

**Pension Fund Committee**

Meeting to be held on Friday, 15 September 2023

Electoral Division affected: N/A;
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**Lancashire County Pension Fund Annual Report 2022/23**

Appendix 'A' refers.

Contact for further information:

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**Brief Summary**

This report sets out the draft Lancashire County Pension Fund Annual Report for the year ended 31 March 2023 for approval by Committee. The publication deadline is 1 December 2023.

Included is the Annual Report of the Lancashire Local Pension Board, as section 'K' of Appendix 'A' to this report, which was approved by the Pension Fund Committee on 16 June 2023.

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

**Recommendation**

The Committee is asked to approve:

1. The draft Lancashire County Pension Fund Annual Report 2022/23 as set out at Appendix 'A', subject to any minor changes, the inclusion of an updated audit opinion and small accounting updates to be agreed by the Head of Fund, for publication on or before 1 December 2023; and
2. The minor amendments highlighted in yellow to the Governance Compliance Statement in section 'C' of Appendix A to this report.

## Detail

### Annual Report

The Annual Report details the Pension Fund activity and financials for the year 2022/23. Regulations require each administering authority to prepare an Annual Report for the Pension Fund and publish it before 1st December following the year end.

In accordance with the Terms of Reference of the Pension Fund Committee, the Committee is asked to approve the draft Annual Report set out at Appendix 'A' for submission to Full Council.

Following approval by the Committee, several steps outlined below will be undertaken by the pension team ahead of publishing the Annual Report.

- **Audit, Risk and Governance Committee** – is required to review and approve the Statement of Accounts of Lancashire County Council and the Lancashire County Pension Fund. Effectively, the financial information contained in section J of the Annual Report will be presented to the Audit, Risk and Governance Committee (as part of the Lancashire County Council Statement of Accounts) for approval on 16 October 2023. This is later than usual due to implementation of a new accounting ledger during the year but it is not expected that there will be any significant changes required to section J information.
- **External audit** - The external auditors of the Pension Fund; Grant Thornton, will provide their opinion on the County Council accounts alongside opinion on the Annual Report of the Fund. This is covered in a separate report in the agenda. The external audit opinion will focus on whether the information within the Annual Report is consistent with the audited financial statements included within the Lancashire County Council Statement of Accounts.

A draft audit opinion is expected by the end of September 2023, and this will be included in the Annual Report when it is published in December 2023. The Annual Report will be updated with the signed audit opinion later, when available. The timing of the 2022-23 audit opinion is impacted by broader audit points impacting on LCC and closure of the accounting ledger referenced above.

- **Local Pension Board** - the Scheme Advisory Board recommends that the Annual Report is also reviewed under the remit of the Local Pension Board prior to completion. The draft Annual Report will be considered by the Lancashire Local Pension Board on 17<sup>th</sup> October 2023.

### Regulatory requirements

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



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

## Content of the Annual Report

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

- Foreword by the Chair of the Pension Fund Committee
- Management and Financial Performance
- Governance of the Fund<sup>1</sup>
- Knowledge and Skills Framework
- Pension Fund Management
- Legislative Changes and Regulatory Developments
- Pension Administration Services
- Investment Management
- Asset Pools
- Accounts of the Fund
- Lancashire Local Pension Board Annual Report<sup>2</sup>
- Actuarial Valuation<sup>3</sup>
- Contacts
- Glossary
- Appendices

Further information on the Annual Report was provided to members of the Committee at a workshop on 4<sup>th</sup> September 2023.

## Governance Compliance Statement

Minor amendments have been made to the Governance Compliance Statement since it was approved at Pension Fund Committee in June 2022. These are highlighted in yellow in Section 'C' of Appendix 'A' and include –

- Replacing reference to the Director of Corporate Services with the Director of Law and Governance.
- Referencing the use of a heatmap in the risk management arrangements and inserting a link to the publications page of the website where the risk documentation can be located.
- An updated audit assurance table; and
- Updated percentage of admitted bodies represented in the Fund.

Key areas to note within the accounts are outlined below:

- **Contributions income £172.5m (2021/22 £161.5m)**  
Total contribution income from employers and members for 2022/23 was £172.5m. Following the actuarial valuation in 2019, the Fund gave some

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<sup>1</sup> This contains the Governance Compliance Statement for which approval to minor amendments are requested as part of this report.

<sup>2</sup> This was approved by the Pension Fund Committee in June 2023

<sup>3</sup> This refers to the Actuarial Valuation as at 31st March 2022



employers the option to pay their 3-year future service rate and deficit contributions up-front. This prepayment occurred in 2020/21. The Fund policy is to recognise contribution income in the period of receipt. The contributions for the last two financial years have been comparable.

- **Withdrawals from dealing with members £333.4m (2021/22 £321m)**  
Benefits and payments to and on account of leavers were broadly in line with the prior financial year.
- **Management expenses £116.8m (2021/22 £168.1m)**  
Management expenses include administrative expenses, investment management expenses and oversight and governance costs. The decrease in the expenses is largely down to the Fund Performance resulting in lower investment management fees.
- **Investment income £184.7m (2020/21 £200.1m)**  
Over the year, the Fund achieved a return of 3.2% on its assets, which was above the policy portfolio benchmark but below the actuarial benchmark.
- **Change in market value of investments £210.9m (2021/22 £1217.8m)**  
The change in market value of investments increased during the year.
- **Closing net assets of the Fund £10,847.2m (2021/22 £10711.50m)**  
An overall increase in the net assets of the Fund of £135.7m was predominantly due to the change in market value of investments.

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

## Next steps

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

The Annual Report will be supplemented by a Summary Report to provide readers with a snapshot of the main content from the Annual Report.

## Appendices

Appendix 'A' is attached to this report. For clarification this is summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix 'A'	Draft Annual Report 2022/23



## Consultations

Local Pensions Partnership Administration Limited

Local Pensions Partnership Investment Limited

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

## Implications:

This item has the following implications, as indicated:

## Risk management

The Lancashire County Council draft Statement of Accounts for the year ended 31 March 2023, which includes the accounts of the Fund, will be presented to the Audit, Risk and Governance Committee in October 2023.

The Annual Report of the Fund will be published with the draft audit opinion on or before the statutory deadline of 1 December 2023.

## Local Government (Access to Information) Act 1985

### List of Background Papers

Paper	Date	Contact/Tel
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N/A

Reason for inclusion in Part II, if appropriate

N/A

