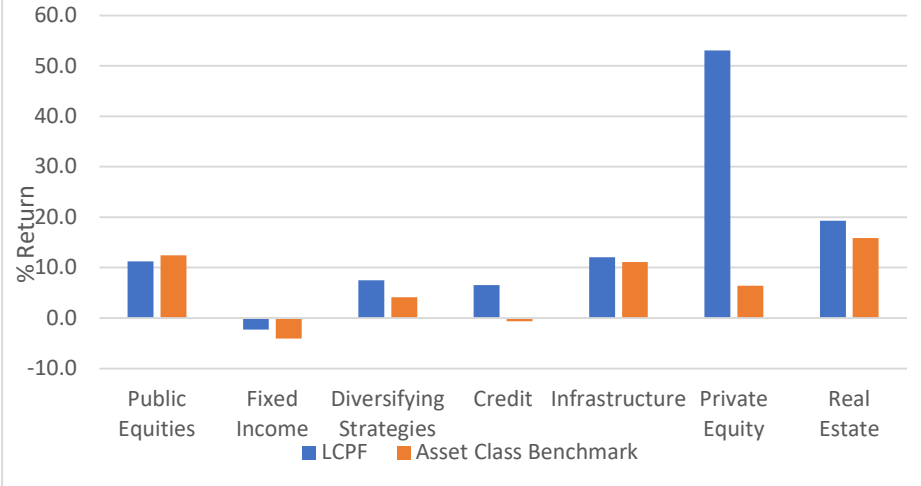
\* Annualised Returns

**Fig.1 Total Fund performance at 31 March 2022**

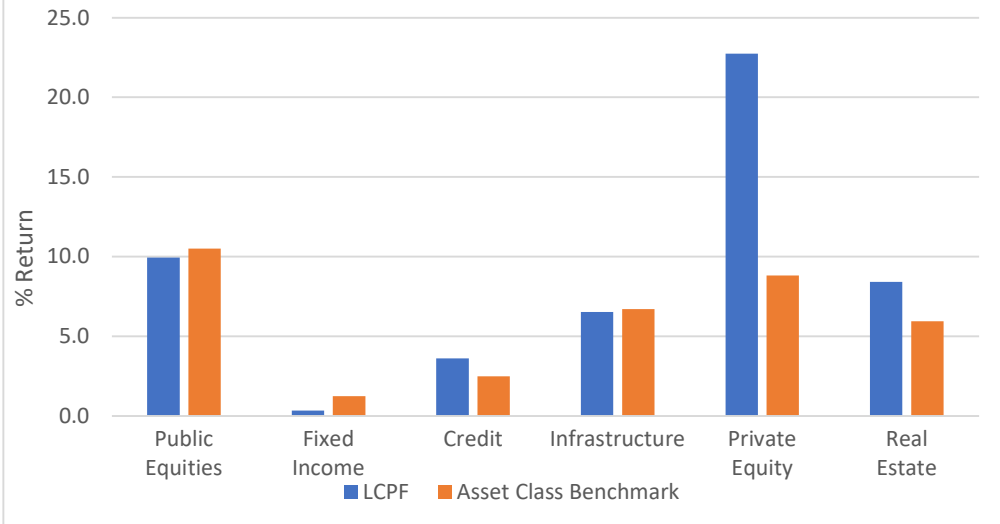


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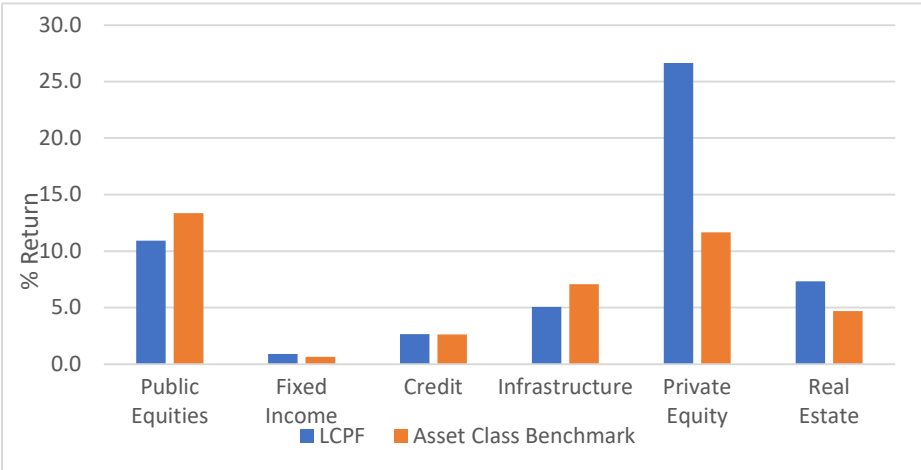
**Fig.2 One-year Fund performance by asset class at 31 March 2022**



**Fig.4 Five-year Fund performance by asset class at 31 March 2022**



**Fig.3 Three-year Fund performance by asset class at 31 March 2022**



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### **Governance and Investment pooling**

The Fund's assets are managed under pooled investment arrangements. Day to day decision-making around the appointment of asset managers, the selection of investment products, and the exercise of ownership responsibilities is delegated to LPPI. LPPI is a Financial Conduct Authority (FCA) regulated investment company and, as detailed elsewhere in the Annual Report, is wholly owned by the Fund, Lancashire County Council and London Pensions Fund Authority (LPFA). LPFA and Royal County of Berkshire Pension Fund have appointed LPPI to manage its assets. LPPI has created seven pooled funds, across a range of asset classes, to manage clients' assets including Public Equities, fixed income, diversifying strategies, credit, infrastructure, Private Equity and Real Estate. However, a limited number of assets of the Fund are invested outside of these pooled funds.

Further information regarding the Funds offered by LPPI including set-up, investment transition and ongoing investment management costs is available in section G, 'Asset Pooling' of this Annual Report.

The following table presents the Fund's actual asset allocation versus strategic target at the end of March 2022 & March 2021:

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 the Fund retains autonomy in deciding how this is set. LPPI has discretion to manage the Fund's assets within the asset class ranges set as part of the SAA decision.

Note 13 to the financial accounts, section H, differentiates between assets held within LPPI's pooled funds and those not. LPPI oversee all assets.

### **Current and Strategic Asset allocation**

Over the year the Asset Classes implemented an updated investment strategy, re-allocating the proceeds from the redemption of the Legacy Share Ownership asset (Heylo Housing). This re-allocation resulted in slightly higher strategic weights to Public Equities, Credit and Infrastructure.

The performance of the Fund's 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 the Fund's objectives are met.

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Asset Class	March 2022				March 2021			
	Assets (GBP Million)	Allocation (%)	Strategic Asset Allocation (%)	Range	Assets (GBP Million)	Allocation (%)	Strategic Asset Allocation (%)	Range
Public equities	5,165	48.5%	45.5%	40% - 50%	4,507	47.0%	44.5%	40% - 50%
Fixed income	399	3.7%	1.5%	0% - 10%	354	3.7%	1.5%	0% - 10%
Diversifying strategies	102	1.0%	0.0%	0% - 5%	95	1.0%	0.0%	0% - 5%
Credit	1,417	13.3%	18.0%	12.5% - 22.5%	1,261	13.1%	17.0%	12.5% - 22.5%
Infrastructure	1,386	13.0%	16.0%	10% - 20%	1,128	11.7%	15.0%	10% - 20%
Private equity	877	8.2%	5.0%	0% - 10%	812	8.5%	5.0%	0% - 10%
Real Estate	1,117	10.5%	12.5%	7.5% - 17.5%	991	10.3%	12.5%	7.5% - 17.5%
Legacy shared ownership <sup>1</sup>	0	0.0%	0.0%	0%	330	3.4%	3.0%	0% - 5%
Cash	177	1.7%	1.5%	0% - 5%	121	1.3%	1.5%	0% - 5%
<b>Total</b>	<b>10,640<sup>3</sup></b>	<b>100.0%</b>	<b>100%</b>		<b>9,599</b>	<b>100%</b>	<b>100%</b>	

At the end of March 2022, the Fund was overweight in its allocation to Equities (both Public and Private), Fixed Income and Diversifying Strategies relative to its Strategic Asset Allocation, whilst being underweight to the private market asset classes Credit, Infrastructure and Real Estate. These private market assets, along with Private Equity, are illiquid in nature and therefore it can take time to address any relative overweight or underweight positions.

<sup>1</sup> The Legacy shared ownership asset (Heylo Housing) was redeemed during the course of the year.

<sup>2</sup> This figure is investment assets held by the Fund. At other points in the Annual Report net asset value is quoted of £10,711.50m – this higher figure includes investment assets as well as current assets and liabilities

# Lancashire County Pension Fund Annual Report 2021-22

## Economic Overview 2021/22

The performance of the Fund is largely determined by economic conditions and the movement in financial markets. The Gross Domestic Product (GDP) growth and inflation (as well as real rates) are key macroeconomic variables that influence LPPI's investment market outlook. Data in the financial year for some of the major economies were:

### GDP

GDP Growth (% Quarter on Quarter)			
	UK	US	EU
Q2 2021	5.60%	1.63%	2.20%
Q3 2021	0.90%	0.57%	2.30%
Q4 2021	1.30%	1.68%	0.30%
Q1 2022	0.80%	-0.38%	0.60%

### Inflation

Consumer Price Inflation (% Quarter on Quarter)			
	UK	US	EU
Q2 2021	1.74%	2.57%	1.20%
Q3 2021	0.99%	0.96%	0.80%
Q4 2021	2.40%	1.64%	1.61%

Q1 2022	1.74%	3.12%	3.63%
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### Interest Rates

10-Year Nominal Government Bond Yields (quarterly change in brackets)			
	UK	US	Germany
Q2 2021	0.72% (-0.12%)	1.47% (-0.27%)	-0.21% (+0.08%)
Q3 2021	1.02% (+0.30%)	1.49% (+0.02%)	-0.20% (+0.01%)
Q4 2021	0.97% (-0.05%)	1.51% (+0.02%)	-0.18% (+0.02%)
Q1 2022	1.61% (+0.64%)	2.34% (+0.83%)	0.55% (+0.73%)

The latest fiscal year was a tale of two folds – a strong economic recovery in the first three quarters followed by an increasingly challenging macroeconomic backdrop in Q1 2022, with financial conditions tightening, growth expectations being revised lower and inflation readings rising to multi-decade highs. In this environment, risk assets exhibited a similar pattern of strong returns until the end of the calendar year, followed by a significant correction in Q1 2022.

On a regional basis, the UK economy expanded the most, but this followed the deepest contraction in 2020 among major developed economies. In fact, the UK GDP rose above its pre-pandemic level just in Q1 2022. Consumer



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spending was the key driver behind the expansion (with a shift from goods toward services spending), whilst Government spending contribution to growth was much more moderate (amid much less Covid-19 related spending). US GDP, which was relatively unscathed by the pandemic (with a recovery of the previous output lost already by the end of 2020), continued to expand strongly. However, there were notable fluctuations emanating from big inventory build-ups and unwinds, highlighting the supply chain disruptions present in the global economy.

Eurozone GDP expanded strongly in Q2 and Q3 2021, however, during the last two quarters of the Fund's fiscal year saw a significant drop in the region's growth. The common currency economy has been much more impacted by Russia's invasion of Ukraine in February 2022 due to its higher dependency in oil and natural gas imports from the former, as well as its stronger overall trade ties. Many companies announced plans to withdraw and shut down their Russian operations quickly in the weeks following Russia's invasion. The latter has contributed to an even more acute increase in food prices (with Ukraine's significant wheat production and trade being impaired) as well as oil and natural gas prices.

These have fed into the common theme of rising inflation, especially since Q4 2021. Strong demand at first for certain types of goods and services amid economies' "re-opening" post Covid-19, soon morphed to a persistent excess demand over supply, fuelling widespread price increases. Central banks, after standing behind a narrative of "temporary price increases" acknowledged that inflation peaks will be significantly higher than previously assumed and that prices decline to the central bank targets will take much longer. To facilitate this path, they pivoted quickly to a less accommodative policy stance with the Bank of England leading interest rate hikes and the Fed moving shortly thereafter.

The Fund's portfolio continues to be well diversified across different asset classes, regions, and sectors. This, together with robust investment underwriting, should assist with navigating through increased macroeconomic uncertainties. The Fund's significant allocations to Real Estate and Infrastructure assets, with their assumed implicit or explicit inflation participation, should help it attain inflation-adjusted returns in line with its long-term objectives.

More detail on each of the asset classes is shown below.

## Global Public Equities

Public equities are publicly traded stocks and shares in companies that are listed on a public stock exchange, for example the FTSE 100 Index in the UK, and are commonly grouped in global indices by their respective company size, such as the Morgan Stanley Capital International (MSCI) World Index.

Public equities are commonly viewed as one of the highest-returning liquid asset classes and represent the largest asset class exposure for the Fund.

The Fund's investment in Public Equities arises through an allocation to the LPPI Global Equity Fund ('GEF'), which combines an internally managed portfolio with a variety of external equity managers, as shown in Fig.5. The GEF maintains an overall bias to high-quality companies (i.e. companies with more stable earnings, stronger balance sheets, and higher margins), however other styles are included to provide diversification. As a global fund, the GEF invests in a wide range of geographic regions, though maintains a bias towards North America and Western Europe, as shown in Fig.6.

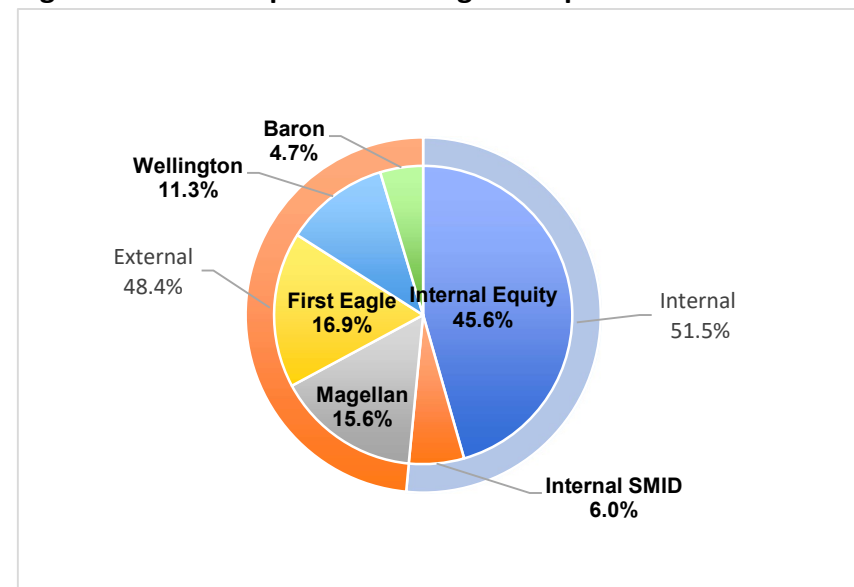
The GEF is benchmarked against the MSCI All Countries World Index and aims to outperform this benchmark by 2% p.a. over a full market cycle of at least seven years.

Over the twelve-months to 31 March 2022 the GEF generated a positive absolute return of +11.2%, underperforming its benchmark by 1.1%. Performance over the twelve-months was a tale of two periods, with the GEF outperforming its benchmark in the first nine-months to the end of 2021, where higher growth sectors led the market, in particular Technology stocks. However, the first quarter of 2022 witnessed a significant market rotation, with market leadership being passed to more cyclical, commodity-based stocks, such as Energy, ones which the GEF is generally underweight to versus the benchmark (see Fig.7). This led to the GEF underperforming its

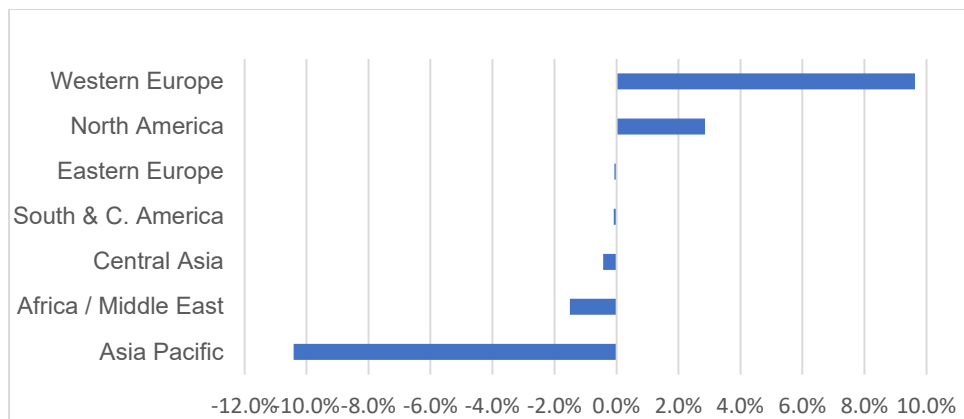
benchmark in the first quarter of 2022 which subsequently impacted the twelve-month performance.

Over the three-years to 31 March 2022 the GEF returned +10.9% p.a., underperforming its benchmark by 2.2% p.a., whilst over the five-year period to 31 March 2022 the GEF returned 9.9% p.a., underperforming its benchmark by 0.5% p.a.

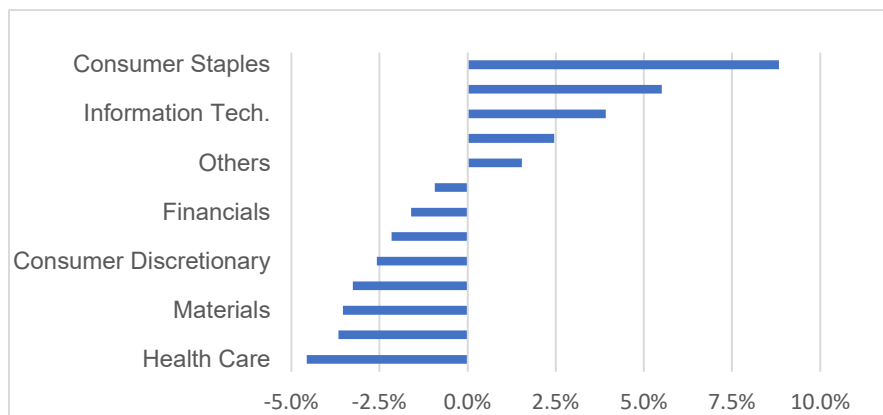
**Fig.5 LCPF Public Equities – Manager composition as at 31 March 2022**



**Fig.6 LCPF Public Equities – Regional weights v MSCI ACWI<sup>1</sup> as at 31 March 2022**



**Fig.7 LCPF Public Equities – Sector weights v MSCI ACWI as at 31 March 2022**



<sup>1</sup> MSCI/ACWI – MSCI All Country World Index

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## Fixed Income

Fixed Income assets are broadly those types of assets where an investor lends an amount of money to an entity (often a government or company) and, in exchange for this, receives a set of cashflows back in the form of fixed interest or dividend payments, until a given maturity date in the future. At the maturity date the investor is also repaid the original amount they had invested.

The Fund's exposure to Fixed Income arises through its holding in the LPPI Fixed Income Fund ('FIF'), which consists of two complementary underlying managers, as shown in Fig 8. The FIF has a bias towards higher-quality Fixed Income assets, with Fig.9 showing the breakdown of the assets by credit-rating (as in indication of its quality). The higher the quality of the asset (i.e. the closer to the AAA rating in Fig.9), the lower the expected chance of default of the entity to which the money has been lent.

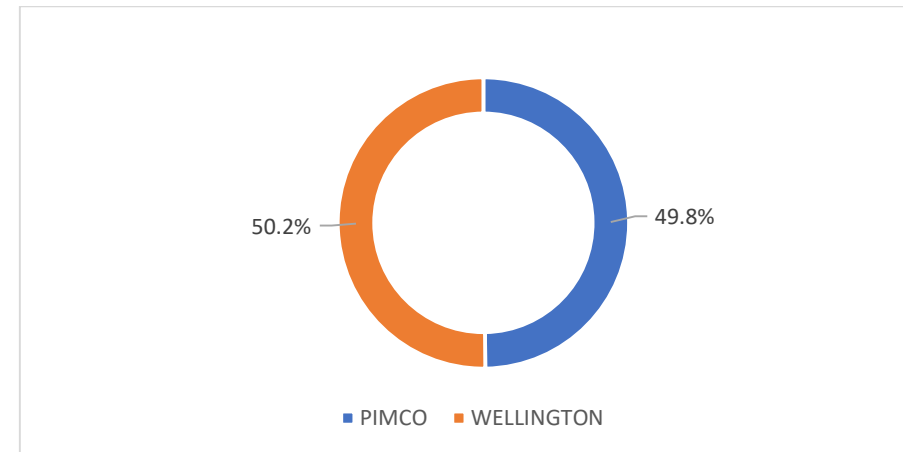
The FIF is benchmarked against the Bloomberg Barclays Global Aggregate Bond Index (GBP Hedged) and aims to outperform this benchmark by 0.25% p.a. over a full market cycle of at least seven years.

The FIF returned -2.3% over the twelve-months to 31 March 2022, outperforming its benchmark by 1.9%. Both underlying managers posted negative absolute returns over the period.

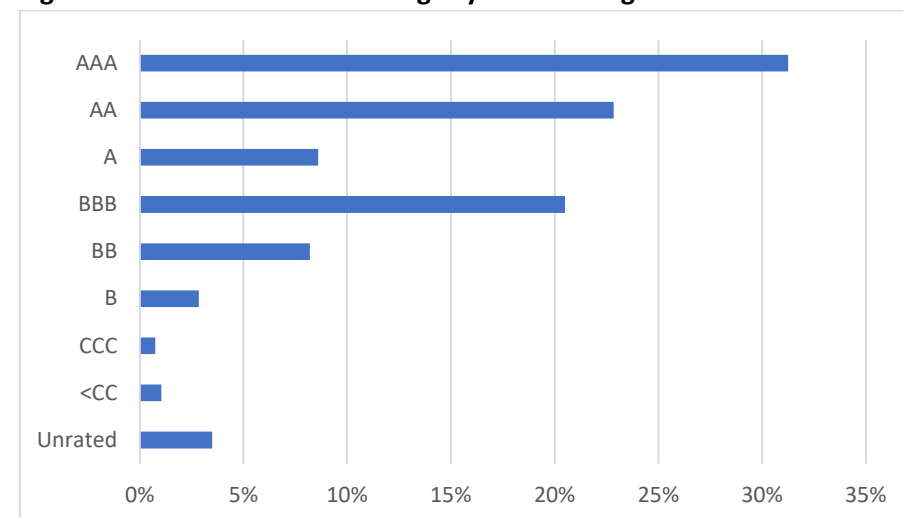
The negative absolute return was driven by the FIF's interest rate exposure, most notably in the first quarter of 2022. As long-term interest rates rise, the value of Fixed Income assets typically falls. As can be seen in the tables in the Economic Overview section, interest rates rose over the year, which meant the value of the assets held fell.

The FIF's outperformance of its benchmark was also driven by interest rate exposure, as the assets in the FIF were less sensitive to changes in interest rate movements than those in the benchmark, which meant that the benchmark fell by more over the period.

**Fig.8 LCPF Fixed Income – Manager composition as at 31 March 2022**



**Fig.9 LCPF Fixed Income – Holdings by credit rating as at 31 March 2022**



## Private Equity

Private Equity refers to owning part of a company whose stock is not listed on a public exchange.

Compared to Public Equity, Private Equity typically offers a higher return and risk profile. Private Equity is also a less liquid asset class, meaning that investors capital is locked up for a period of time - a 10-year fund life is not uncommon – although this is compensated for by the expected higher returns.

The Fund’s Private Equity investments are held through a variety of funds managed by a diverse collection of managers who, in turn, cover a variety of strategies, investment types and geographic regions as shown in Fig.10, Fig.11 and Fig.12, respectively.

The Fund’s exposure to Private Equity is being gradually reduced in line with the Fund’s long-term strategy.

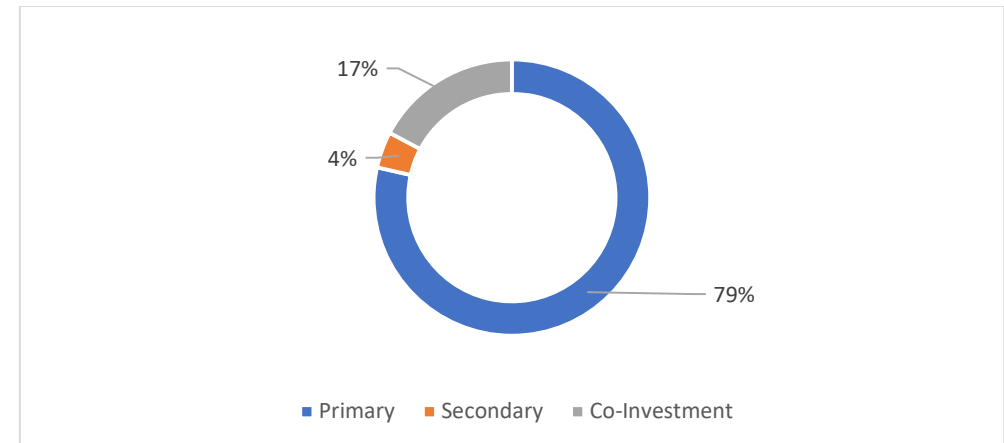
The Fund’s Private Equity portfolio is benchmarked against the MSCI World SMID Index and aims to outperform this benchmark by 2% p.a. – 4% p.a. over a rolling ten-year period.

The Fund’s Private Equity portfolio returned +53.0% over the twelve-month period to 31 March 2022, outperforming the benchmark by 43.9%. It should be noted that the performance calculation of the portfolio lags that of the benchmark, which is a Public Equity index, as by their nature it takes much longer to value Private Equity assets than Public Equities.

With long-term investment periods, performance is generally best viewed over longer horizons. The Fund’s Private Equity portfolio has generated double-digit annualised returns over both the three- and five-year periods, as

well as outperforming since inception.

**Fig.10 LCPF Private Equity – Investment strategy breakdown as at 31 March 2022**



Primary – Denotes investments made directly within newly launched company or Fund

Secondary – Denotes investments made within existing private equity opportunities, companies or funds

Co-Investment – Denotes investing alongside other investors in the same opportunity

**Fig. 11 LCPF Private Equity – Investment type breakdown as at 31 March 2022**

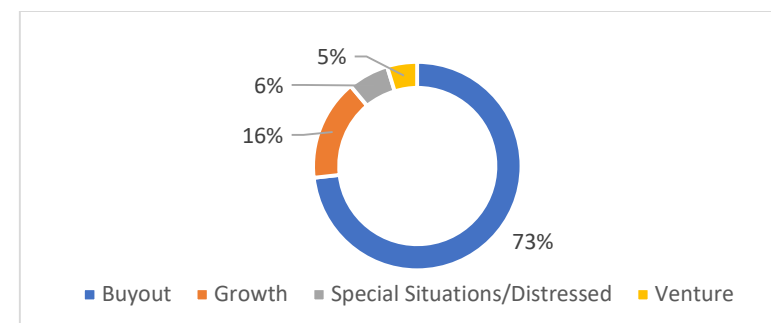
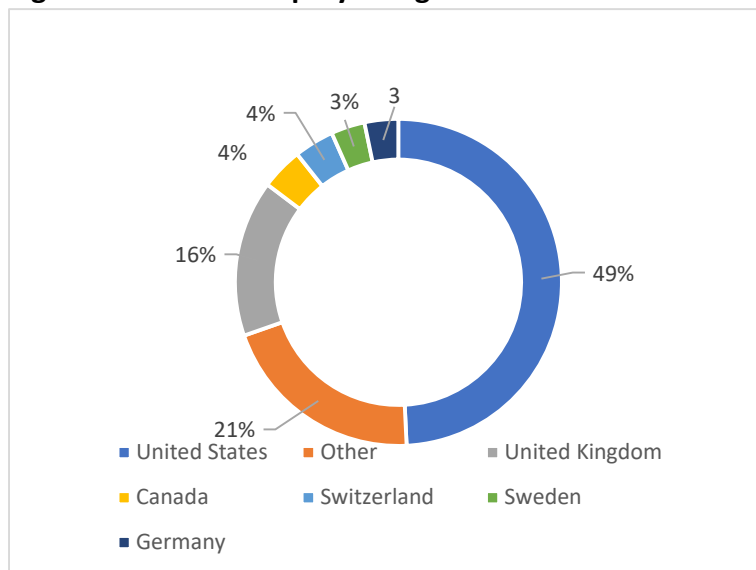


Fig.12 LCPF Private Equity – Regional breakdown as at 31 March 2022



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## Real Estate

Real Estate as an asset class involves investing in property, land and the buildings on it. As well as changes in the value of the underlying properties driving performance, income generation, for example from rental payments from tenants in the properties, also plays an important role.

The majority of the Fund's Real Estate portfolio is invested in the LPPI Real Estate Fund ('REF') which consists of a portfolio of directly held properties managed by Knight Frank Investment Management and a collection of external managers. The Fund has retained direct ownership of – outside of the REF - its County and National portfolio managed by Knight Frank Investment Management. As Fig.13 indicates, the portfolio is primarily made up of UK assets.

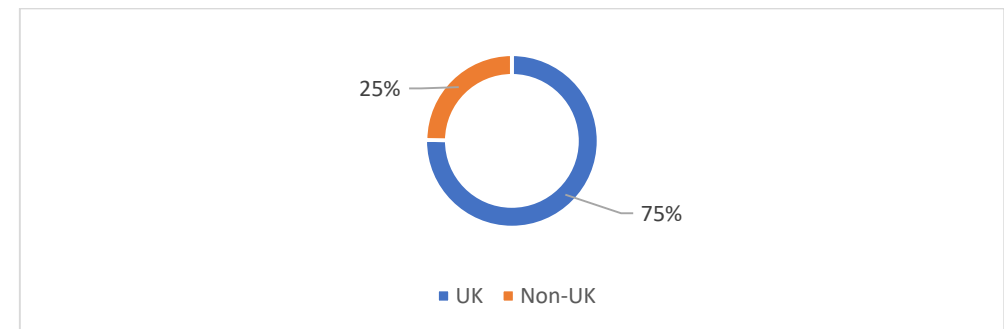
The Fund's Real Estate Portfolio is benchmarked against the MSCI UK Quarterly Property Index and has a target return of UK CPI + 3.0% p.a. – 5.0% p.a. over a rolling ten-year period.

Over the twelve-month period to 31 March 2022 the Fund's Real Estate Portfolio returned +19.3%, outperforming the benchmark by 2.9%. This performance is largely attributable to the REF, which returned +17.0%, with the County and National portfolios achieving +18.0% and -0.7% respectively.

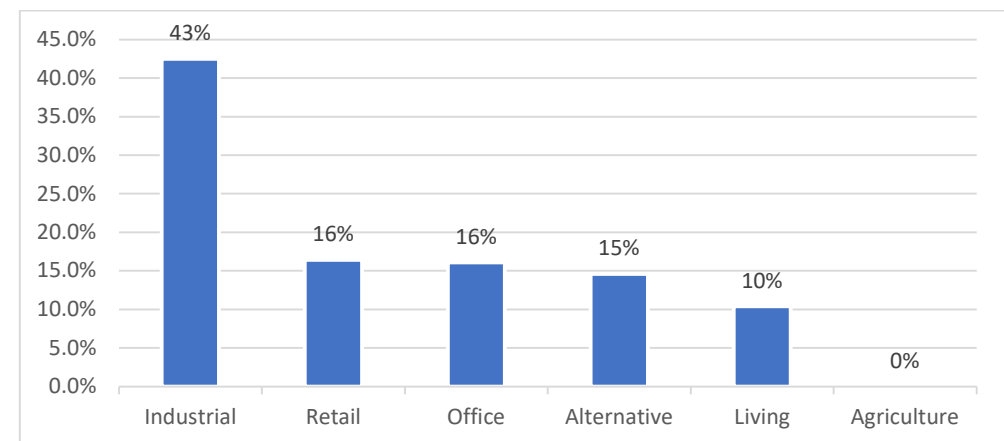
The REF benefitted from its high allocation to the Industrial and Logistics sectors over the twelve-months, as shown in Fig.14. Across the global Logistics sector, a continuing shift in consumer habits to more online shopping drove performance, whilst the Retail sector continued to struggle over the year as the number of shoppers struggled to return to pre-pandemic levels.

Given the long-term nature of Real Estate investments, performance is best assessed over longer time horizons. Over three-year and five-year periods, the Fund's Real Estate portfolio has produced strong absolute and relative performance.

**Fig.13 LCPF Real Estate – Geographical breakdown as at 31 March 2022**



**Fig.14 LCPF Real Estate – Sector breakdown as at 31 March 2022**



### **Infrastructure**

Infrastructure assets are those which are necessary for society and the economy to function. Examples include assets in energy generation (gas, electricity and renewable), transport and health care / hospitals.

Infrastructure assets typically offer long-term returns whilst also providing portfolio diversification and cashflows with a degree of inflation-linkage. Infrastructure assets are also typically illiquid in nature, meaning that investors capital is locked up for a period of time, although this is compensated for by expected higher returns.

The majority of the Fund's infrastructure exposure is through LPPI's Global Infrastructure Fund ('GIF'). This comprises allocations to a variety of UK domestic and global infrastructure funds and direct investment projects. The portfolio focusses predominantly on Core infrastructure in the UK, Europe and North America as illustrated in Fig.15 and Fig.16. The portfolio is diverse across a number of sectors, as shown in Fig.17.

A key component of the GIF is GLIL, an infrastructure platform designed to fully align the interests of a number of pension fund investors who wish to benefit from the very long-term investment opportunities in infrastructure investing. Through GLIL, the Fund 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.

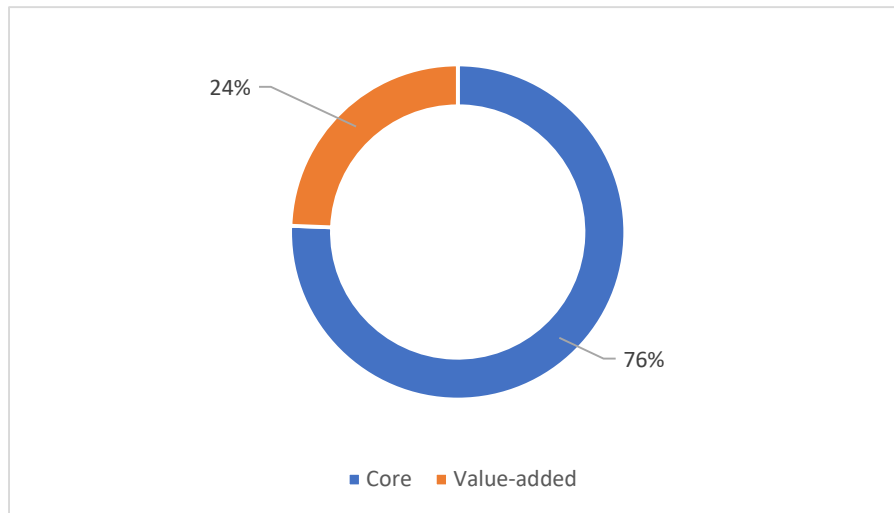
The Fund's Infrastructure portfolio is benchmarked against UK CPI + 4.0% p.a. and has a target of UK CPI + 4.0% p.a. – 6.0% p.a, over a rolling ten year period.

Over the twelve months to 31 March 2022, the portfolio returned +12.0%, outperforming the benchmark by 0.9%. The GIF posted a return of +14.6%

over the twelve months, with GLIL being a positive contributor to this. Two of the Fund's on-balance sheet North American energy funds did not perform as well impacting on the overall portfolio return over the period.



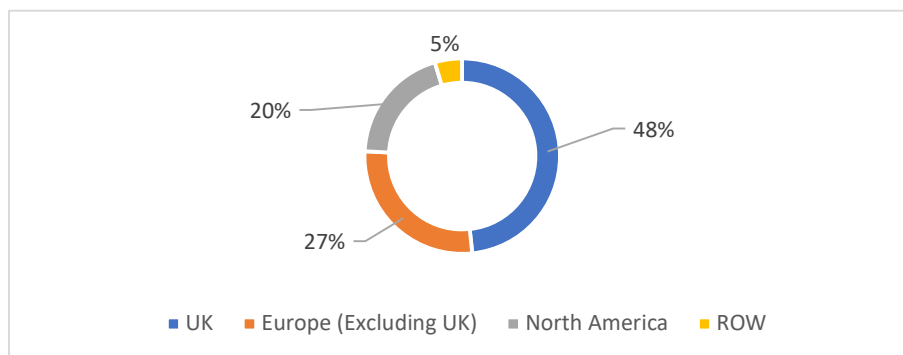
**Fig.15 LCPF Infrastructure – Strategy breakdown as at 31 March 2022**



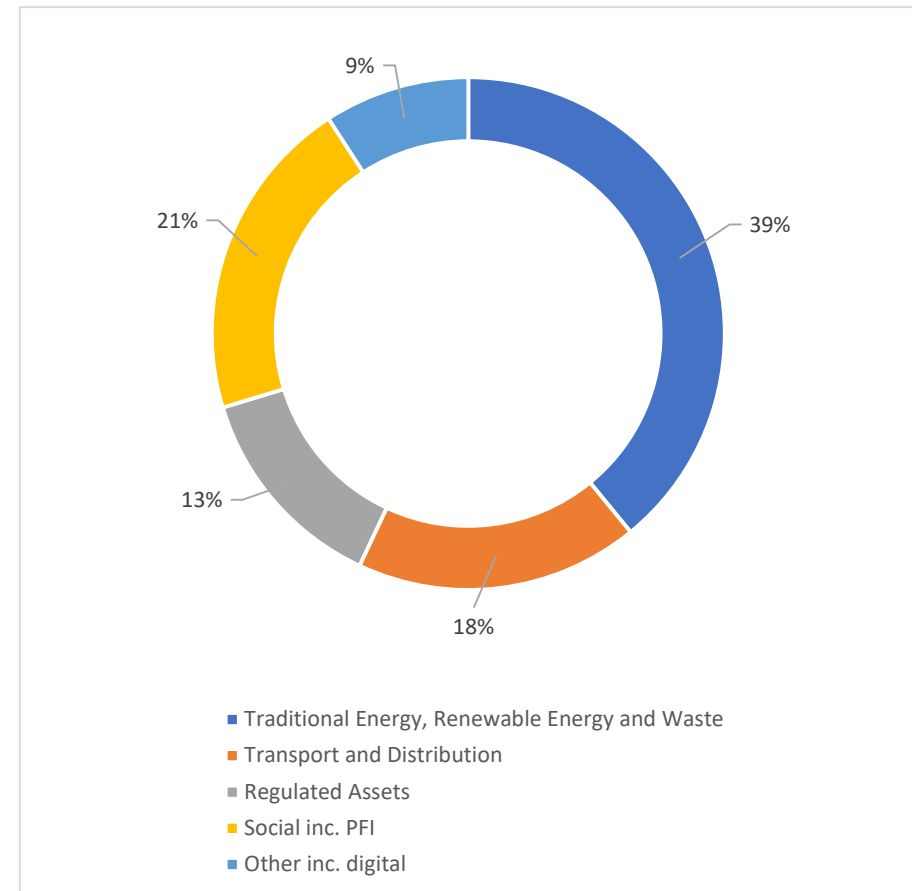
Core – Assets/strategies that have long-term stable cash flows and have low operational or development risk

Value add – Assets/strategies that require enhancements in order to increase demand for the asset and its revenue generation

**Fig.16 LCPF Infrastructure – Geographical breakdown as at 31 March 2022**



**Fig.17 LCPF Infrastructure – Sector breakdown as at 31 March 2022**



## Credit

Credit as an asset class refers to company lending and accepting the debt of issuing companies/Governments with a view to benefiting from favourable repayment strategies.

Examples include private lending to companies, bonds issued by emerging market Governments / companies and loans underpinned by Real Estate assets.

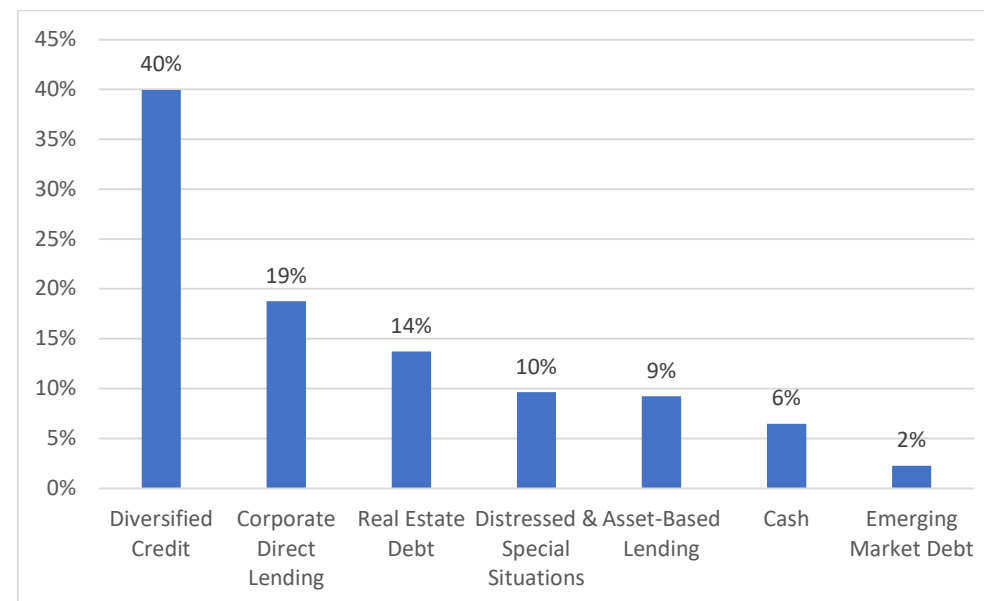
The majority of the Fund's Credit exposure arises through investment in the LPPI Credit Investments Fund ('CIF'), with a small allocation remaining on the Fund's balance sheet. The CIF invests in a range of credit-linked strategies globally, as noted in Fig.18, this being achieved by investing with third-party external managers. Credit exposure is predominantly in illiquid investments which are typically held to maturity.

The portfolio has a composite benchmark of 50% S&P/LSTA Leveraged Loans Index (GBP Hedged) and 50% Bloomberg Barclays Multiverse Corporate Index (GBP Hedged). The CIF's target is to outperform the benchmark by 1.0% p.a. – 3.0% p.a. over a full market cycle of at least seven years.

Over the twelve- months the portfolio returned +6.5%, outperforming its benchmark by 7.2%.

The CIF returned +7.1% over the twelve months, with the allocation to Diversified Credit being the largest contributor to returns. The allocation to Corporate Direct Lending also contributed positively, with managers who were able to deploy capital into the markets following the Covid-19 market turbulence outperforming. Performance was also strong across the Credit assets which are held on the Fund's balance sheet.

**Fig.18 LCPF Credit – Investment type breakdown as at 31 March 2022**



## Diversifying Strategies

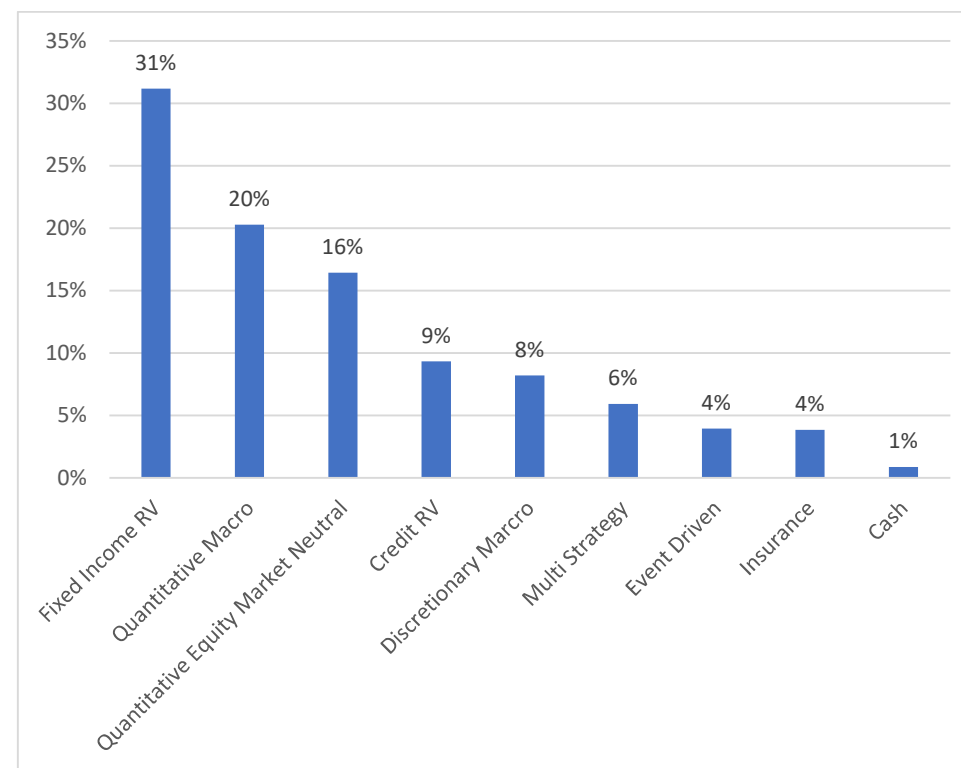
The Fund's allocation to Diversifying Strategies seeks to generate a diversifying source of return to complement the Fund's funding objective, whilst maintaining a low correlation to Public Equities (especially in times of market stress).

The entirety of the Fund's diversifying strategies exposure is through the LPPI Diversifying Strategies Fund ('DSF'). The DSF follows a diverse, multi-strategy approach employing a range of relative value, risk premia and directional investment approaches in traditional markets, alongside alternative markets like insurance. Fig.19 shows the breakdown of the DSF into its strategy types as at 31 March 2022.

The DSF is benchmarked against the HFRI Fund of Funds Conservative Index and aims to outperform this benchmark by 1% p.a. over a rolling seven year period.

During the twelve-month period to 31 March 2022 the DSF returned +7.5%, outperforming its benchmark by 3.2%. This outperformance was predominantly driven by the returns seen in the first three-months of 2022, when Public Equity markets were particularly volatile.

**Fig.19 LCPF Diversifying Strategies – strategy type breakdown as at 31 March 2022**



### **Responsible Investment**

#### **Strategy**

The Fund is committed to the long-term Responsible Investment of retirement savings on behalf of Fund members. Our RI practices support the delivery of the sustainable returns we need to pay pensions through a focus on identifying and understanding investment risks to improve risk-adjusted returns over the long term.

The Fund aims to be as transparent as possible about the approach to RI and the activities which flow from it. Consideration of RI begins at a strategic level with decisions about which asset classes the Fund will invest in.

Whatever the asset class or the sector, it is a clear requirement for the Fund's asset managers to evaluate material influences which could affect the future value of investments by incorporating Environmental, Social and Governance (ESG) considerations into their analysis. Our approach to RI including its commitment to ESG integration is set out in the Fund's Investment Strategy Statement (ISS) which is included as Appendix 6 to this Annual Report. A detailed review of the Fund's approach to RI was undertaken during 2021, with an updated RI policy adopted in November 2021. The policy comprehensively sets out the Fund's values, beliefs, approach, and priorities and is a companion document to the Investment Strategy Statement. The policy is included as Appendix 8 to this Annual Report.

Our RI policy articulates the thinking that shapes the Fund's approach, its outcome in terms of identified priorities, and the standards agreed with LPPI as our provider of investment management services. The policy reflects a commitment to fulfilling the responsibilities held by the Fund as an

institutional asset owner and steward of the retirement savings of fund members and their beneficiaries.

The PFC receives quarterly RI reporting covering the scope of stewardship and engagement activities underway which enables us to monitor ongoing stewardship and active ownership practices. From the beginning of 2020 LPPI's RI reporting began to incorporate a quarterly RI Dashboard presenting headline information and metrics on a range of RI matters including shareholder voting and engagement. The carbon footprint of the GEF is measured annually.

#### **Governance**

The Fund has set an overall investment strategy and is also involved in investor collaborations that engage with companies, regulators and interest groups on issues that matter to the Fund, but investment selection and ongoing stewardship activities (such as shareholder voting) are managed centrally by LPPI on behalf of the whole partnership. LPPI are monitored by the Fund and held to account for delivering our investment strategy and implementing our RI policy commitments.

#### **Applying High Standards**

We use two main external benchmarks to ensure that we are applying best practice – the UK Stewardship Code and Principles for Responsible Investment. The UK Stewardship Code sets clear standards for effective stewardship by asset owners. The Financial Reporting Council defines stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. A revised UK Stewardship Code (2020) has replaced the 2012 Code for

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reporting from January 2021. The 2020 code implements requirements under the Shareholder Rights Directive II and sets a higher bar and broader scope for stewardship activities. The Funds alignment with the new standard will predominantly come through LPPI's activities and reporting against the 2020 Code on stewardship activities for the partnership. LPPI successfully met the higher standard for stewardship disclosure in accordance with the updated 2020 code and have retained signatory status. Their Responsible Investment and Stewardship Report 2020-21, which forms their Stewardship Code submission, can be found on their [website](#).

The Principles for Responsible Investment (PRI) are a global standard for Responsible Investment. Our portfolio is managed under arrangements which comply with the 6 PRI principles, to which LPPI is a signatory. LPPI has submitted detailed reporting to the PRI annually since becoming a PRI signatory (most recently in April 2021) and Transparency Reports are accessible from the PRI website describing arrangements in place and giving detailed examples of good practice. LPP's website is a broader source of information on RI arrangements in place and shares various examples of stewardship activities, including an Annual Report.

### Responsible Investment Priorities

Our updated RI Policy outlines our expanded list of priorities as a responsible asset owner across environment, social and governance themes:

#### Environment:

- (a) Climate Change– the Fund continues to recognise that climate change is to be managed as a systemic and long-term investment concern

- (b) Depletion of Natural Resources– encouragement of sustainable business practices which avoid the reduction of over-exploitation of natural resources

#### Social:

- (a) Human Rights– it is important to recognise and protect human rights in line with international, legal and regulatory obligations
- (b) Modern Slavery – which involves the severe exploitation of people for personal or commercial gain, including forced labour and child labour.
- (c) Local Investment - projects which meet our investment requirements whilst also delivering a positive impact are favourable

#### Governance:

- (a) Corporate Governance– the Fund supports the case for well managed companies which promote fair and just employment practices
- (b) Tax Strategy - Fair tax treatment is important to the Fund as a responsible investor

Further detail on some of the above themes is provided below. Corporate governance and climate change remain as specific priorities for us. We recognise that the quality of leadership and broader corporate governance strongly influences how well positioned investee companies are to accommodate and thrive under multiple stimuli (economic, social, political, and environmental). On our behalf, our investment managers select, and focus stewardship efforts on promoting well managed and sustainable companies. This involves monitoring and engaging companies to encourage positive behaviours such as fair and just employment practices and transparent disclosure on corporate activities.

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The Fund recognises climate change as a systemic risk and a long-term investment concern posing material risks across all asset classes with the potential for loss of value including via stranded assets. Understanding and managing the risks faced from climate change is a core priority. We are working with LPPI to gain a better understanding of the risks our portfolio faces and to ensure climate change considerations feature within investment decision-making. Our objective is to secure the investment returns needed to pay pension benefits and this involves considering whether current and prospective investments face value risk from climate change and the stages of the shift towards a more environmentally sustainable global economy.

Identifying core priorities for Responsible Investment is an important part of focusing the attention of our investment managers on the issues of greatest importance to the Fund.

At 31 December 2021 carbon intensity was well below that of the Fund's benchmark (MSCI ACWI) and had declined compared with the same measure in 2020. The graph below shows the trend using a revenue measure (gross carbon emissions divided by total revenues for companies in the LPPI Global Equities Fund) for scope 1 and 2 emissions.

### Global Equities Fund Weighted Average Portfolio Carbon Intensity Scope 1 and 2 Emissions (tCO2e/£m Revenue)

	Carbon Intensity (tCo2e/£M)
2018 Q4 MSCI	254
2018 Q4 LPPI	173
2019 Q4 MSCI	244
2019 Q4 LPPI	162
2020 Q4 MSCI	183
2020 Q4 LPPI	106
2021 Q4 MSCI	190
2021 Q4 LPPI	76

### Engagement, voting and collaboration

The implementation of the Fund's approach to Responsible Investment priorities divides into three activities - Engagement, voting and collaboration.

#### Shareholder engagement

Engagement is the act of communicating with an organisation with the aims of raising an issue. To increase the resources focussed on engaging with and influencing public companies (listed equities and corporate fixed income) LPPI appointed an engagement services partner – Robeco - at the beginning of 2020. Robeco undertake direct engagement with investee companies as part of a planned programme of thematic engagements targeting material ESG issues via a dialogue with company representatives which seeks progress against identified engagement outcomes. The Robeco Active Ownership Team's expertise and established processes have supplemented engagement

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activity by LPPI's internal investment team bringing broader capabilities and a global reach.

The metrics below summarise activity in 2021/22 where 183 engagement cases undertaken by Robeco involved 343 engagement activities.

Activity by Focus Topic	YTD	Activity by Region	YTD
Corporate Governance	38	North America	57%
Environmental Impact	20	Europe	28%
Environmental Management	45	Pacific	6%
Global Controversy		Emerging Markets	9%
Engagement	11	Total	100%
Healthy Living	10		
Human Rights	36		
Human Capital	11		
Social Management	12		
<b>Total</b>	<b>183</b>		

Activity by Sector	YT D	Activity by Method	YTD
Energy	5	Analysis (no actual contact with company)	41
Materials	25	(Open) Letter	37
Industrials	9	E-mail	125
Consumer Discretionary	29	Active voting	2
Consumer Staples	28	Shareholder resolution	1
Health Care	25	Conference call	133

Financials	38	Speaking at a shareholder meeting	2
Information Technology	36	Meeting at Robeco offices	2
Utilities	8	<b>Total</b>	<b>343</b>
<b>Total</b>	<b>203</b>		

## Voting

### Shareholder Voting

The right to vote at company meetings offers shareholders a direct route for communicating support to publicly listed companies and for urging action or improvement where this is warranted. LPPI exercises the right to vote shares held by the GEF centrally, and publishes headline information and granular voting reports quarterly on the LPP website.

In the 12-months from April 2021 to March 2022 LPPI voted at 399 company meetings on 4,443 separate resolutions as follows:

Against	Theme	For
208	Election of Directors (& related proposals)	2,263
113	Non-salary compensation	365
0	Anti-takeover & related	24
21	M&A and reorganisations	128
49	Capitalisation	285
36	Routine business	818
33	Shareholder proposals	100
<b>460</b>	<b>Total</b>	<b>3,983</b>

# Lancashire County Pension Fund Annual Report 2021-22

## During the financial year ended 31 March 2022, LPPI voted

- Against 23% of management resolutions and in support on 72% of shareholder proposals on remuneration
- In support of 86% of shareholder proposals on human rights issues
- In support of 75% of shareholder proposals related to gender and/or racial diversity (proposals were supported where they requested clear targets or specific information to be reported)
- In support of 100% of shareholder proposals on the health impact of products (e.g. sugar, antibiotics)
- In support of 100% of shareholder proposals on climate change where most proposals sought greater information on how companies are managing risk.
- In support of 86% of shareholder proposals seeking greater information on corporate behaviour relating to political lobbying.

## Collaboration

The Fund prioritises working in partnership with like-minded investors to share information and ideas and build influence. We favour collaborative partnerships that build a collective and clear ownership voice capable of gaining the attention of companies. One of our key partners is the Local Authority Pension Fund Forum (LAPFF).

LAPFF's mission is to promote the highest standards of corporate governance and corporate responsibility to protect the long-term value of local authority pension funds. A work programme on behalf of 80+ collaborating LGPS funds includes engaging directly with company chairs and boards on priority issues of collective interest. The Fund is an active LAPFF member. The Chair of the PFC is a member of the LAPFF Executive Committee, and we attend and

participate in the AGM and Annual Conference as well as attending the Forum's programme of quarterly business meetings. Our active partnership with other LGPS pension funds via LAPFF is aimed at collectively setting high standards, advocating for progressive policy, and holding investee companies to account as part of safeguarding the value of the portfolio.

Over the last 12 months, the Fund was represented by LAPFF across the range of activities and further detail is provided in [LAPFF's Annual Report 2021](#).

## Responsible Investment Case Studies

Our investment portfolio includes numerous examples of assets which provide infrastructure, services and products that are delivering positive social outcomes in addition to investment return. For example, our Real Estate Portfolio includes investments in residential and commercial property in the UK and ex-UK which provide premises to businesses (commerce and logistics), housing for residents and students, and specialist accommodation including residential healthcare.

Our Real Estate investment activity includes assessing the sustainability of buildings by considering their construction standards, energy efficiency, and likelihood of flood risk. We also take the opportunity to generate renewable energy through the installation of solar panels where buildings are compatible

Our direct investments in Real Estate include a County Portfolio which exclusively invests in the County of Lancashire bringing new infrastructure, jobs, and economic benefits to the Northwest. Some examples of investments within the County portfolio, are below.



## **B&Q Retail Warehouse, Preston**

For over 25 years, B&Q have been working to become a more responsible retailer and have been named Greenest Garden Centre and Sustainable Business of the Year.

The retail warehouse in Preston was built to an EPC 'B' standard (an energy efficiency standard) and was the best performing B&Q store in the region, ranking 7th out of 20 local stores in the area.

B&Q also supports local communities through grants to improve homes and local spaces.

## **Accrol Papers Industrial Unit, Blackburn**

The industrial unit was built to an EPC rating of 'C' standard.

The tenant Accrol use FSC certified paper for all of their products. Local paper and tissue waste such as; cardboard, newspaper and recycled tissue is transformed into new products within 14-days of collection.

They have also committed to reducing their carbon footprint year-on-year and plan to have zero waste to landfill within 3-years.

## **Benson House Office Building, Leeds**

Benson is a 1960 refurbishment project, built to BREEAM - a standard of sustainability in buildings - 'Very Good' and EPC 'A' standard. A number of sustainable features were incorporated during the build such as daylight control, LED lighting, high voltage distribution system, air source heat pumps, VRF heating and cooling systems. In addition, they utilise floor to ceiling windows to maximise natural light.

## **Examples in Real Estate Funds**

### **Blackstone Biomed Life Science Fund**

Life science office buildings located in the US and UK, with 80 operational assets totalling 11m square feet. They have implemented several sustainability projects through a "Fast Find & Fix" site assessment, including LED lighting retrofits and upgraded building systems, resulting in annual energy cost savings of \$2.2 million.

They build state-of-the-art properties that also deliver energy efficient, sustainable solutions to their clients and communities. This has resulted in a 5.5m kWh reduction to annual energy consumption - the equivalent to removing 840 cars from the road.

## G Asset Pools

The tables below show the costs to Lancashire County Pension Fund (LCPF) of setting up the individual pooling vehicles within the pooling company, Local Pensions Partnership Investments Ltd (LPPI).

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

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Set up costs								
Legal	–	0.1	0.1	0.3	–	0.3	–	–
Professional fees	–	0.1	0.1	0.3	–	0.1	–	–
Other support costs	–	–	–	0.1	–	0.4	–	–
<b>Total</b>	<b>–</b>	<b>0.2</b>	<b>0.2</b>	<b>0.7</b>	<b>–</b>	<b>0.8</b>	<b>–</b>	<b>–</b>
<b>Transition costs</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>0.3</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

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

	Current Year			Since inception of the pool
	Direct £'m	Indirect £'m	Total £'m	Cumulative £'m
Set up costs				
Legal	–	–	–	0.8
Professional fees	–	–	–	0.6
Other support costs	–	–	–	0.5
<b>Total set up costs</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1.9</b>
<b>Transition costs</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2.3</b>

# Lancashire County Pension Fund

## Annual Report 2021-22

### Total expected costs and savings

The table below compares the fee savings realised from the inception of pooling versus the preceding year, 2015-16. The savings are based on grossed up fees in accordance with the revised CIPFA guidance issued in 2016, whereas in previous years fees may have been reported lower as they would have been netted off against the change in market value. This is consistent with current recommended practice.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Set up costs	–	0.2	0.2	0.7	–	0.8	–	–
Transition costs	–	–	2	0.3	–	–	–	–
Investment management fee savings	–	–	(0.6)	0.4	(9.1)	(8.1)	(12.1)	(15.0)
<b>Net (savings)/costs realised</b>	<b>–</b>	<b>0.2</b>	<b>1.6</b>	<b>1.4</b>	<b>(9.1)</b>	<b>(7.3)</b>	<b>(12.1)</b>	<b>(15.0)</b>

### Ongoing investment management costs 2021/22

Investment expenses are shown broken down into their constituent categories and split between those resulting from investments held in the pooled vehicles and those held on the balance sheet of the Fund.

The table below summarises investment management costs for 2021/22. It has been compiled from cost transparency templates completed by each of the Fund's investment managers. The investment expenses are split between those held within LPPI investment pooling vehicles and those non-pooled assets held directly by the Fund.

	LPPI pooled assets			Non pooled assets			Fund total	
	Direct	Indirect	Total	Direct	Indirect	Total	£'m	£'m
	£'m	£'m	£'m	£'m	£'m	£'m		
Management fees	52.5	–	52.5	4.2	–	4.2		56.7
Performance	58.1	–	58.1	1.3	–	1.3		59.3
Transaction costs	4.3	0.8	5.1	0	–	0		5.1
Custody	–	–	–	0.1	–	0.1		0.1
Administration	–	8.7	8.7	–	1.1	1.1		9.9
Borrowing and arrangement fees	–	0.9	0.9	–	–	–		0.9
Distribution, comms and client service	–	0	0	–	–	–		0

## Lancashire County Pension Fund Annual Report 2021-22

Governance, Regulation and Compliance	–	6.2	6.2	–	0.2	0.2	6.3
Property expenses	–	4.7	4.7	–	1.6	1.6	6.2
Other fees	–	2.7	2.7	–	–	–	2.7
<b>Total</b>	<b>114.9</b>	<b>23.9</b>	<b>138.8</b>	<b>5.6</b>	<b>2.9</b>	<b>8.5</b>	<b>147.3</b>

## 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 Fund, and to ensure that an officer has the responsibility for the administration of those affairs. For Lancashire County Council (LCC), the respective officer is the Chief Executive and Director of Resources, who is also the Section 151 Officer to the 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 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 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 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 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 2022 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 Fund.

**Angie Ridgwell, Section 151 Officer, Lancashire County Pension Fund**



- Placeholder for new audit opinion

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 (Draft Report - Grant Thornton)

### **Opinion**

The pension fund financial statements of Lancashire County Pension Fund (LCPF/the Fund) administered by Lancashire County Council (the "Authority") for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and the notes to the pension fund financial statements, including accounting policies are derived from the audited pension fund financial statements for the year ended 31 March 2021 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 2020/21 and applicable law.

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

The Pension Fund Annual Report and the 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 [XX November 2022].

### **Chief Executive and Director of Resources responsibilities for the pension fund financial statements in the Pension Fund Annual Report**

Under the Local Government Pension Scheme Regulations 2013 the Chief Executive and Director of Resources 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 2019/20.

**Auditor's responsibility**

Our responsibility is to express an opinion on whether the 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.

**[Signature]**

Sarah Ironmonger, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

**[Date]**

# Lancashire County Pension Fund

## Annual Report 2021-22

### Lancashire County Pension Fund

#### Fund account for year ended 31 March 2022

2020/21		Note	2021/22
£m	Dealing with members, employers and others directly involved in the Fund		£m
416.3	Contributions <sup>1</sup>	6	161.5
10.8	Transfers in from other pension funds	7	15.9
<b>427.1</b>	<b>Additions from dealings with members</b>		<b>177.4</b>
(291.8)	Benefits	8	(306.6)
(17.3)	Payments to and on account of leavers	9	(14.4)
<b>(309.1)</b>	<b>Withdrawals from dealing with members</b>		<b>(321.0)</b>
<b>118.0</b>	<b>Net (withdrawals)/additions from dealings with members</b>		<b>(143.6)</b>
(116.4)	Management expenses	10	(168.1)
<b>1.6</b>	<b>Net (withdrawals)/additions including fund management expenses</b>		<b>(311.7)</b>
	<b>Returns on investments</b>		
143.8	Investment income	11	200.1
1,022.2	Profit and losses on disposal of investments and changes in the value of investments	13	1,217.8
<b>1,166.0</b>	<b>Net return on investments</b>		<b>1,417.9</b>
<b>1,167.6</b>	<b>Net increase in the net assets available for benefits during the year</b>		<b>1,106.2</b>
<b>8,437.7</b>	<b>Opening net assets of the scheme</b>		<b>9,605.3</b>
<b>9,605.3</b>	<b>Closing net assets of the scheme</b>		<b>10,711.5</b> <sup>2</sup>

<sup>1</sup> Certain employers can pay contributions earlier than required, referred to as 'prepayment'. Contributions for the year ended 31 March 2021 include pre-paid employer contributions of which £87.3m relates to the year ending 31 March 2022.

<sup>2</sup> The asset values contacted in this section include a further updated amount in respect of the Private Equity asset class.



# Lancashire County Pension Fund Annual Report 2021-22

## Net assets statement as at 31 March 2022

31 March 2021		Note	31 March 2022
£m			£m
9,490.9	Investment assets	13	10,644.0
108.4	Cash deposits	13	55.4
<b>9,599.3</b>	<b>Total net investments</b>		<b>10,699.4</b>
12.6	Current assets	19	19.9
(6.6)	Current liabilities	20	(7.8)
<b>9,605.3</b>	<b>Net assets of the fund available to fund benefits at the end of the reporting period</b>		<b>10,711.5</b>

**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 2022 and its income and expenditure for the year then ended.

# Lancashire County Pension Fund

## Annual Report 2021-22

### 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.

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 2021/22 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 Regulations 2013 as amended
- 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 unitary and 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 PFC, which reports directly to Full Council. The Head of Fund is designated as the officer responsible for the management of the Fund.

The PFC 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.

# Lancashire County Pension Fund

## Annual Report 2021-22

The PFC 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 [lancashirecountypensionfund.org.uk](http://lancashirecountypensionfund.org.uk).

The investments of the Fund are managed by the LPPI Limited and the administration functions by LPPA Limited, which are wholly owned subsidiaries of LPP a joint venture owned, in equal shares, by Lancashire County Council and the London Pension Fund Authority (LPFA).

The Lancashire LPB 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 LPB comprises an independent chair together with representatives acting on behalf of employers and members. All members of the LPB must be able to demonstrate the knowledge and skills set out in the terms of reference of the LPB which are available to view on the Fund website at [lancashirecountypensionfund.org.uk](http://lancashirecountypensionfund.org.uk).

### [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.

Membership of the Fund, as at 31 March 2022 is detailed in the following table:

# Lancashire County Pension Fund Annual Report 2021-22

31 March 2021	Lancashire County Pension Fund	31 March 2022
313	Number of employers with active members <sup>1</sup>	305
139	Number of ceased employers (no active members but some outstanding liabilities)	157
	<b>Number of active scheme members<sup>2</sup></b>	
25,594	County Council	26,545
28,683	Other employers	29,142
<b>54,277</b>	<b>Total</b>	<b>55,687</b>
	<b>Number of pensioners</b>	
26,093	County Council	27,024
26,313	Other employers	27,412
<b>52,406</b>	<b>Total</b>	<b>54,436</b>
	<b>Number of deferred pensioners<sup>2</sup></b>	
35,697	County Council	36,583
35,419	Other employers	36,992
<b>71,116</b>	<b>Total</b>	<b>73,575</b>
<b>177,799</b>	<b>Total membership</b>	<b>183,698</b>

<sup>1</sup> includes employers for whom admission to the Fund is in progress

<sup>2</sup> March 2021 membership numbers have been adjusted to transfer 3,157 pending leavers as at that date from active membership category to deferred membership category. An adjustment of 3,914 pending leavers has been made at 31 March 2022.

# Lancashire County Pension Fund

## Annual Report 2021-22

### 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 2022. Employer contributions are set based on triennial actuarial funding valuations. The contributions in 2021/22 are based on the valuation at 31 March 2019. The latest valuation was at 31 March 2019 for the three years commencing 1 April 2020.

Employer contribution rates for 2021/22 range from 0.0% to 30.3% of pensionable pay, with a primary rate of 17.4%, 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.

	<b>Service Pre 1 April 2008</b>	<b>Service post 1 April 2008 and pre 1 April 2014</b>	<b>Service post 1 April 2014</b>
<b>Pension</b>	Each year worked is worth 1/80 <sup>th</sup> x final pensionable salary.	Each year worked is worth 1/60 <sup>th</sup> x final pensionable salary.	Each year worked is worth 1/49 <sup>th</sup> x the pensionable pay for that year (or 1/98 <sup>th</sup> of pensionable pay if member opts for the 50/50 section of the scheme).
<b>Lump sum</b>	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.

# Lancashire County Pension Fund

## Annual Report 2021-22

### 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 2022. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in United Kingdom 2021/22* 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 2021/22*, 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 2022 but not yet adopted by the Code. There are no such accounting changes to be disclosed for 2021/22.

### 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 certified by the Fund actuary, in the payroll period to which they relate. Some employers exercise an option to pay future service rate contributions earlier than the due date, up to a period of 3 years in advance. These early contributions are recognised in the Fund account on receipt.

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

# Lancashire County Pension Fund

## Annual Report 2021-22

Employers' augmentation contributions and pension strain contributions are accounted for in the 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

Transfers in and out relate to members who have either joined or left the scheme.

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 the appropriate legislation.

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.

#### Income from pooled funds

Income (distributions) from pooled funds are recognised at the date of issue. It is the policy of the Fund to reinvest distributions on the LPPI Global Equities.

#### Net income from properties

Rental income from 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. Property expenditure is recognised on an accruals basis and is deducted from rental income to report net income from properties.

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

Distributions from pooled property funds are recognised on receipt within pooled property income.

### Movement in the net market value of investments

Changes in the value of investments (including investment properties) are recognised as income in the Fund account 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 on an accruals basis and in accordance with the CIPFA guidance "*Accounting for Local Government Pension Scheme Management Expenses (2016)*". *Management expenses are broken down into the following categories:*

- 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 Fund 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;



# Lancashire County Pension Fund

## Annual Report 2021-22

- 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 PFC (i.e. those charged with governance of the pension fund), LPB, 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 administering authority 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. All oversight and governance expenses are accounted for on an accruals basis.

### 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 together with a recharge of costs incurred by Lancashire County Council in provision of treasury management services to the Fund. 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.

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External investment manager and custodian fees 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.

A number of the fee mandates in place include an element that is performance related.

Where an investment manager's fee note has not been received by the net assets statement date, an estimate based upon the latest available market value of their mandate as at the end of the year is used for the inclusion in the Fund account. In 2021/22, 16.8m of fees is based on such estimates (2020/21: £12.1m).

### [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). More details can be found at note 16.

#### Freehold and leasehold properties

The Fund's property portfolio includes directly owned properties which are leased commercially to various tenants. The risks and rewards of ownership of these properties remain with the Fund and therefore the properties are retained on the net asset statement at fair value.

The properties were valued at open market value at 31 March 2022 by independent property valuers Avison Young in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards effective from 31 January 2022

#### 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.

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### Loans and receivables

Loans and receivables are 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 during the year were Prudential and Utmost Life and Pensions. 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, Mercer, and reviewed by the Fund and actuary during the intervening period. 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, long term credit and infrastructure investments

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

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 2022 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 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 statement's totals £2,318.3m (2020/21: £1,884.7m).  Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.

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<p>Long-term credit investments</p>	<p>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.</p>	<p>The market value of long-term credit investments in the financial statements totals £1,416.7m (2020/21: £1,261.6m excluding investment in loans secured on real assets).</p> <p>Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.</p>
<p>Indirect core property investments</p>	<p>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.</p>	<p>Indirect property investments in the financial statements total £944.6m (2020/21: £831.7m).</p> <p>Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.</p>
<p>Actuarial present value of promised retirement benefits</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex assumptions relating to relating to future experience. The main assumptions would be the discount rate used relative to assumed inflation (essentially the assumed rate of return on pension fund assets), the rate at which salaries are projected to increase, changes in retirement ages and future mortality rates. A firm of consulting actuaries (Mercer) is engaged to provide the authority with expert advice about the assumptions to be applied.</p> <p>Areas of uncertainty highlighted by the actuary include Guaranteed Minimum Pension (GMP) equalisation, the impact of Covid-19/ Ukraine and the court of appeal ruling on the Sergeant and McCloud cases. Further information can be found in note 24 to these accounts.</p>	<p>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 £608m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £132m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £355m.</p> <p>Estimation of the net liability to pay pensions depends on a number of complex assumptions relating to future experience – the main assumptions would be the discount rate used relative to assumed inflation</p>

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		(essentially the assumed real return on pension fund assets), the rate at which salaries are projected to increase, changes in retirement ages and future mortality rates. A firm of consulting actuaries (Mercer) is engaged to provide the authority with expert advice about the assumptions to be applied.
Direct property valuations	The valuation of directly held properties is carried out by independent valuers, Avison Young on an individual property basis rather than as a portfolio, by qualified surveyors and in accordance with the RICS Professional Standards, Global and UK, RICS Global Standards effective from 31 January 2022	Investment properties held directly by the Fund are valued at £172.1m (2020/21: £159.7m). At 31 March 2022 this comprises property situated within the county boundary of Lancashire (£130.0m) and properties located in Wales (£35.6m) and Scotland (£6.5m).

### Note 6 - Contributions receivable

2020/21		2021/22
£m	By category	£m
64.5	Members	67.7
	Employers:	
327.4	Normal contributions <sup>1</sup>	86.9
18.0	Deficit recovery contributions <sup>1</sup>	4.9
6.4	Augmentation contributions <sup>2</sup>	1.9
351.8	Total employers contributions	93.7
<b>416.3</b>	<b>Total contributions receivable</b>	<b>161.4</b>
	<b>By type of employer</b>	
175.8	County Council <sup>1</sup>	59.9

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220.5	Scheduled bodies <sup>1</sup>	80.9
20.0	Admitted bodies	20.6
<b>416.3</b>		<b>161.4</b>

### Note 7 - Transfers in from other pension funds

2020/21		2021/21
£m		£m
10.8	Individual transfers in from other schemes	15.9
<b>10.8</b>		<b>15.9</b>

<sup>1</sup> Following the actuarial valuation in 2019, 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 2021 include £178.4m received in advance. £87.3m of the contributions received in 2020/21 was related to contributions for the period 2021/22.

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

Note 8 - Benefits payable

2020/21		2021/22
£m	By category	£m
246.9	Pensions	253.1
37.6	Commutation and lump sum retirement benefits	44.6
7.3	Lump sum death benefits	8.9
<b>291.8</b>	<b>Total benefits payable</b>	<b>306.6</b>
	<b>By type of employer</b>	
120.8	County Council	127.1
147.0	Scheduled bodies	153.8
24.0	Admitted bodies	25.7
<b>291.8</b>		<b>306.6</b>

Note 9 - Payments to and on account of leavers

2020/21		2021/22
£m		£m
0.8	Refunds to members leaving service	1.0
16.5	Individual transfers	13.4
<b>17.3</b>		<b>14.4</b>



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## Note 10 - Management expenses

2020/21		2021/22
£m		£m
4.0	Fund administrative costs	4.1
111.3	Investment management expenses <sup>1</sup>	162.6
1.1	Oversight and governance costs <sup>2</sup>	1.4
<b>116.4</b>		<b>168.1</b>

<sup>1</sup>The increase in investment management expenses in 2021/22 is mainly due to a significant increase in the market value of the Fund's assets.

<sup>2</sup>Oversight and governance costs above include external audit fees which amounted to £39,300 (2020/21: £39,300). Additional fees of £9,500 were paid to the external auditor for IAS19 assurance work on behalf of Fund employers within the PSAA regime.

## Investment management expenses

### 31<sup>st</sup> March 2022

	Total	Management Fees <sup>2</sup>	Performance Related fees	Transaction Costs <sup>1</sup>
	£m	£m	£m	£m
Pooled Investments	148.1	84.7	61.8	1.6
Pooled property investments	9.8	6.4	0.3	3.1
Property	4.5	0.2	4.3	
Cash Deposits	0.1			
	<b>162.5</b>	<b>91.3</b>	<b>66.4</b>	<b>4.7</b>
Custody Fees	0.1			
	<b>162.6</b>			

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31st March 2021

	Total	Management Fees <sup>2</sup>	Performance Related fees	Transaction Costs <sup>1</sup>
	£m	£m	£m	£m
Pooled Investments	108.7	49.6	55.9	3.2
Pooled property investments	1.9	1.9	-	0.0
Property	0.7	0.2	0.5	-
Cash Deposits	-			
	<b>111.2</b>	<b>51.6</b>	<b>56.4</b>	<b>3.2</b>
Custody Fees	0.1			
	<b>111.3</b>			

<sup>1</sup>Transaction 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.

<sup>2</sup> 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.

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## Note 11 - Investment income

2020/21		2021/22
£m		£m
0.4	Fixed interest securities	0.9
120.3	Pooled investment vehicles	166.5
15.1	Pooled property investments	25.1
8.1	Net rents from properties	7.7
(0.1)	Interest on cash deposits	(0.1)
<b>143.8</b>	<b>Total investment income</b>	<b>200.1</b>

## Note 12 - Property income

2020/21		2021/22
£m		£m
9.9	Rental income	10.6
(1.8)	Direct operating expenses	(2.9)
<b>8.1</b>	<b>Net income</b>	<b>7.7</b>

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### Note 13 - Reconciliation of movements in investments

	Market value as at 1 April 2021	Purchases at cost	Sales proceeds	Change in market value	Market value as at 31 March 2022
	£m	£m	£m	£m	£m
Fixed interest securities	44.5	118.1	(85.1)	(1.1)	76.4
Index linked securities	-	-	-	-	-
Pooled investment vehicles	8,056.7	832.9	(572.9)	1,070.9	9,387.5
Pooled property investments	1,161.8	-	(353.7)	136.5	944.6
Private Equity	12.5	-	-	-	12.5
Direct property	159.7	0.9	-	11.5	172.1
	<b>9,435.2</b>	<b>951.9</b>	<b>(1,011.7)</b>	<b>1,217.8</b>	<b>10,593.1</b>
Cash deposits	108.4				55.4
Loan Investments	55.0				50.0
Investment accruals	0.8				0.9
<b>Net investment assets</b>	<b>9,599.3</b>				<b>10,699.4</b>

	Market value as at 1 April 2020	Purchases at cost	Sales proceeds	Change in value during the year <sup>1</sup>	Market value as at 31 March 2021
	£m	£m	£m	£m	£m
Fixed interest securities	142.5	210.2	(313.3)	5.1	44.5
Index linked securities	-	2079.3	(2,079.3)	(0.0)	-
Pooled investment vehicles	6,913.5	508.3	(413.1)	1,048.0	8,056.7
Pooled property investments	1,130.1	59.6	(1.9)	(26.1)	1,161.8
Private Equity	12.5	-	-	-	12.5
Direct property	110.2	54.3	-	(4.8)	159.7
	<b>8,308.8</b>	<b>2,911.8</b>	<b>(2,807.6)</b>	<b>1,022.2</b>	<b>9,435.1</b>
Cash deposits	108.8				108.4

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Loan investments	3.0				55.0
Investment income due	8.8				0.8
<b>Net investment assets</b>	<b>8,429.4</b>				<b>9,599.3</b>

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## Investments analysed by fund manager

31 March 2021			31 March 2022	
£m	% of net investment assets		£m	% of net investment assets
<b>Private Equity investments</b>				
773.8	8.1%	LPPI Private Equity Fund	907.7	8.5%
<b>Private Equity investments managed outside of LPPI Private Equity Fund</b>				
12.4	0.1%	Trilantic Capital Partners	12.1	0.1%
12.5	0.1%	Local Pensions Partnership Limited	12.5	0.1%
<b>798.7</b>	<b>8.3%</b>	<b>Total Private Equity investments</b>	<b>932.3</b>	<b>8.7%</b>
<b>Long term credit investments</b>				
1,167.9	12.2%	LPPI Credit Investments	1,342.2	12.5%
<b>Credit investments managed outside of LPPI Credit Investments Fund</b>				
48.3	0.5%	CRC	31.1	0.3%
22.5	0.2%	Neuberger Berman	26.6	0.3%
14.5	0.2%	Pimco Bravo	11.1	0.1%
5.6	0.1%	EQT	4.1	-
2.8	-	Hayfin	1.5	-
<b>1,261.6</b>	<b>13.1%</b>	<b>Total long term credit investments</b>	<b>1,416.7</b>	<b>13.2%</b>
<b>Fixed income investments</b>				
309.6	3.2%	LPPI Fixed Income Fund	398.6	3.7%
<b>Liquid credit investments managed outside of LPPI Fixed Income Fund</b>				

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208.0	2.2%	LPPI internal and LCC Treasury Management	182.6	1.7%
<b>517.6</b>	<b>5.4%</b>	<b>Total fixed income investments</b>	<b>581.2</b>	<b>5.4%</b>
<b>Global equity investments</b>				
4,506.5	46.9%	LPPI Global Equities Fund	5,164.5	48.3%
<b>4,506.5</b>	<b>46.9%</b>	<b>Total global equity investments</b>	<b>5,164.5</b>	<b>48.3%</b>
<b>Infrastructure investments</b>				
940.5	9.8%	LPPI Global Infrastructure Fund	1,255.4	11.8%
<b>Infrastructure investments managed outside of LPPI Global Infrastructure Fund</b>				
68.7	0.7%	Arclight Energy	66.9	0.6%
59.8	0.6%	Icon Infrastructure Partners	40.4	0.4%
17.0	0.2%	Highstar Capital	14.1	0.1%
7.9	0.1%	Pike Petroleum Holdings LLC	5.5	0.1%
3.2	-	Eastern Generation Holdings LLC	3.7	-
1.5	-	Capital Dynamics Red Rose	-	-
<b>158.1</b>	<b>1.6%</b>		<b>130.6</b>	<b>1.2%</b>
<b>1,098.6</b>	<b>11.4%</b>	<b>Total infrastructure investments</b>	<b>1,386.0</b>	<b>13.0%</b>
<b>Diversifying strategy investments</b>				
94.8	1.0%	LPPI Diversifying Strategies Fund	101.9	1.0%
<b>94.8</b>	<b>1.0%</b>	<b>Total diversifying strategies investments</b>	<b>101.9</b>	<b>1.0%</b>
<b>Property investments</b>				

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<b><u>Directly held properties</u></b>				
159.7	1.7%	Knight Frank	172.1	1.6%
<b><u>Pooled property funds</u></b>				
<b>Core property</b>				
831.3	8.7%	LPPI Real Estate Fund	944.6	8.8%
<b>Non-core property</b>				
330.5	3.4%	HH No.1 Limited	-	-
<b>1,321.5</b>	<b>13.8%</b>	<b>Total property investments</b>	<b>1,116.7</b>	<b>10.4%</b>
<b>9,599.3</b>	<b>100.0%</b>	<b>Net investment assets</b>	<b>10,699.4</b>	<b>100.0%</b>

The investments are primarily held in pooled funds as identified above. These represent more than 5% of the net assets of the Fund but the funds are made up of a range of investments, none of these individual investments represent more than 5% of the Fund.

### Fixed interest securities

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£m</b>		<b>£m</b>
18.3	UK corporate bonds quoted	42.8
-	Overseas public sector	-
26.1	Overseas corporate bonds/supernational bonds quoted	33.6
<b>44.4</b>		<b>76.4</b>



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### Pooled investment vehicles

31 March 2021		31 March 2022
£m	UK funds:	£m
309.6	Fixed income funds	398.6
164.5	Private Equity	185.6
942.0	Infrastructure	1,255.4
1,170.7	Long term credit investments	1,343.8
1,161.8	Property funds	944.6
94.8	Diversifying strategies	101.9
	<b>Overseas funds:</b>	
85.3	Fixed income funds	68.8
621.9	Private Equity	734.2
156.6	Infrastructure	130.6
5.6	Long term credit investments	4.1
4,506.5	Equity funds <sup>1</sup>	5,164.5
<b>9,219.3</b>		<b>10,332.1</b>

<sup>1</sup>The LPPI Global Equities Fund includes UK equities.

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## Direct property investments

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£m</b>		<b>£m</b>
128.4	UK – freehold	134.4
31.3	UK – long leasehold	37.7
<b>159.7</b>		<b>172.1</b>

## 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.

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£m</b>		<b>£m</b>
<b>110.2</b>	<b>Opening balance</b>	<b>159.7</b>
	<b>Additions:</b>	
52.8	• Purchases	-
1.3	• New construction	0.5
0.3	• Subsequent expenditure	0.4
-	Disposals	-
(4.8)	Net increase in market value	11.5
<b>159.7</b>	<b>Closing balance</b>	<b>172.1</b>

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### Leases

All directly held investment properties are leased to tenants. There are no investment properties held by the Fund used for purposes other than to generate rental income.

### Residual asset risk

The independent valuation of the direct property portfolio considers the level of committed tenancies amongst other variables. Lessees do not have an option to purchase the properties at the expiry of their lease period and all rental contracts include market review clauses in the event that the lessee exercises an option to renew. Rental income is contractually secured against a wide range of tenants who in turn operate in a range of market sectors. Income 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). As at 31 March 2022, the Fund has the following future minimum lease payments due from tenants.

<b>2020/21</b>		<b>2021/22</b>
<b>£m</b>		<b>£m</b>
0.6	Leases expiring within one year	0.3
17.8	Leases expiring between one and five years	12.9
62.9	Leases expiring later than five years	69.2
<b>81.3</b>	<b>Total future minimum lease payments receivable under existing non-cancellable leases</b>	<b>82.4</b>

The above disclosures have been reduced by a credit loss allowance of 2.6% (2020/21: 2.5%) per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This adjustment is based on experience of rents outstanding 28 days after the due date.

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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.

## Cash deposits

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£m</b>		<b>£m</b>
69.1	Sterling	33.2
39.3	Foreign currency	22.2
<b>108.4</b>		<b>55.4</b>

## Note 14 - Financial instruments classification

The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

### 31 March 2022

	<b>Fair value through profit or loss</b>	<b>Loans and receivables at amortised cost</b>	<b>Financial liabilities at amortised cost</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Financial assets</b>			
Fixed interest securities	76.4		
Loan investments		50.0	

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Pooled investment vehicles	9,387.5		
Pooled property investments	944.6		
Directly held Private Equity	12.5		
Cash deposits		55.4	
Investment accruals	0.9		
Debtors		19.9	
<b>Total financial assets</b>	<b>10,421.9</b>	<b>125.3</b>	
<b>Financial liabilities</b>			
Creditors			7.8
<b>Total financial liabilities</b>			<b>7.8</b>

### 31 March 2021

	Fair value through profit or loss	Loans and receivables at amortised cost	Financial liabilities at amortised cost
	£m	£m	£m
<b>Financial assets</b>			
Fixed interest securities	44.5		
Loan investments		55.0	

## Lancashire County Pension Fund Annual Report 2021-22

Pooled investment vehicles	8,056.7		
Pooled property investments	1,161.8		
Directly held Private Equity	12.5		
Cash deposits		108.4	
Investment accruals	0.8		
Debtors		12.6	
<b>Total financial assets</b>	<b>9,276.2</b>	<b>176.0</b>	
<b>Financial liabilities</b>			
Creditors			6.6
<b>Total financial liabilities</b>			<b>6.6</b>

### Note 15 - Net gains and losses on financial instruments

The net gain on financial assets at fair value through profit and loss was £1206.3m. Note 13 outlines the change in Market Value of Fund Asset's, of which, £841.0m relates to unrealised gains and £365.4m relates to realised gains on the disposal of assets. Direct property is not included within this figure. (2020/21: £1022.2m gain)

### 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.

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### 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.

### 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 by the managers of 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. Ordinarily, 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.

### 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.

## Lancashire County Pension Fund Annual Report 2021-22

31 March 2022

	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	5,639.0	944.6	3,838.3	10,421.9
Loans and receivables	29.8	75.6	-	105.4
Non-financial assets at fair value through profit and loss (property holdings)	-	172.1	-	172.1
<b>Net investment assets</b>	<b>5,668.8</b>	<b>1,192.3</b>	<b>3,838.3</b>	<b>10,699.4</b>

31 March 2021

	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	4,842.3	849.6	3,584.4	9,276.2
Loans and receivables	98.2	65.1	-	163.4
Non-financial assets at fair value through profit and loss (property holdings)	-	159.7	-	159.7
<b>Net investment assets</b>	<b>4,940.5</b>	<b>1,074.4</b>	<b>3,584.4</b>	<b>9,599.3</b>



# Lancashire County Pension Fund Annual Report 2021-22

## 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 (9 <sup>th</sup> 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 - core property	Level 2	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.
Pooled property investments - non-core property	Level 3	Value of equity holding in Real Estate Investment Trust.	Underlying investment valued at existing use valuation for social housing; discount rates; house price index; retail price index; staircasing rates (the rate of progressive tenant ownership % on a part-rent, part-buy ownership agreement).	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

## Lancashire County Pension Fund Annual Report 2021-22

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 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 2022.

Description of asset	Assessed valuation range <sup>1</sup>	Value at 31 March 2022	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Private Equity funds	13.5%	932.3	1,057.7	806.9
Infrastructure funds	5.6%	1,386.5	1,464.3	1,308.7
Long term credit	5.6%	1,348.8	1,424.5	1,273.1
Fixed income funds	5.6%	68.8	72.6	64.9
Diversifying strategies	5.6%	101.9	107.7	96.2
<b>Level 3 investments</b>		<b>3,838.3</b>		

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

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### Reconciliation of fair value measurements within level 3

	Fixed income funds	Private Equity funds	Infrastructure funds	Long term credit funds	Property funds	Diversifying strategies	Total level 3 investments
	£m	£m	£m	£m	£m	£m	£m
<b>Market value 1 April 2021</b>	<b>85.3</b>	<b>798.8</b>	<b>1,098.6</b>	<b>1,176.4</b>	<b>330.5</b>	<b>94.8</b>	<b>3,584.4</b>
Purchases during the year and derivative payments	0.1	130.8	257.7	100.4	0.0	0.0	489.0
Sales during the year and derivative receipts	(17.9)	(378.3)	(62.0)	(41.1)	343.8	(3.2)	(846.3)
Unrealised gains / (losses)	(5.1)	211.7	35.7	40.9	0.0	10.3	293.5
Realised gains	6.4	169.2	56.3	72.2	13.3	0.0	317.5
<b>Market value 31 March 2022</b>	<b>68.8</b>	<b>932.3</b>	<b>1,386.5</b>	<b>1,348.8</b>	<b>0.0<sup>1</sup></b>	<b>101.9</b>	<b>3,838.3</b>

<sup>1</sup>Level 3 Property Funds consisted only of an investment in HH No.1 Limited, which was sold in 2021/22

### 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 PFC. 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.

# Lancashire County Pension Fund

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### [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.

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### 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 managers, the Fund has determined that the following movements in market price risks are reasonably possible for the 2021/22 reporting period.

<b>Asset type</b>	<b>Potential market movements (+/-)</b>
Total bonds (including index linked)	5.8%
Total equities	13.5%
Alternatives	5.6%
Total property	4.2%

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):

## Lancashire County Pension Fund Annual Report 2021-22

Asset type	31 March 2021	Potential market movements (+/-)	Potential value on increase	Potential value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total equities	5,305.2	13.5%	6,018.8	4,591.7
Alternatives	2,764.6	5.2%	2,907.8	2,621.4
Total property	1,321.5	2.0%	1,347.6	1,295.3
Total bonds (including index linked)	44.5	5.4%	47.0	42.1
<b>Total assets available to pay benefits</b>	<b>9,435.8</b>	<b>6.3%</b>	<b>10,028.4</b>	<b>8,843.3</b>

Asset type	31 March 2022	Potential market movements (+/-) <sup>1</sup>	Potential value on increase	Potential value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total equities	6,097	13.5%	6,917	5,277
Alternatives	3,303	5.6%	3,489	3,118
Total property	1,117	4.2%	1,164	1,070
Total bonds (including index linked)	76	5.8%	81	72
<b>Total assets available to pay benefits</b>	<b>10,593</b>	<b>6.4%</b>	<b>11,267</b>	<b>9,919</b>

<sup>1</sup>The potential market movement has been separately assessed for each asset class including the total assets of the Fund, as such, the sum of the potential change in individual assets may not equal the potential change of the total assets of the Fund.

# Lancashire County Pension Fund Annual Report 2021-22

## Direct Property – Price Risk

The Fund invests in and holds a direct property portfolio to obtain a return on investment via rental income. The properties are valued in accordance with Royal Institute of Chartered Surveyor's (RICS) Valuation Standards (9th edition). The valuer considers the equivalent yield, which represents the return a property will produce, to value the properties.

The below table shows the market value of the portfolio after a potential movement in the equivalent yield being obtained by the properties.

Asset type	Asset value as at 31 March 2022	Potential Movement in Equivalent Yield				
		-0.50%	+0.50%	+1.00%	+1.50%	+2.00%
	£m	£m	£m	£m	£m	£m
Direct Property	159.7	167.4	150.2	143.2	137.2	131.8

## 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 2021 and 31 March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

## Lancashire County Pension Fund Annual Report 2021-22

31 March 2021	Asset type	31 March 2022
£m		£m
108.4	Cash and cash equivalents	55.4
<b>108.4</b>	<b>Total</b>	<b>55.4</b>

### 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:

Asset type	Impact of		
	31 March 2022	1% increase	1% decrease
	£m	£m	£m
Cash and cash equivalents	55.4	0.6	(0.6)
<b>Total change in assets available</b>		<b>0.6</b>	<b>(0.6)</b>

Asset type	Impact of		
	31 March 2021	1% increase	1% decrease
	£m	£m	£m
Cash and cash equivalents	108.4	1.1	(1.1)
<b>Total change in assets available</b>		<b>1.1</b>	<b>(1.1)</b>



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### 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 Sterling.

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 2022 and as at the previous year end.

<b>31 March 2021</b>	<b>Currency exposure – asset type</b>	<b>31 March 2022</b>
<b>£m</b>		<b>£m</b>
5,128.3	Overseas equities	5,898.7
247.6	Overseas alternatives	203.5
26.2	Overseas bonds (including index linked)	33.6
<b>5,402.1</b>	<b>Total overseas assets</b>	<b>6,135.8</b>

# Lancashire County Pension Fund

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### Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment managers, the Fund considers the likely volatility associated with foreign exchange rate movement to be 5.5%. A 5.5% 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 (2020/21: 6.1%).

A 5.5% 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 2022	Potential market movement +/- 5.5%	Value on increase	Value on decrease
	£m	£m	£m	£m
Overseas equities	5,898.7	323.1	6,221.8	5,575.6
Overseas alternatives	203.5	11.1	214.6	192.4
Overseas bonds (including index linked)	33.6	1.8	35.4	31.6
<b>Total assets available to pay benefits</b>	<b>6,135.8</b>	<b>336.0</b>	<b>6,471.8</b>	<b>5,799.6</b>

Currency exposure - asset type	Asset value at 31 March 2021	Potential market movement +/- 6.1%	Value on increase	Value on decrease
	£m	£m	£m	£m
Overseas equities	5,128.3	311.7	5,440.1	4,816.7
Overseas alternatives	247.6	15.0	262.5	232.5

## Lancashire County Pension Fund Annual Report 2021-22

Overseas bonds (including index linked)	26.2	1.6	27.8	24.6
<b>Total assets available to pay benefits</b>	<b>5,402.1</b>	<b>328.3</b>	<b>5,730.4</b>	<b>5,073.8</b>

### 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

## Lancashire County Pension Fund Annual Report 2021-22

31 March 2021	Summary	Rating	31 March 2022
£m			£m
	<b>Bank deposit accounts</b>		
72.0	Northern Trust	A2	33.3
-	Svenska Handelsbanken	AA2	21.0
36.0	Natwest	A1	0.9
	<b>Cash float with property manager</b>		
0.4	Barclays Bank Plc	A1	0.2
<b>108.4</b>	<b>Total</b>		<b>55.4</b>

### 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 £7.8m at 31 March 2022, 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 Utmost Life and Pensions 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 2020 to 31 March 2021 for Prudential and are the latest available to the Fund due to delays in the production of the annual benefits statement by the AVC

# Lancashire County Pension Fund

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provider and 1 September 2019 to 31 August 2020 for Utmost Life and Pensions 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*.

	<b>Utmost Life and Pensions</b>	<b>Prudential</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Value at start of the year</b>	<b>0.6</b>	<b>31.1</b>	<b>31.7</b>
Income (incl. contributions, bonuses, interest and transfers in)	-	7.8	7.8
Expenditure (incl. benefits, transfers out and change in market value)	-	(4.3)	(4.3)
<b>Value at the end of the year</b>	<b>0.6</b>	<b>34.6</b>	<b>35.2</b>

### Note 19 - Current assets

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£m</b>		<b>£m</b>
7.0	Contributions due – employers	10.5
5.4	Contributions due – members	6.4
0.2	Sundry debtors	3.0
<b>12.6</b>		<b>19.9</b>

### Note 20 – Current liabilities

<b>31 March 2021</b>		<b>31 March 2022</b>
<b>£m</b>		<b>£m</b>

## Lancashire County Pension Fund Annual Report 2021-22

0.5	Unpaid benefits	1.5
6.1	Accrued expenses	6.3
<b>6.6</b>		<b>7.8</b>

### Note 21 - Contractual commitments

As at 31 March 2022 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 £526.1m (2021: £657.1m). 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 £65.2m (2021: £79.9m). 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.

There are no outstanding commitments on direct property development contracts relating to properties under construction held in the direct property part of the portfolio (2021: £0m).

There are no outstanding commitments in relation to the Pooled Real Estate fund (2021: £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 Pension Fund

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### [Lancashire County Council](#)

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

The Council incurred costs of £1.0m (2020/21: £0.8m) 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 £32.5m to the Fund in 2021/22. A prepayment of contributions for the 3-year period starting 1<sup>st</sup> April 2020 totalling £120.5m, of which, £40.2m relates to 2021/22. Total employer contributions from the Council in 2020/21 amounted to £149.8m. All monies owing to and due from the Fund were paid in year.

Lancashire County Council is a shareholder in the 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 and liability modelling. Payments made for the year to 31 March 2022 amount to £4.9m (2020/21: £5.2m).

The Fund has a Private Equity investment of £12.5m in the LPP as at 31 March 2022.

### [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 2022 payroll, are included within current assets in note 19.

### [Pension Fund Committee, Local Pensions Board and Senior Officers.](#)

The PFC, LPB members and senior officers of the Pension Fund were asked to complete a related party declaration for 2021/22 regarding membership of, and transactions with such persons or their related parties. No related party transactions were identified during the year to 31 March 2022.

Each member of the PFC and LPB formally considers conflicts of interest at each meeting.

# Lancashire County Pension Fund Annual Report 2021-22

## 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:

### 2021/22

	Employment period	Salary <sup>1</sup>	Employer Pension contributions <sup>1</sup>	Total including pension contributions <sup>1</sup>
		£	£	£
Head of Fund	01/04/21 – 31/03/22	74,932	12,738	87,670
Director of Finance	01/04/21 – 31/03/22	2,269	359	2,627
Chief Executive and Director of Resources	01/04/21 – 31/03/22	4,560	-	4,560

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

### 2020/21

	Employment period	Salary <sup>1</sup>	Employer Pension contributions <sup>1</sup>	Total including pension contributions <sup>1</sup>
		£	£	£
Head of Fund <sup>2</sup>	01/04/20 – 20/10/20 & 01/03/21 – 31/03/21	38,956	6,622	45,578
Director of Finance	01/04/20 – 31/03/21	2,232	352	2,585
Chief Executive and Director of Resources	01/04/20 – 31/03/21	4,443	-	4,443

<sup>1</sup> The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work

<sup>2</sup> The position of HoF was covered on an interim basis by an agency member of staff from 20/10/21 – 01/03/21, the total cost of this appointment was £58,500 and is in addition to the costs outlined above.



# Lancashire County Pension Fund Annual Report 2021-22

## Note 24 - Funding arrangements

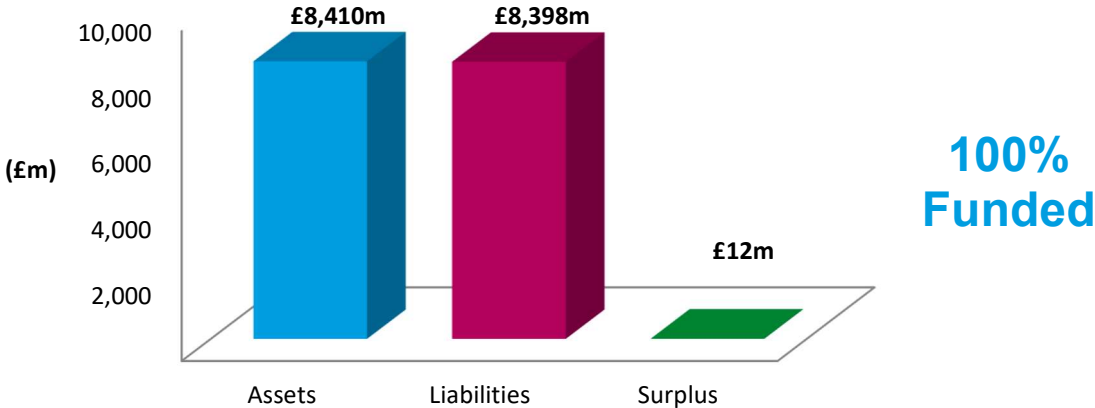
### LANCASHIRE COUNTY PENSION FUND

#### ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2022 - 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 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

On the basis of the assumptions adopted, the Fund's assets of £8,410 million represented 100% of the Fund's past service liabilities of £8,398 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £12 million.



# Lancashire County Pension Fund

## Annual Report 2021-22

The valuation also showed that a Primary contribution rate of 17.4% 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 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. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At the last actuarial valuation the average recovery period adopted was 16 years, and the total initial recovery payment (the “Secondary rate” for 2020-2023) was an addition of approximately £2m per annum on average in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2020.

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 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 Solvency Funding Target and the Primary rate of contribution were as follows:

## Lancashire County Pension Fund Annual Report 2021-22

	For past service liabilities (Solvency Funding Target)	For future service liabilities (Primary rate of contribution)
Rate of return on investments (discount rate)	3.8% per annum	4.55% per annum
Rate of pay increases (long term)	3.9% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of GMP)	2.4% per annum	2.4% per annum

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2022. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2023.

### ***The McCloud Judgment***

The “McCloud judgment” refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government has accepted that remedies are required for all public sector pension schemes and a consultation was issued in July 2020 including a proposed remedy for the LGPS. The key feature of the proposed remedy was to extend the final salary underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and who either remain active or left service after 1 April 2014. In line with guidance issued by the LGPS Scheme Advisory Board, the above funding level and Primary contribution rate do not include a specific allowance for the estimated cost of the McCloud judgment (although there is a margin within the assumptions that may be used to absorb costs arising). At the overall Fund level we estimate that the cost of the judgment was an increase in past service liabilities of broadly £68 million and an increase in the Primary Contribution rate of 1.0% of Pensionable Pay per annum at 31 March 2019.

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### ***Impact of Covid-19 / Ukraine***

The valuation results and employer contributions above were assessed as at 31 March 2019. Since 2020 there has been significant volatility and uncertainty in markets around the world in relation to the Covid-19 pandemic and more recently the situation in Ukraine. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be updated as a general rule but the Administering Authority has the power to review contributions between valuations where there is a material change in employer circumstances, in line with the new Regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

### **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 2022 (the 31 March 2021 assumptions are included for comparison):

	31 March 2021	31 March 2022
Rate of return on investments (discount rate)	2.1% per annum	2.8% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.7% per annum	3.3% per annum
Rate of pay increases	4.2% per annum	4.8% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.8% per annum	3.4% per annum

# Lancashire County Pension Fund

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The demographic assumptions are the same as those used for funding purposes, but we have used the most recent CMI future improvement tables (CMI2021). Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.8% p.a. vs 2.1%). This on its own would have led to a significantly lower value placed on the liabilities but it was largely offset by an increase in the expected long-term rate of CPI inflation during the year, from 2.7% p.a. to 3.3%.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2021 was estimated as £13,126 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£273 million and allowing for net benefits accrued/paid over the period also increased the liabilities by c£207 million (this includes any increase in liabilities arising as a result of early retirements). There was also a decrease in liabilities of £301 million due to "actuarial gains" (i.e. the effects of the *changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2022 pension increase award was more than assumed*).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2022 is therefore £13,305 million.

### **GMP Indexation**

The public service schemes were previously required to provide full CPI pension increases on GMP benefits for members who reach State Pension Age between 6 April 2016 and 5 April 2021. The UK Government has recently confirmed that it will extend this to include members reaching State Pension Age from 6 April 2021 onwards. This will give rise to a further cost to the LGPS and its employers, and an estimation of this cost was included within the IAS26 liabilities calculated last year and is again included in the overall liability figure above.

**Leanne Johnston**

**Fellow of the Institute and**

**Faculty of Actuaries**

**Mercer Limited**

**May 2022**

**Mark Wilson**

**Fellow of the Institute and**

**Faculty of Actuaries**

# Lancashire County Pension Fund Annual Report 2021-22

## I Lancashire Local Pension Board Annual Report

The Lancashire County Pension Fund's (the Fund) Local Pension Board (LPB) has been up and running for seven years. As a reminder to readers, our legal duty is to assist the Pension Fund Committee (PFC) and we are not an executive body. Because Board members explicitly represent either employers or scheme members, we also have a representative role in the governance structure of the Fund.

After seven years, the LPB has established an effective way of using its members' expertise to add value to the PFC's work. We create an annual Work Plan to ensure that we cover all the activities we should and that our workflow is aligned with that of the PFC. 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.

Where specific expertise is helpful, members of the LPB may work with Officers or the PFC on projects or areas. Two Board members, Yvonne Moulton and Steve Thompson, have for several years sat on a Working Party to provide feedback on administration matters, and Carl Gibson spent time this year on reviewing the Risk Register which I comment on below.

We are always aware that our role is to assist the PFC and a good relationship between the two bodies is essential. I meet County Councillor Pope (Chair of the PFC) regularly and attend as many Committee meetings as I can. We also welcome County Councillor Pope and other Committee members to our meetings.

At an operational level, the Officers involved in managing the Fund, and to a large extent the LPPI Limited and LPPA Limited staff who provide the bulk of services to the Fund, have continued to work from home during this year. With the help of IT improvements, service levels have generally remained high throughout this period, and towards the end of it there has been a partial return to the office.

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## **Membership of the Pension Board**

The LPB has nine members: four Employer representatives, four Scheme Member representatives, and an Independent Chair. Except for the Chair, Board Members serve a maximum of eight years, and are not remunerated, other than for expenses incurred in attending meetings or training.

During the year, there was one change to the membership of the LPB when Tony Pounder, the Director of Adult Services at Lancashire County Council retired in January 2022. Glyn Peach, Director of Digital Services was appointed as the replacement employer representative from the County Council. I would like to thank Tony for his time on the LPB and to welcome Glyn.

There will be significantly more change next year when four members and I come to the end of our second and final four-year terms.

The LPB has a budget to cover both its expenses and to allow it to commission reports if required. During the year the cost of running the Board came to £9,105.

## **Attendance of Board members at meetings**

The LPB has met remotely and in person (with provision for members to attend virtually if necessary), during the year. Looking forward, we expect meetings to be in person, although we will use the benefits of technology to allow presenters to do so virtually if required.

Each year the LPB agrees a programme of four meetings, the first being in July followed by meetings in October, January, and April so that each LPB meeting follows a meeting of the PFC. Details of individual members' attendance at Board meetings together with in-year changes to the membership of the LPB, are set out below.

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Name	Representing	6 <sup>th</sup> July 2021	19 <sup>th</sup> October 2021	18 <sup>th</sup> January 2022	26 <sup>th</sup> April 2022
W Bourne	Independent Chair	✓	✓	✓	✓
County Councillor M Salter	Employer rep – LCC	✓	✓	✓	✓
T Pounder	Employer rep - LCC	✓	✓	✓	N/A
G Peach	Employer rep - LCC	N/A	N/A	Observer	Absent
S Thompson	Employer – Unitary, City, Borough, Police & Fire	✓	✓	✓	✓
C Gibson	Employer rep - Others	✓	✓	✓	✓
K Haigh	Scheme Member rep	✓	✓	✓	✓
Y Moulton	Scheme Member rep	✓	✓	✓	✓
D Parker	Scheme Member rep	✓	✓	✓	apologies
K Ellard	Scheme Member rep	✓	✓	✓	✓

### Changes to the membership of the Local Pension Board

Glyn Peach, Director of Digital Services at Lancashire County Council, replaced Tony Pounder, Director of Adult Services as an employer representative on the LPB.

### Training

The LPB is under a legal obligation to ensure its members maintain their levels of knowledge and understanding through regular training. We conduct an analysis of training needs once a year as part of our Annual Review, which becomes an agenda item at our next meeting. Internal training workshops during this year were conducted by webinar in conjunction with the PFC, with recordings being made available for those unable to attend. This appeared to increase participation levels considerably and will continue for most future training. LPB members will still have opportunities to attend external training events during the year and are expected to complete the online training modules from The Pension Regulator's Public Service toolkit.



## Lancashire County Pension Fund Annual Report 2021-22

During the year training sessions were held on the following subjects:

Jun 2021- Audit, risk, and governance – LCC Statement of Accounts

Sep 2021 - LCPF Annual Report and accounts

Oct 2021 - Update on Responsible Investment

Dec 2021 - McCloud

Dec 2021 - Update on the LCPF Investment Service Based Review

Feb 2022 - LCPF Valuation

Feb 2022 - Local Pensions Partnership Budget 2021/22

Mar 2022 - Employer Risk and Engagement

The table below shows the number of internal/external training events individual LPB members attended during the period 1st April 2021 to 31st March 2022.

<b>Name</b>	<b>Internal Events</b>	<b>External Events</b>	<b>Total</b>
W Bourne	7	1	8
County Councillor M Salter	5	0	5
T Pounder (up to January 2022)	1	1	2
G Peach (from January 2022)	2	1	3
S Thompson	3	0	3
C Gibson	4	1	5
K Haigh	4	0	4
Y Moulton	5	0	5
D Parker	9	1	10
D Ellard	5	1	6
			51

Note – during 2021/22 external events continued to be impacted by the restrictions introduced in response to the Covid-19 pandemic.

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Further information about the LPB, including agenda and minutes of meetings can be viewed on the Fund website at <https://lancashirecountypensionfund.org.uk>

### **Activities**

The LPB's focus is much more on administration and governance than it is on investments. During the year we spent considerable time on two topics in particular.

The first was verifying the control framework which lies behind the assurance statements we receive from LPPA. Here we were behind the commissioning of a report from PwC, received in early 2021, which led to tightening up a number of areas. LPPA will implement their remaining recommendations after the switch to a new pensions administration system in 2022.

Preparation for this latter project was the second major topic. We have discussed it at every meeting and following our input LPPA commissioned an independent audit ahead of the project going live to identify and mitigate potential risks. A project of this size will almost inevitably hit some bumps along the way, but the scrutiny provided by the LPB has helped to maximise the chance that it is successful. The Fund is expected to move to the new pension administration system in Autumn, 2022.

Regardless of events elsewhere, the core of the LPB's work remains one of oversight. At every meeting, we look at any breaches of the Regulations and consider the Key Performance Indicators agreed with LPPA as indicators or performance levels. We also reviewed various policy documents, including this year the Cyber Security annual report and Death Grants policy, and the results of appeals. The wide range of expertise among LPB members as well as the fact that they are all users of the Fund, either employers or members of the Fund, means we are well placed to provide useful and relevant feedback to the PFC.

During the year we spent significant time on the Fund's Risk Register, where the LPB has worked with officers to make the document more 'live' and to develop a heat map. We have also encouraged a greater awareness of who is responsible for monitoring each risk, what the key metrics should be, and the need for regular updating of the underlying environment for each risk. We hope the result will help both the PFC and LPB to monitor risks as they evolve, and to focus their limited time usefully.

# Lancashire County Pension Fund

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In the next year the key task will be ensuring that the implementation of the new pension administration system happens without major problems. This is inevitably taking up a lot of LPPA's time and resources, and we therefore expect to be alert to signs of any potential lapses from normal service elsewhere. One area we expect to spend some time on is communications and engagement, which will be important given the new administration system.

I commented last year that we were expecting significant regulatory change over the following 12 months. In practice, Parliament's busy legislation schedule has delayed much of what we expected. That means we are still waiting for the following: The Pensions Regulator to combine the public sector Code of Practice 14 with nine other codes covering pension funds; the newly named Department of Levelling Up, Housing and Communities to publish new guidance on maintaining investment strategy statements, including further requirements on pooling, climate change risk disclosure, and possibly levelling up; and new statutory guidance to implement the recommendations made in the Scheme Advisory Board's Good Governance project back in 2019.

The LPB's role in all of these will be to act as a second pair of eyes to help the PFC ensure the Fund is compliant with these changes as they become legal or regulatory requirements.

Under the LPB's Terms of Reference, I am required to make a statement in respect of my annual review of the Board's effectiveness. I conducted the review in January 2022, and the recommendations I made were again relatively minor as reported to Page 80 the LPB in April 2022. I believe the LPB operates effectively and efficiently and fulfils its legal and regulatory requirements.

I would like to finish by thanking the officers at the County Council who support us in our duties. As part of the annual review, I speak individually to LPB members, and I can record full agreement that in another challenging year we have been ably and effectively supported by the whole team. It gives me pleasure to recognise that publicly in this report.

**William Bourne**, Independent Chair of the Lancashire Local Pension Board  
April 2022

## 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 2019 which determines contribution rates effective from 1 April 2020 to 31 March 2023.

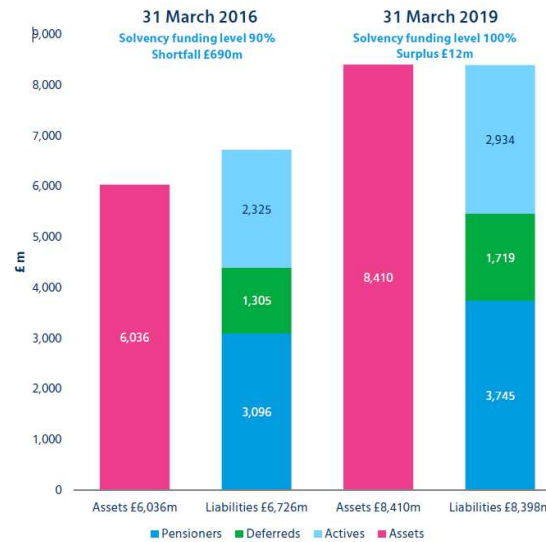
The Funding objective is to achieve and then maintain assets equal to the Funding Target. The Funding Target is the present value of 100% of projective accrued liabilities. This is to comply with the requirements of the LGPS Regulations to secure the solvency of the Fund and is in accordance with the 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 13 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 2020) revealed a funding level of 100% and an average employer's contribution rate of 17.4% plus a deficit contribution in 2020/21 of £3m.

The chart below, taken from the certified actuarial valuation as at 31 March 2019, compares the assets and liabilities of the Fund at 31 March 2019. Figures are also shown for the last valuation as at 31 March 2016 for comparison.

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The employer contributions for 2020/21 are based on the 2019 valuation and the recommended employer contributions for the period 1 April 2020 to 31 March 2023 are set out in the Schedule to the Rates and Adjustments in the actuarial valuation 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 A of the Funding Strategy Statement. The actuarial valuation report as at 31 March 2019 has been included as [Appendix 7](#) to this Annual Report.

# Lancashire County Pension Fund Annual Report 2021-22

## K Contacts

**Fund website** <https://lancashirecountypensionfund.org.uk/>

### Fund accounts

Pensions Finance

Lancashire County Council

[pensionsfinance@lancashire.gov.uk](mailto:pensionsfinance@lancashire.gov.uk)

### Benefits administration

Local Pensions Partnership Administration Limited

PO Box 1381

Preston PR2 0WP

Phone: 0300 323 0260

[www.lppapensions.co.uk/contact/contact-lppa/](http://www.lppapensions.co.uk/contact/contact-lppa/)

### Investment Management

Local Pensions Partnership Investments Limited

First | Floor

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London

EC2M 2PF

### Custodian

Northern Trust

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Canary Wharf

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### Independent advisors

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Marian George

Branksome Independent Consulting

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Norwich

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### Fund Actuary

Mercer

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Old Hall Street

Liverpool L3 9SJ

[www.uk.mercer.com](http://www.uk.mercer.com)

# Lancashire County Pension Fund Annual Report 2021-22

## **External auditor**

Grant Thornton UK LLP  
Royal Liver Building  
Liverpool L3 1PS  
[www.grantthornton.co.uk](http://www.grantthornton.co.uk)

## **Legal advisors**

Commercial & Procurement Team  
Legal & Democratic Services  
Lancashire County Council  
[www.lancashire.gov.uk](http://www.lancashire.gov.uk)

## **Bankers**

National Westminster Bank  
35 Fishergate  
Preston PR1 2AD

Svenska Handelsbanken  
Winckley Chambers  
30 Winckley Square  
Preston PR1 3JJ

## **AVC providers**

Prudential  
Lancing  
BN15 8GB

Utmost Life and Pensions  
Walton Street  
Aylesbury  
Buckinghamshire  
HP21 7QW

## **L Glossary**

### **Absolute return**

Measure of how much an asset has increased or decreased in value over a given period of time.

### **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.

### **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.



# Lancashire County Pension Fund

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### **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-Based Lending**

Providing a loan to a borrower that is secured against an asset.

### **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 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.

# Lancashire County Pension Fund

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### **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 1/49<sup>th</sup> 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.

# Lancashire County Pension Fund

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### **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.

### **Core assets / strategies**

Long-term stable cash flows and have low operational or development risk.

### **Corporate Direct Lending**

Involves lending direct to companies, fulfilling the role that a bank may have historically provided. Borrowers are typically small to medium size enterprises as opposed to large companies.

### **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.

# Lancashire County Pension Fund

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### **Credit strategies**

Credit strategies involve investing in loans or the provision of other credit. At the safest end 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.

**Diversifying Strategies**

Diversifying Strategies seeks to generate a diversifying, liquid source of return to compliment traditional asset allocation in client portfolios. The pool seeks to achieve this through exposure to a variety of approaches in traditional markets, alongside alternative investment opportunities. The pool aims to provide returns that have a low correlation to equities – particularly in times of market stress.

**Diversified Credit**

Involves investing in a broad spectrum of public market bonds, loans and other instruments.

**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).

# Lancashire County Pension Fund

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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.

### **External management**

Refers to assets that are managed by a third-party manager outside of LPPI, but for which LPPI maintain oversight.

### **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.

# Lancashire County Pension Fund

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### **GDP (Gross Domestic Product)**

Represents the total value of goods produced and services provided in a country during one year. It is often seen as a measure of the strength of a country's economy.

### **Growth**

Typically involves investing in proven companies that are looking for capital to expand, restructure, finance an acquisition, or enter new markets, with the aim of making them more profitable within a few years.

### **Index/Indices**

These are used for comparison purposes – as a benchmark – and references throughout the Annual Report to various benchmarks are contextual to the asset class being discussed. For example, the MSCI World Index is used as a benchmark for Private Equities.

### **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.

### **Inflation**

Term used to describe rising prices. How quickly prices go up is known as the rate of 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.

### **Internal management**

Assets that are managed directly by teams at LPPI (i.e. in the case of Public Equities, where the LPPI team chose which stocks to hold)

# Lancashire County Pension Fund

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### **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.

### **Maturity date**

Agreed-upon date at which an investment ends.



# Lancashire County Pension Fund

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### **Multi-Strategy**

Investing involves deploying capital across multiple sub-strategies (including, but not limited to, those listed earlier in this section).

### **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.

**Related party**

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

over the same given period of time.

**Relative Value (RV) strategies**

Those which seek to benefit from the relative mispricing of related securities.

**Responsible Investment**

An approach to investment which recognises that the consideration of ESG 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.

# Lancashire County Pension Fund

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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.

# Lancashire County Pension Fund Annual Report 2021-22

## Appendices

### Appendix 1

#### Scheme employers with active members at 31 March 2022

Employer Name	Contributions Receivable 2021/22 <sup>1</sup>		
	Employer (£'000)	Employee (£'000)	Deficit (£'000)
<b>Total Active Employers</b>	<b>86,739</b>	<b>67,652</b>	<b>5,013</b>
<b>Lancashire County Council</b>	<b>32,247</b>	<b>27,391</b>	-
Lancashire C.C excl schools	2,276	17,213	-
Lancashire C.C Schools	29,971	10,178	-
<b>Scheduled Bodies<sup>2</sup> (191) are broken down as follows:</b>	<b>40,403</b>	<b>34,486</b>	<b>4,360</b>
Blackburn With Darwen B.C.	3	4,573	-
Audley County Infant	1	23	-
Avondale County Primary	-	33	-
Brookhouse Primary School	-	12	-
Holy Trinity CE Primary	-	15	-
Longshaw County Infant	-	21	-
Longshaw County Junior	-	24	-
St Barnabas & St Pauls CEP	-	42	-
St James CE Primary School	2	21	-
St Michael with St John CE Primary School	-	14	-
Turncroft Nursery	-	9	-

<sup>1</sup> These contributions figures do not include pension strain amounts of £1.9m. However, total contributions of £161m referenced elsewhere do include pension strain amounts.

<sup>2</sup> Some employers are required to participate in the scheme (known as scheduled bodies)

## Lancashire County Pension Fund Annual Report 2021-22

Employer Name	Contributions Receivable 2021/22 <sup>1</sup>		
	Employer (£'000)	Employee (£'000)	Deficit (£'000)
Blackpool B.C exc Schools	9	4,296	-
Blackpool B.C Schools	0	473	-
Burnley B.C	1,121	426	304
Chorley Borough Council	1,382	546	-
Fylde Borough Council	84	438	-
Hyndburn B.C.	1,038	490	-
Lancaster City Council	780	1,292	-
Pendle B C	-	329	-
Preston City Council	0	960	-
Ribble Valley B.C	880	334	-
Rosendale B.C	-	283	-
South Ribble B.C	496	597	-
West Lancashire B.C	-	886	-
Wyre B.C	97	487	-
Blackpool Transport Servs.Ltd	-	24	-
Edge Hill University	4,242	1,722	394
Univ.of Central Lancashire	6,520	2,688	218
Lancaster & Morecambe College	588	197	9
Blackpool & The Fylde College	1,831	723	-
Preston College	758	288	20
Runshaw College	959	328	-
Blackburn College	942	374	-
Burnley College	763	313	-
Nelson and Colne College	1,082	398	79

## Lancashire County Pension Fund Annual Report 2021-22

Contributions Receivable 2021/22 <sup>1</sup>			
Employer Name	Employer (£'000)	Employee (£'000)	Deficit (£'000)
Myerscough College	1,108	382	82
Blackpool Sixth Form College	312	131	-
Cardinal Newman College	393	172	-
Blackburn St Mary's	96	38	-
QEGS BBurn Academy (FS)	195	66	-
Lancs Fire and Rescue Service	-2	381	-
Penwortham Town Council	20	8	-
Blackpool Coastal Housing	720	328	-
Pilling Parish Council	9	2	-
Kirkland Parish Council	0	0	-
Catterall Parish Council	8	2	-
Garstang Town Council	9	2	0
United Learning (Accrington Academy)	191	79	-
ANWET (Darwen Aldridge Comm)	409	162	-
Fulwood Academy	87	53	-
St Annes on Sea Town Council	14	5	4
Active Lancashire Limited	165	86	-
Lancaster Girls GS (Academy)	129	59	32
Lancaster RGS (Academy)	257	80	84
Clitheroe Royal GS (Academy)	190	56	54
Hodgson Academy	194	62	56
FCAT (Hambleton Primary Academy)	33	12	14
Ripley St Thomas C E (Academy)	321	103	69
St Michael's CE High (Academy)	139	45	17

## Lancashire County Pension Fund Annual Report 2021-22

Contributions Receivable 2021/22 <sup>1</sup>			
Employer Name	Employer (£'000)	Employee (£'000)	Deficit (£'000)
ATCT (Bowland High Academy Trust)	117	37	39
St Wilfrid's C of E Academy	169	54	94
Lostock Hall Academy Trust	98	31	33
St Christopher's CE (Academy)	162	49	91
Bishop Rawstorne High Academy	108	32	39
Belthorn Primary Academy	58	18	11
Garstang Community Academy	132	36	39
Parbold Douglas CE Academy	40	12	14
FCAT (Westcliff Prim Academy)	42	13	19
All Saints CE Prim Sch (Academy)	50	16	29
Tarleton Academy	141	50	49
FCAT (Montgomery HS Academy)	178	55	89
Morecambe Town Council	22	-	-
Parklands High School Academy	186	64	47
Penwortham Priory Academy	134	46	20
Albany Academy	170	52	38
Norbreck Primary Academy	92	29	26
Waterloo Primary Academy	160	56	35
Hawes Side Academy	99	30	30
The Lancashire Colleges Ltd	18	7	-
Academy at Worden	89	32	14
Wensley Fold CE Primary Academy	94	30	52
Star Academies	614	325	51
Bacup Rawtenstall GS (Academy)	159	54	42

## Lancashire County Pension Fund Annual Report 2021-22

Contributions Receivable 2021/22 <sup>1</sup>			
Employer Name	Employer (£'000)	Employee (£'000)	Deficit (£'000)
ATCT (Roseacre Primary Academy)	94	32	37
Star Academies (Islam Boys HS)	40	17	7
Thames Primary Academy	140	45	45
Maharishi School (Free School)	57	16	3
Pendle Educ Trust-Colne Primet	128	39	9
Pendle Education Trust - Walter St	104	34	19
Moorside Community Academy	72	26	14
Fylde Coast Academy Trust	93	39	11
Blackpool MAT (Devonshire Academy)	125	38	51
Blackpool MAT (Park Academy)	168	66	83
Blackpool MAT (Anchorsholme Academy)	114	33	56
FCAT (Unity Academy)	235	77	119
Langdale Free School	14	6	1
Star Academies (Olive Blackburn)	72	31	5
Star Academies (Olive London)	65	29	4
Educ Partner Tr (The Heights)	68	27	39
Preesall Town Council	8	2	1
BFET (South Shore Academy)	176	59	75
Darwen Town Council	1	0	0
Habergham Eaves Parish Council	0	0	0
Old Laund Booth Parish Council	1	0	0
Police & Crime Commissioner	108	61	-
Blackpool MAT (Revoe)	98	35	70
Cidari Educ (St Georges)	102	30	61



## Lancashire County Pension Fund Annual Report 2021-22

Contributions Receivable 2021/22 <sup>1</sup>			
Employer Name	Employer (£'000)	Employee (£'000)	Deficit (£'000)
ATCT (Witton Park Academy Trust)	168	55	71
Cidari Educ (Lukes & Philips)	37	13	40
Cidari Educ Ltd (St James)	52	16	29
Cidari Educ Ltd (St Barnabas)	31	10	27
Cidari Educ Ltd (St Aidans)	42	13	30
Blessed Edward MAT (St Marys)	191	63	71
Blessed Edward MAT (St Cuth)	51	16	37
FCAT (Aspire Academy)	166	45	70
Blessed Edward MAT (Christ)	45	14	18
ANWET (Darwen Vale Academy)	125	41	104
Star Academies Eden GS Waltham	45	21	3
Star Academies Eden GS Coventry	64	26	8
Star Academies Eden BS Bolton FS	59	21	8
Lancashire Chief Constable	2	4,278	-
BFET (Marton Primary Academy)	91	27	37
Educ Partner Tr (Burnley High FS)	52	21	2
Cliviger Parish Council	1	0	-
Star Academies Islam Girls HS	78	29	31
Cidari Education Trust	62	37	10
Cidari Edu Ltd(Baines Endowed)	116	36	62
Cidari Ed Ltd(Marsden St John)	39	12	10
ANWET (Sudell PS Academy)	39	10	28
Blackpool Housing Company Ltd	148	66	22
Pendle Edu Trust (Castercliff)	65	21	32

## Lancashire County Pension Fund Annual Report 2021-22

Contributions Receivable 2021/22 <sup>1</sup>			
Employer Name	Employer (£'000)	Employee (£'000)	Deficit (£'000)
Educ Partner Tr (Coal Clough)	104	37	16
Star Academies (Eden BS Preston)	32	14	2
Star Academies (Eden GS Slough)	70	29	8
Star Academies (Eden BS Birming)	53	20	9
FCAT (BPool Gateway Academy)	69	23	11
Eden School	39	16	4
Whittle le Woods Parish Coun	3	2	0
Educ Partner Tr (Pleckgate HS)	172	52	104
Freckleton Parish Council	1	0	-
PET (West Craven)	104	34	13
Star Academies Highfield Humanities	135	42	46
Pendle Education Trust	45	23	-
Education Partnership Trust	74	42	54
Blessed Edward Trust	18	8	-
Star Academies Olive Bolton	41	18	-
Star Academies Olive Preston	45	19	-
Star Academies Olive Birmingham	63	25	-
Clayton-Le-Woods Parish Council	5	2	-
FCAT (Mereside)	96	27	52
Tor View SLC	359	132	59
FCAT (Westminster Primary Academy)	95	29	21
Mosaic Academy Trust	103	36	19
Cidari (Newchurch PSM)	15	4	2
Star Academies - Eden Girls Manchester	55	23	-

## Lancashire County Pension Fund Annual Report 2021-22

Employer Name	Contributions Receivable 2021/22 <sup>1</sup>		
	Employer (£'000)	Employee (£'000)	Deficit (£'000)
Cidari Educ (St Silas)	56	17	14
Bay Learning Tr (Morecambe Bay Academy)	209	74	-
Star Academies (The Valley Leadership Academy)	70	25	-
Star Academies (Eden Boys LA Birmingham East)	32	11	-
Learning Together Trust (Adlington PS)	30	8	5
Blackpool Waste Services	352	128	-
Nelson Town Council	6	3	-
Bay Learning Tr (Central Lancaster HS)	101	35	-
Star Academies (Eden Girls LA Birm)	46	20	-
Star Academies (Eden Boys LA Bradford)	33	14	-
Educ Partner Tr (The Heights Burnley)	56	20	-
Romero (St Mary's RC)	49	16	-
Champion Educ Tr (Blackburn Central HS)	158	58	28
Champion Educ Tr (Crosshill Specialist Sch)	57	20	9
Romero Catholic Academy Trust (St John the Baptis	48	17	-
Romero CAT (St Augustines)	55	19	-
Romero CAT (All Saints RC HS)	93	33	-
Romero CAT (Blessed Trinity RC)	225	80	-
Endeavour Learning Trust (Northbrook PS)	37	13	-
Champion Educ Tr (Lotus School)	39	14	-

## Lancashire County Pension Fund Annual Report 2021-22

Employer Name	Contributions Receivable 2021/22 <sup>1</sup>		
	Employer (£'000)	Employee (£'000)	Deficit (£'000)
Cidari Educ (St Pauls CE PS)	4	1	-
Cockerham Parish Council	0	0	-
Nether Wyresdale Parish Council	1	0	-
United Learning (The Hyndburn Academy)	112	37	16
Pendle Education Trust (Casterton Primary Academy)	76	24	10
Bay Learning Tr (Carnforth High School)	111	34	22
Star Academies (Bay Leadership Academies)	155	48	29
FCAT (Armfield Academy)	112	41	-
Endeavour LT (Burscough Priory Academy)	63	19	15
United Learning (Marsden Heights)	212	76	-
Rowan LT (Farington PS)	46	15	-
Endeavour Learning Trust (Central Team)	99	37	-
Mater Christi MAT St Joseph's Catholic Primary	42	14	-
Chorley Leisure Ltd	74	34	-
South Ribble Leisure Ltd	128	45	-
Star Academies - Eden Boys Manchester	57	23	-
<b>Admitted Bodies<sup>3</sup> (113) are broken down as follows:</b>	<b>14,089</b>	<b>5,776</b>	<b>653</b>
UCST (AKS Arnold)	24	11	4
Lancaster University	5,262	2,142	-

<sup>3</sup> Some employers are admitted to the scheme following application for membership (known as admitted bodies)

## Lancashire County Pension Fund Annual Report 2021-22

Contributions Receivable 2021/22 <sup>1</sup>			
Employer Name	Employer (£'000)	Employee (£'000)	Deficit (£'000)
Lancashire County Branch Unison	12	4	-
NW Inshore Fisheries & Conserv	127	44	-
UCST (AKS Lytham)	29	10	-
University of Cumbria	2,059	842	314
Whitworth Town Council	8	3	2
Kirkham Grammar School (Ind)	93	24	1
Caritas Care Limited	276	90	43
Community Council of Lancs	28	9	-
Progress Housing Group	248	111	-
Pendle Leisure Trust Ltd	282	123	-
Together Housing Assoc Ltd	1,972	774	-
Leisure in Hyndburn	195	73	27
Adventure Hyndburn	40	12	22
Blackpool Zoo (Grant Leisure)	17	14	-
Rosendale Leisure Trust	-	24	-
Marketing Lancashire Ltd	33	33	-
Liberata UK Ltd (Pendle)	34	63	-
West Lancs Community Leisure	81	40	-
Community Gateway Assoc Ltd	224	101	-
Chorley Community Housing Ltd	93	39	-
Capita(Rosendale BC Transfer)	14	8	-
Consultant Caterers Ltd	6	3	-
Alternative Futures Group Ltd	-	3	-
Creative Support Ltd	-	10	-

## Lancashire County Pension Fund Annual Report 2021-22

Contributions Receivable 2021/22 <sup>1</sup>			
Employer Name	Employer (£'000)	Employee (£'000)	Deficit (£'000)
Community and Business Partn	56	21	-
I Care (Home)	-	2	-
Fylde Coast YMCA (Fylde TUPE)	0	1	-
Cofely FM Ltd (Lend Lease)	4	7	-
Creative Support Ltd (Midway)	17	7	-
Mellor's (Bishop Rawstorne)	11	3	1
Andron (formerly Solar)	-	1	-
Cofely FM Ltd (Pleckgate)	2	2	-
Liberata UK Ltd (Burnley)	194	70	-
Elite Cleaning and Environment	3	1	-
Eric Wright FM - Site Supervisors Highfield HC	10	3	-
Mellors (Little Hoole)	3	1	-
Mellors (Holy Cross)	10	4	-
Service Alliance Ltd (Altham)	1	0	-
Lancashire Care Foundation	-	2	-
Burnley Leisure	313	126	-
CG Cleaning (Kennington Road)	3	1	0
Compass Contract Services (UK) Ltd	28	7	-
Service Alliance (St Wilfrid)	2	1	-
Blackpool, Fylde and Wyre CU	7	3	-
Service Alliance (Whalley PS)	1	0	-
FCC Environment	24	8	-
County Councils Network	19	23	5

## Lancashire County Pension Fund Annual Report 2021-22

Contributions Receivable 2021/22 <sup>1</sup>			
Employer Name	Employer (£'000)	Employee (£'000)	Deficit (£'000)
Urbaser Ltd	55	13	2
Service Alliance (ClithPendle)	2	1	-
I Care	14	5	-
Ind Living Fund (Blackpool BC)	9	2	0
Elite CES (Fulwood & Cadley)	1	0	-
Elite CES Ltd(Moor Nook School)	2	1	0
Elite CES Ltd (Carr Hill)	2	1	-
Premiserv (St Peters)	1	0	-
5AM Contract Cleaning (Blackpool Coastal)	3	1	-
RCCN (Burscough)	2	1	-
Elite CES (Hambleton)	3	1	0
Elite CES Ltd (St Annes)	1	0	-
Bulloughs (BFET Marton)	3	0	-
Mellors (Delph Side)	2	1	-
Mellors (Lostock Hall Academy)	7	2	-
Capita (Property & Infrastructure)	14	6	-
Maxim (St Georges CE PS)	1	0	-
Compass CS Ltd (Highfield)	5	1	-
Greenwich Leisure Limited (Preston City)	46	15	-
Clarets in the Community Ltd	4	1	-
Compass Contract Services (Hodgson Academy)	4	1	-
Mellors (Parklands High School)	7	2	-
Noonan (Hyndburn CCTV)	4	2	-

## Lancashire County Pension Fund Annual Report 2021-22

Contributions Receivable 2021/22 <sup>1</sup>			
Employer Name	Employer (£'000)	Employee (£'000)	Deficit (£'000)
Mellors (St Michaels CE Academy Trust)	16	4	-
Compass CS (Mer/Mon/Uni)	21	5	-
Mellors (Tarleton Community PS)	1	0	-
Andron (Longridge High School)	0	0	-
Maxim (Bolton le Sands Primary School)	0	0	-
Maxim (St Augustines)	2	1	-
Laneshaw Bridge Primary School	43	16	8
Andron (Cidari - St Georges School)	4	1	-
Blacko Primary School	18	5	5
Colne Park High School	163	51	33
Lord Street Primary School	87	34	19
The Pennine Trust	32	12	-
Wolseley UK	4	1	-
Local Pensions Partnership Inv.	116	74	40
CG Cleaning Ltd (Burnley St Peters)	3	1	-
CG Cleaning Ltd (Moorside PS Lancaster)	2	1	-
CG Cleaning Ltd (St Wulstans & St Edmunds)	6	2	-
Bulloughs (Balshaw HS)	4	1	-
Mellors (Cidari - Multi Academies)	24	6	-
Mellors (Cidari - St Silas)	6	2	-
Orian Solutions Ltd (Layton PS)	1	0	-
Maxim FM (St James PS Clitheroe)	1	0	-



## Lancashire County Pension Fund Annual Report 2021-22

Employer Name	Contributions Receivable 2021/22 <sup>1</sup>		
	Employer (£'000)	Employee (£'000)	Deficit (£'000)
Lancashire Care NHS Foundation Trust (EIS)	13	4	-
Aspens Services Ltd (AE - Sudell Primary School)	4	1	-
Progress Housing Association	457	144	-
Aspens Services Ltd - (AE - DACA/DAES)	16	5	-
Aspens Services Ltd - (AE - Darwen Vale HS)	4	1	-
Maxim (Deepdale PS)	2	1	-
Bulloughs Cleaning Services Ltd- (AE - Sudell Prim	1	0	-
Local Pensions Partnership Admin	927	429	36
Tenon FM Ltd (Clayton Brook PS)	2	1	-
Mellor's (Bank Methodist PS)	0	0	-
Midshire Services Ltd (Southlands HS)	9	2	-
CG Cleaning Ltd (Mary Magdalens CE PS)	3	1	-
Safenet Domestic Abuse and Support Services	6	2	-
CG Cleaning Ltd (St Johns PS Poulton-le-Fylde)	0	0	-
Tenon FM Ltd (Morecambe Bay PS)	1	0	-
Orian Solutions Limited (Broughton Primary School)	5	1	-
Forward as One (St Johns with St Michael)	3	1	-

## Lancashire County Pension Fund Annual Report 2021-22

Employer Name	Contributions Receivable 2021/22 <sup>1</sup>		
	Employer (£'000)	Employee (£'000)	Deficit (£'000)
South Ribble Community Leisure Ltd	-	-	91
Veolia ES (UK) Ltd (Wyre BC)	27	7	-

### Scheme Employers where contributions have been received during 2021/22 but they had no Active Scheme Members as at 31 March 2022

Employer Name	Contributions Receivable 2021/22		
	Employer (£'000)	Employee (£'000)	Deficit (£'000)
Bulloughs (Our Lady)	0	0	-
Preston Care and Repair	1	0	-
Bootstrap Enterprises Ltd	-0	-0	-
Essential Fleet Services Ltd	12	-3	-
Orian Solutions Ltd (Parklands High School)	0	0	-
RCCN (Whitefield)	0	0	-
Maxim (Kelbrook Primary School)	0	0	-
Maxim (Lancaster Girls Grammar)	1	0	-
Maxim (St John with St Michael)	0	0	-
Galloways Society for Blind	221	-	-
QEGS Blackburn Ltd	4	1	-
Burnley and Pendle Transport	-	7	-
Farington Parish Council	2	1	-
Lend Lease Construction (EMEA) (Fulwood) <sup>1</sup>	-28	-	-1
Service Alliance Ltd (Ribblesdale Childrens Centre)	-0	-	-1

## Lancashire County Pension Fund Annual Report 2021-22

Employer Name	Contributions Receivable 2021/22		
	Employer (£'000)	Employee (£'000)	Deficit (£'000)
Churchill (Moorside) <sup>1</sup>	-10	-	-
Lend Lease Construction (EMEA) (Phase 3) <sup>1</sup>	-5	-	-1
RCCN (St Michaels)	-	-	2
Cofely FM Ltd (Witton Park) <sup>1</sup>	-19	-	-1
NSL Ltd.(Lancaster) <sup>1</sup>	-2	0	-

<sup>1</sup>Surplus payments paid to terminated employers

# Lancashire County Pension Fund Annual Report 2021-22

## Appendix 2 Annual Administration Report



LPPA Annual  
Administration Repc

## Appendix 3 Communication Policy Statement



Appendix 4 -  
Communications Poli

## Appendix 4 Pensions Administration Strategy



Appendix 5 -  
Pensions Administrati

## Appendix 5 Funding Strategy Statement



Appendix 6 - Funding  
Strategy Statement.pc

## Appendix 6 Investment Strategy Statement



Appendix 7 -  
Investment Strategy S

## Appendix 7 Actuarial Valuation



Appendix 8 - LCPF  
Actuarial Valuation I

Appendix 8 Responsible Investment Policy



lcpf-responsible-investment-policy.pdf