**Text Contents** **(PAGE NUMBERS TO BE UPDATED ONCE ALL CONTENT FINALISED)**



**Appendices**

**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 2022/23. This year has been one of great importance to the Fund in terms of the triennial actuarial valuation, but also a challenging one in relation to our Administration service as it moved to a new administration system called Universal Pensions Management (UPM). Our investments continued to perform well despite concerns regarding the international situation, with the war in Ukraine continuing to impact some areas of the financial markets. Valuation results were excellent, with the funding level at 115%, which enabled a reduction in overall contribution rates for many of our employers as well as improving our capacity to fund future pension increases fuelled by the on-going inflation situation. Our staff work tirelessly to meet the requirements of the Fund and I thank them for their great efforts in an increasingly demanding market.

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

**Membership**

Overall, there are now 189,608 members of the Fund showing an increase of 5,910 members from the previous year. Within this membership we – in partnership with Local Pensions Partnership Administration Limited (LPPA) – have strived to provide a quality administration service to all members to support them at different stages of their pensions journey. The year has been difficult for LPPA as the new UPM system was implemented with overall service levels disappointing however we remain confident that long term improvement is achievable and will continue to liaise closely with employers and members to serve their needs. We continue to support over 300 active employers for whom we provide pension training and an effective overall administration support business.

**Investment**

Over the year, the Fund achieved a return of 3.2% on its assets, with the overall value of assets rising to £10.8bn. Investment strategy is always aimed at the long-term and, towards the end of the year, a review of the investment strategy was undertaken following on from the valuation. The review concluded that the Fund's strategy is robust and some minor changes taking effect in 2023/24 were made in light of the funding position.

This investment performance level has helped us to ensure that the Fund continues to be funded in excess of 100%. This performance also maintained Lancashire in the top 3 Funds of the 2022/23 Local Authority Fund league table for total fund performance. This league table is published by Pensions and Investments Research Consultants Ltd (PIRC) and most local government pension funds are covered by this.

Performance was achieved against a backdrop of difficult market conditions as higher than anticipated inflation, tighter financial conditions, reduced growth expectations and increased geopolitical tensions all had a negative impact on markets.

We manage our investment costs through pooling arrangements with Local Pensions Partnership Investment Limited (LPPI), which have worked well for the Fund, with 100% of our assets under pooled management and over 95% of our assets in pooling vehicles, resulting in annual savings for the Fund of £20.8m for 2022/23. Since we began pooling in 2016, £61.1m worth of savings have been achieved for the Fund. These savings have continually been re-invested into the fund to give greater returns.

Our Independent Investment Advisors continue to review, on a quarterly basis the performance of LPPI and provide us with 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.

Our continued commitment is to have a net zero carbon footprint across all assets managed from 2050 and in working towards this outcome in partnership with LPPI. During the year, this commitment was progressed as LPPI released its net zero roadmap identifying key steps to achieving this ambition.

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 complex, technical, and regulatory driven 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. We aim to review governance of the Fund on a continuing basis and, as we are now six years into the partnership with LPFA, we engaged consultants to review progress and come up with recommendations for us to review. We are continuing this review and, in discussion with the Pension Fund Committee, will look to complete this by the end of 2023.

**Future developments**

During the forthcoming year, there are several priorities to focus on. Work on consolidating UPM within LPPA will be a priority as we look to improve the administration service to employers and members.

The review of LPP governance will continue and any required changes incorporated into the legal documents that constitute the partnership, namely the Shareholders Agreement and Articles of Association.

Significant time will be required to review the Government consultation on proposals relating to investments in the Local Government Pension Scheme and, in particular, growth and increased pooling activity.

In addition, governance enhancements will be progressed with implementation of a revised Code of Practice from the Pensions Regulator expected in Autumn 2023.

**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.**

## B Management and Financial Performance – Further contact details available in section M 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 J Couperthwaite (Started November 2022)
County Councillor F De Molfetta
County Councillor C Edwards (Started March 2023
County Councillor H Hartley
County Councillor S Holgate (Finished September 2022)
County Councillor J Mein (Started November 2022)
County Councillor E Pope (Chair)
County Councillor A Schofield (Deputy Chair)
County Councillor M Tomlinson
County Councillor D Westley
County Councillor R Woollam

Co-opted representatives
P Crewe – Trade Union
S Roylance – Trade Union
Councillor D Borrow – City and Borough Councils
Councillor M Dad - City and Borough Councils
Councillor M Smith – Blackpool Council
Councillor E Whittingham – Blackburn with Darwen Council
J Eastham – Further / Higher Education

**Scheme Administrator**
Local Pensions Partnership Administration Limited

**Head of Fund**
S Greene

**Chief Executive**
A Ridgwell

**Executive Director of Resources and s151 Officer**
M Wynn

**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)
K Ellard
C Gibson
K Haigh (Finished March 2023)

G Hart (Started April 2023)
Y Moult
D Parker
G Peach (Finished March 2023)
County Councillor M Salter
S Thompson (Finished October 2022)
A Wilkinson (January- March 2023)

**Custodian to the Fund**
Northern Trust

**Independent Investment Advisors**
A Devitt
M George
E Lambert (Finished June 2022)

**AVC providers**
Prudential
Utmost Life and Pensions

**Legal advisors**
Addleshaw Goddard
Allen and Overy
Capsticks LLP
Clifford Chance
DAC Beachcroft LLP
DWF
Eversheds
Lancashire County Council
MacFarlanes
Taylor Wessing
Pinsent Masons

**Independent property valuer**
Avison Young Partnership

**Performance measurement**
Northern Trust

**Governance and research consultants**
Pension and Investment Research Consultants (PIRC)

**Bankers**
NatWest Bank plc
Svenska Handelsbanken

## Financial Performance of the Fund

The Fund asset value increased by approximately £0.1bn from £10.7bn as at 31 March 2022 to approximately £10.8bn as at 31 March 2023 and delivered a 3.2% return on investment over the twelve months, which was above the policy portfolio benchmark but below the actuarial benchmark (the rate at which the Fund's liabilities are assumed to grow year on year). Key financial results are highlighted in this section with further detail in section J.

## 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.

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 | 2022/23 | 2021/22 | 2020/21 |
|---|---|---|---|
| | £m | £m | £m |
| Members Contributions | 73.4 | 67.7 | 64.5 |
| Employers Contributions | 99.1 | 93.7 | 351.8 |
| **Contributions Income** | **172.5** | **161.5** | **416.3** |
| Transfers in from other pension funds | 17.8 | 15.9 | 10.8 |
| Benefits Payable | -314.5 | -306.6 | -291.8 |
| Transfers out and other payments to leavers | -18.9 | -14.4 | -17.3 |
| **Net (withdrawals)/additions from dealings with members** | **-143.1** | **-143.6** | **118** |
| Fund Administration Costs | -4.2 | -4.1 | -4 |
| Investment Management Costs | -110.9 | -162.6 | -111.3 |
| Oversight & Governance Costs | -1.7 | -1.4 | -1.1 |
| **Net (outflow)/inflow before investments** | **-259.9** | **-311.7** | **1.6** |
| Investment Income | 184.7 | 200.1 | 143.8 |
| Change in market value of investments | 210.9 | 1217.8 | 1022.2 |
| **Net increase/(decrease) in the Fund** | **135.7** | **1106.2** | **1167.6** |

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 some of the employer contributions in respect of the County Council and scheduled bodies for the year ending 31 March 2023 were paid to the Fund in the year ended 31 March 2021. The Fund policy is to recognise contribution income in the period of receipt. This option has been offered again to some employers following the valuation in 2022 which will impact the annual report for 2023/24.

Fund administrative costs are paid to the LPPA and include core pension administration services on a cost-per-member basis.

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. Although value based management fees are the largest component of the investment management costs, some of the Fund's mandates also include payment of a performance fee which can be the major driver in year on year variances. Although performance was good in the year ending 31st March 2023, it was exceptional in year ending 31st March 2022 and as a result the Fund has seen a significant decrease in performance fees in 2022/23 resulting in a large overall decrease in investment management costs.

More information on investment management costs and the impact of pooling can be found within section 'I' 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 'J' 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, which were lower than expected.

**Funding level**

The last triennial valuation was carried out as at 31 March 2022 by the Fund's actuary, Mercer, resulting in a 115% funding level, an improvement on 100% reported following the previous valuation as at 31 March 2019. The 2022 valuation has set the contribution rates for employers within the Fund for three years commencing 1 April 2023 and a copy of the actuarial valuation report is included as section 'L' of this Annual Report.

## C Governance of the Fund

(Text in yellow shows changes to the Governance Compliance Statement since 2022 version)

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:

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

5. To ensure that assets are invested in accordance with the Fund's Investment Strategy Statement,
6. 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'[1] for the Fund, as set out in Regulations, 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 the PFC oversee the Fund:

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

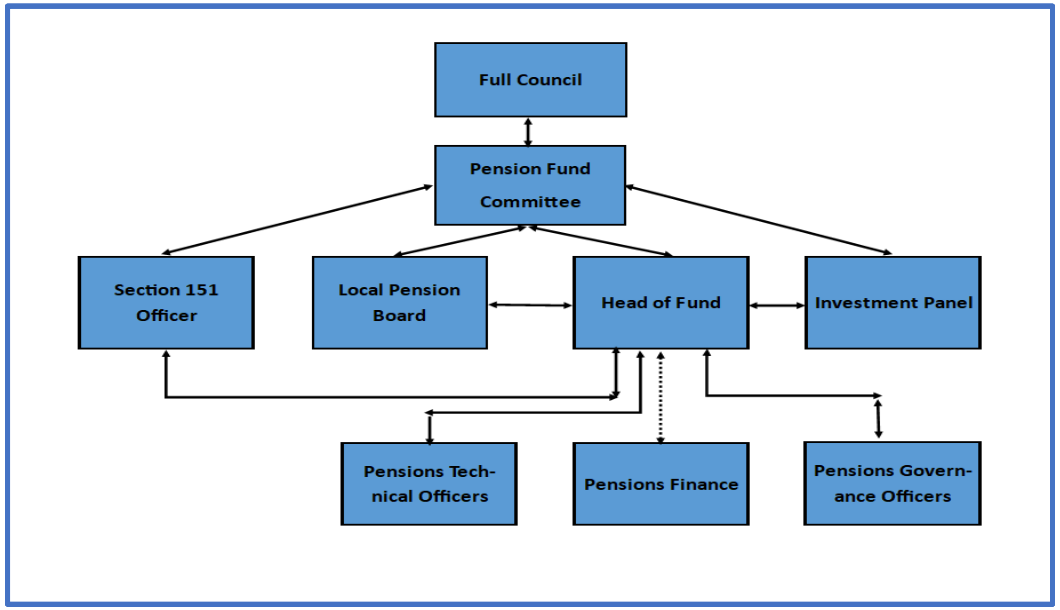
The Investment Panel provides expert professional independent advice to the PFC in relation to investment strategy and supports the Head of Fund with specialist advice as required by the PFC.

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

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

[1] 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).

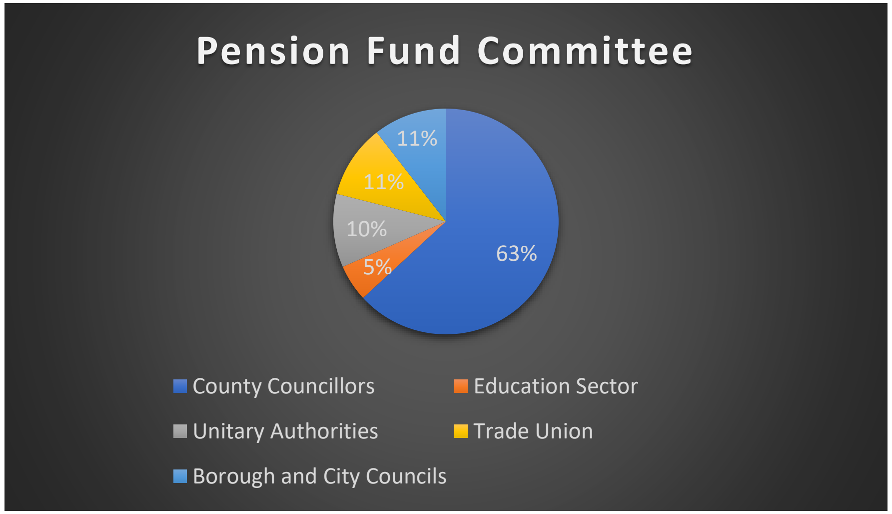
### The Pension Fund Committee

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 14):

Part 2 - Article 7 Other Committees of the Council

**The Investment Panel**

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

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.

The full Terms of Reference for the Investment Panel can be accessed by the link below (see page 26)

Part 2 Article 7 Other Committees of the Council

**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 (see page 28).

Part 2 Article 7 Other Committees of the Council

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.

**D. 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.

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.[1]

**Officers**

The PFC delegates specific functions to the Head of Fund, the Director of Law & Governance 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:

Code of Conduct for employees (lancashire.gov.uk)

The Fund Officers undertake appropriate training to ensure they have sufficient knowledge relevant to their role. Staff who are members of professional bodies also have obligations to undertake continuing professional development relevant to their role.

[1] Section D of this report provides details of training delivered throughout 2022/23

**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.

A copy of the Fund's Annual Report can be viewed on the Fund website at [Publications – Pension Fund (lancashirecountypensionfund.org.uk)](https://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 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, and 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 Pension Fund Committee and the Local Pension Board.
- A 'heatmap' compliments the risk register to provide a quick overview of the likelihood and impact of each risk

- Additional oversight is provided by the County Council's Audit, Risk & Governance Committee; and
- the Fund has a 'Risk Management Framework' policy document which was reviewed in 2022/23 and sets out all the risk management arrangements for managing all risks for the Fund.

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

1. Investment and Funding Risk – all financial risks associated with the Fund, including risks associated with managing scheme assets and pension liabilities.
2. Member risk – all risks which may impact on the high levels of service the Fund members receive.
3. Operational risk – risks which could negatively impact the smooth and effective running of all aspects of Fund operations and governance.
4. Transition risk – temporary risks arising from changes in the management of investments or service delivery.
5. 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.

The 'Risk Management Framework' and 'heatmap' can be viewed by accessing the following link: Publications – Pension Fund (lancashirecountypensionfund.org.uk)

**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 following link:

[Members and Co-opted members' Code of Conduct (lancashire.gov.uk)]

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.

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.

1. Selflessness,
2. Integrity,
3. Objectivity,
4. Accountability,
5. Openness,
6. Honesty; and
7. 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.

**Internal Audit Assurance**

The table below details the work undertaken by the County Council's Internal Audit Service and the assurance it provides for 2022/23.

| Audit work | Status/Assurance |
|---|---|
| **Assurance provided by the county council's Internal Audit Service over the work of the Lancashire County Pension Fund Service** | |
| Pensions processing | Substantial Assurance |
| Pensions Treasury Management | Substantial Assurance |
| Accounting for the Pension Fund through the council's general ledger | Substantial Assurance |
| Obtaining and understanding the assurance provided by LPPs own resources | Completed |
| **Assurance relating to LPPA's administration of benefits** | |
| Operational Quality | Immediate Action Needed |
| Contractual Service Level Agreement | Enhancement Required |
| Procurement & Vendor Management | Significant Improvement Required |
| Operational Capacity Planning | Significant Improvement Required |
| **Assurance relating to Local Pensions Partnership Investments (LPPI)** | |
| Type II Independent Service Auditor's Assurance Report – KPMG | Qualified Opinion |

LPPAs Managing Director has confirmed that immediate action has already been taken with regards Operational Quality including a new management structure and enhanced staff training. LPPA's approach to monitoring, measuring and reporting of SLA performance provides an accurate way of measuring performance against the agreed service levels. Internal audit identified areas where the internal management information could be enhanced. Work is ongoing to improve procurement and vendor management practices as internal audit identified areas where enhancement is appropriate. Operational capacity is expected to improve as spikes in work are envisaged to be eliminated. This should then create the capacity to undertake further developmental activity.

With regards to the independent service auditor's assurance report on control activities at LPPI, KPMG evaluated that the activities were operating effectively. The Basis for their Time Bound Qualified Opinion relates to improvements in the physical access control environment. It is important to note that this was a time bound qualification in that no exceptions were noted from 1 September 2022 to 31 December 2022, after LPPI took action to address the qualification.

## 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 2013. The statement sets out where the Fund is fully compliant with the guidance and provides an explanation where it is not fully compliant.

| | | |
|---|---|---|
| **A. Structure** | (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 | √ |
| | (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) | Partial (see Note 1) |
| | (c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels. | √ |
| | | √ |

| | | |
|---|---|---|
| | (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. | |
| **B. Representation** | That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1)<br><br>These include:<br>(i) employing authorities (including non-scheme employers, e.g. admitted bodies)<br>(ii) scheme members (including deferred and pensioner scheme members)<br>(iii) independent professional observers (2)<br>(iv) expert advisors (on an ad hoc basis) | Partial (see Notes 1 and 2) |
| **C. Selection and Role of Lay Members** | 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). | √ |
| **D. Voting** | 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. | √ |

| | | |
|---|---|---|
| **E. Training/Facility time/Expenses** | (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.<br><br>(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. | √<br><br>√ |
| **F. Meetings - Frequency** | (a) that an administering authority's main committee or committees meet at least quarterly.<br><br>(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.<br><br>(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. | √<br><br>√<br><br>√ |
| **G. Access** | 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. | √ |
| **H. Scope** | That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. | √ |
| **I. Publicity** | 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. | √ |

**Notes - Reasons for partial compliance**

Note–1 - Unitary councils, City/Borough Councils and further and higher education employers, are represented. Other admitted bodies represent 17.2% 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.

Note–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 advisors and officers, and it is not apparent what added value such an appointment would bring.

## 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 31st March 2023 are detailed below:

| Date | Event | Held | Participants | |
|---|---|---|---|---|
| | | | PFC | LLPB |
| 28 Mar 2023 | Implementing The Pension Regulator's new Code of Practice | Webinar | 1 | 0 |
| 24 Mar 2023 | Internal workshop – Legal update | County Hall & MS Teams | 3 | 3 |
| 10 Mar 2023 | Pre committee briefing – Valuation 2022 | County Hall | 13 | 0 |
| 1/2 Mar 2023 | LPPI Investment Conference | London | 3 | 0 |
| 27th Feb 2023 | Internal workshop – LPP Budget | County Hall & MS Teams | 11 | 3 |
| 24 Feb 2023 | Presentation 2 on LPP Governance Review | County Hall & MS Teams | 10 | 0 |
| 23 Feb 2023 | Policy Insights webinar 'Better Communications with LGPS Members' | Online | 0 | 2 |
| 19/20 Jan 2023 | LGPS Governance Conference 2023 | Cardiff | 1 | 2 |
| 16 Jan 2023 | Internal workshop - Communications Strategy and LPP Comms Update | County Hall & MS Teams | 7 | 5 |
| 20 Dec 2022 | Fundamentals Training (day 3) | Online | 0 | 1 |

| | | | | |
|---|---|---|---|---|
| 5 Dec 2022 | Internal Workshop – Technical Update from Local Pensions Partnership Administration Ltd | County Hall & MS Teams | 11 | 5 |
| 25 Nov 2022 | Pre-Committee briefing – The role of the Lancashire Local Pension Board | County Hall | 16 | 0 |
| 10 Nov 2022 | Fundamentals Training (day 2) | London | 0 | 1 |
| 1 Nov 2022 | Internal Workshop – Valuation 2022 update | County Hall & MS Teams | 9 | 5 |
| 1 Nov 2022 | Presentation 1 on LPP Governance Review | County Hall | 10 | 1 |
| 27 Oct 2022 | Fundamentals Training (day 1) | Birmingham | 0 | 1 |
| 12/13 Oct 2022 | PLSA Conference | Liverpool | 2 | 1 |
| 4 Oct 2022 | Internal Workshop - TCFD and Stewardship Code | County Hall & MS Teams | 7 | 2 |
| 16 Sept 2022 | Pre-Committee briefing - Valuation 2022 Employer Risk | County Hall | 10 | 0 |
| 2 Sept 2022 | Internal Workshop – LCPF Annual Report and Accounts | County Hall & MS Teams | 10 | 3 |
| 20 July 2022 | Internal Workshop – Cyber Security | County Hall & MS Teams | 8 | 4 |
| 15 July 2022 | Briefing for new members of Pension Fund Committee. | MS Teams | 1 | 0 |
| 13/15 July 2022 | PLSA Annual Conference | | 0 | 1 |
| 29 June 2022 | Internal workshop – LCPF Project PACE and administration Update | County Hall & MS Teams | 5 | 5 |
| 9 May 2022 | Internal workshop – Legal Update | County Hall & MS Teams | 4 | 3 |
| 28 Apr 2022 | Overview of the LGPS | Online | 0 | 1 |
| **TOTALS** | | | **142** | **49** |

## E Pension Fund Management

The Fund is administered by Lancashire County Council on behalf of 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 who are required to enrol eligible members into the LGPS. The list includes but is not limited to:

1. County/District Councils and Unitary Authorities
2. Combined Authorities
3. Fire and Rescue Authorities
4. Police and Crime Commissioner
5. Chief Constables
6. Further and Higher Education Institutions
7. Sixth Form Colleges
8. Academies

Admitted bodies participate through a written contractual agreement and most agreements are established when an employer is outsourcing a service or function, where the new contractor wishes to provide continued LGPS membership for affected employees.

Membership of the LGPS is automatic although employees can opt-out of membership if they choose. However, employees are normally re-enrolled every 3 years under the Government's auto-enrolment Regulations.

Overall Fund membership shown below has increased during the year.

| Lancashire County Pension Fund | Membership at 31/03/2022 | Membership at 31/03/2023 |
|---|---|---|
| Number of Active Members | 55,687 | 57,181 |
| Number of Pensioners | 54,436 | 56,446 |
| Number of Deferred Members | 73,575 | 75,981 |
| **Total Membership** | **183,698** | **189,608** |

Management of the Fund is undertaken by a team based within Lancashire County Council allocated to the following specialist workstreams and key achievements during the year are outlined below:

- **Governance** – provide high-quality governance services ensuring that the Fund is transparent, open and accountable to our stakeholders for our decisions and ensure the effective operation of the control framework and understand and address risks to which the Fund is exposed. Key activities have included –
    - recruitment of new Local Pension Board members as several members reached the end of their term.
    - delivery of a comprehensive training programme including an induction session for new members
    - review of the Pension Regulator's draft Code of Practice, identifying potential gaps and assessing compliance
    - review of the Fund's risk management framework

- **Administration, Technical and Employer Risk** – provide technical service to the Fund, focusing on technical matters, appeals, oversight of pension administration services provided by LPPA as well as funding and actuarial including management of services provided by the Actuary, Mercer. Key activities have included –
    - assessing the financial health of the Fund and determining local employer contribution rates to be effective from 1 April 2023 as part of the 2022 triennial valuation of the Fund
    - engaging with employers and developing a new Funding Strategy Statement

- development of a new Employer Risk policy and risk framework to ensure employers are treated proportionately.
- liaising with LPPA to increase employer engagement and support for employers with regards new data submission requirements following implementation of their new administration system.
- Support to LCC to ensure effective processes in place for transferring data from their new HR & Finance system; Oracle Fusion, to LPPA.

- **Projects** – responsible for development and implementation of pension change projects within the LCPF. Key activities have included -
    - review of LPP Governance which included establishing a new LPP Board and setting objectives and outcomes for LPP and its subsidiaries.
    - completion of the transition of the employer risk function from LPPA to the Fund.
    - concluded an Investment Service Based Review and developed actions that are to be undertaken.
    - review of the Funds providers cyber security arrangements to assess compliance with the Code of Practice and developed an action plan to work towards compliance with the new Code of Practice.

- **Finance** – undertake financial processing on behalf of the Fund as well as managing relationships with the custodian of the assets of the Fund and external auditor. In addition, cash is managed by LCC Treasury Management Team ensuring that the Fund remains in a liquid cash position. Key activities have included –
    - regularly monitoring cash-flow and collection of contributions
    - development of 2022/23 statement of accounts, 2023/24 budget and budget monitoring reporting for the Committee during the year.
    - also, a new financial administration system; Oracle Fusion, was implemented by Lancashire County Council in late 2022. This has involved additional reconciliation work and required the team to adapt to new ways of working.

## F Legislative Changes and Regulatory Developments

Changes to the LGPS regulations during this year have included -

**Support for scheme members with Additional Voluntary Contributions (AVCs)**
Regulations came into force in June 2022 requiring pension schemes to inform certain members about Pension Wise guidance and facilitate the booking of a Pension Wise appointment as part of the application process. This impacts on members who are retiring with benefits that include AVCs or transferring their AVCs to a new scheme The regulations also require the member to have confirmed that they have received the guidance or opted out of receiving it before the scheme can action the application.

**Annual allowance changes**
A technical issue emerged during the year which could inadvertently have drawn more scheme members within the scope of Annual Allowance, the allowance refers to the maximum pension savings that a scheme member can build up in any tax year. This was a complex matter and came to light due to the benefits being subject to a relatively high rate of increase because of persistent high inflation. In March 2023, the Department for Levelling Up, Housing and Communities (DLUHC) laid regulations to move the annual revaluation date, which is the date that active and deferred member benefits are increased in line with inflation, from 1 April to 6 April. Previously when annual increases were applied on 1 April, it made it more likely that some members would need to pay an annual tax charge on the growth in their pension, and the changes reduce the effect of this.

**Tax allowances**
On 1 April 2022, the Government changed the annual allowance rules for situations where annual allowance calculations for previous years are retrospectively amended. The new regulations outline the requirements of the employer and administering authority to correctly recalculate the annual allowance and includes relevant deadlines that apply with regards to issuing a new pension savings statement and amending mandatory scheme pays elections.

**McCloud Remedy**

New regulations are expected which will seek to remove age discrimination in the LGPS. 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. This ruling is often called the 'McCloud judgment'. In the LGPS the protections are known as the "underpin", which means that older members can receive higher benefits in some circumstances. Changes to the LGPS regulations are expected to come into effect on 1 October 2023 which will extend the underpin to members of any age who meet certain conditions. Members who are affected by these changes will be contacted automatically by their pension scheme administrator.

Separately regulations have been laid to ensure that members whose benefits are increased due to the changes won't suffer tax charges that they wouldn't otherwise have done. Also, guidance was issued on data requirements for the remedy and LPPA contact all employers that participate in the Fund to seek assurance on data quality relevant to the remedy.

**Pensions Dashboards**

The Government intends to introduce Pensions Dashboards which will enable millions of workers to view all their pension pots in one place online. The LGPS was originally due to link up to the Dashboard in late 2024, but it has recently been announced that there will be a new timeline.

Details are yet to be confirmed but it is now expected that pension providers and schemes, will be required to connect to the dashboard by 31 October 2026. However, the date that the pension dashboard will be available to the public is not yet known.

**The Pensions Regulator's (TPR)'s General Code of Practice**

The Pension Regulator's new Code was expected to be laid in parliament, initially in autumn 2022 but was delayed due to other legislative priorities. Unfortunately, the Pension Regulator has experienced further delays to implementation and the new Code will not be laid before parliament until after the 2023 summer recess. Once it has been laid in Parliament, it is expected to become the new requirement for Public Service Pension Schemes following a 40-day period of laying in Parliament. This new code will update and combine multiples codes of practice into one for occupational, personal and public sector pension schemes. The Fund has been assessing the draft, updated code and identifying any outcoming actions and will look to evolve its compliance with the new code once it is implemented.

**Good Governance**

The Scheme Advisory Board's Good Governance recommendations are intended to improve and strengthen the high standards of governance and administration of the LGPS on a consistent and measured basis. The recommendations have been approved by the Department for Levelling Up, Housing and Communities (DLUHC) and are expected to become statutory guidance during 2023/24 following a consultation phase. Funds are being encouraged to review these recommendations ahead of them coming into practice given the delays to date.

**Public sector exit payments**

A consultation was launched in August 2022 to look at introducing an expanded approval process for employee exits and special severance payments as well as additional reporting requirements. The proposed approvals requirement will apply to decisions by employers to agree the exit of an individual where the payment to be made on exit, including relevant statutory, contractual, or discretionary payments, would be more than £95,000. This payment would also include any pension strain cost where an LGPS member aged 55 or over leaves due to redundancy or efficiency. It is also proposed that additional reporting to HM Treasury will be required for any exit where all relevant payments total more than £95,000. The consultation closed on 17 October and the feedback is being analysed by HM Treasury.

**Cost mechanisms**

There are two cost management processes in the LGPS. In 2022 HM Treasury made changes to its cost control mechanism, which is focused on employer contributions to the Scheme.

Following this, the Scheme Advisory Board (SAB) consulted on its cost management process which looks at the target costs for employer and employee contributions and if they have risen or fallen outside a target level then recommendations must be made to bring them back in target to ensure that the scheme remains affordable and sustainable.

SAB consulted on some proposed changes to ensure that their process and HM Treasury mechanism remain generally aligned and enough flexibility exists so that SAB can act to address cost changes in the LGPS as they arise.

Subsequent to the consultation, LGPS regulations 2013 have been amended, effective from 1 June 2023.

**Climate risk**

During 2022 there was a consultation by DLUCH on governance and reporting of climate risks. This covered a requirement for Funds within the Local Government Pension Scheme to assess, manage and report on climate related risks in line with the recommendations of the Taskforce on Climate Related Financial Disclosures (TCFD). LPPI submitted a response to the consultation. All responses are currently being analysed by the DLUCH.

## G Pension Administration Services

LPPA provides pension administration services on behalf of the Fund, within an operating model consisting of three main elements:

1. Member Services (including data quality and payroll)
2. Engagement and Communications
3. Helpdesk

**Key highlights**

- During 2022/23, LPPA completed a significant change programme to transition to a new pension administration system. This also involved rationalising other historic systems and moving to a new operating platform and further information is provided below.
- A number of challenges were expected due to the tight timescales for implementing the new system and resulted in a relaxation of the SLAs for a short period during the transition.
- Pension payments were seamlessly transitioned, statutory communications, such as pensions increase updates, P60 communications and annual benefit statements (ABS) were all issued on time or ahead of schedule.
- Additionally, the LPPA Employer Engagement team continued to deliver virtual training sessions and events using video conferencing. This resulted in increased efficiency with LPPA being able to deliver more training sessions to more employers, and an increased level of feedback post event, which has been used to make future amendments to training sessions.
- LPPA has also continued to work with employers to improve member data. This includes capturing more member email addresses and driving more members towards the LPPA website and PensionPoint (UPM's online member portal).

**Administration system changes**

2022/23 has been a challenging year due to LPPA's digital transformation/change project to move from its previous administration system; Altair, to the cloud based Universal Pensions Management (UPM) system. The migration was managed with a phased approach to mitigate the impact on performance and the Fund migrated to the new system on 28 October 2022.

LPPA worked to a tight timescale of 12 months to deliver the new system from signing the contract to the first go live. The Fund was in phase two of the project.

The purpose of migrating systems was to provide the foundation to improve the pension administration experience for clients, members and employers, driving innovation and improving quality and value for money. Over time, the new system will provide members with much more control of their pension and retirement planning via improved self-service technology.

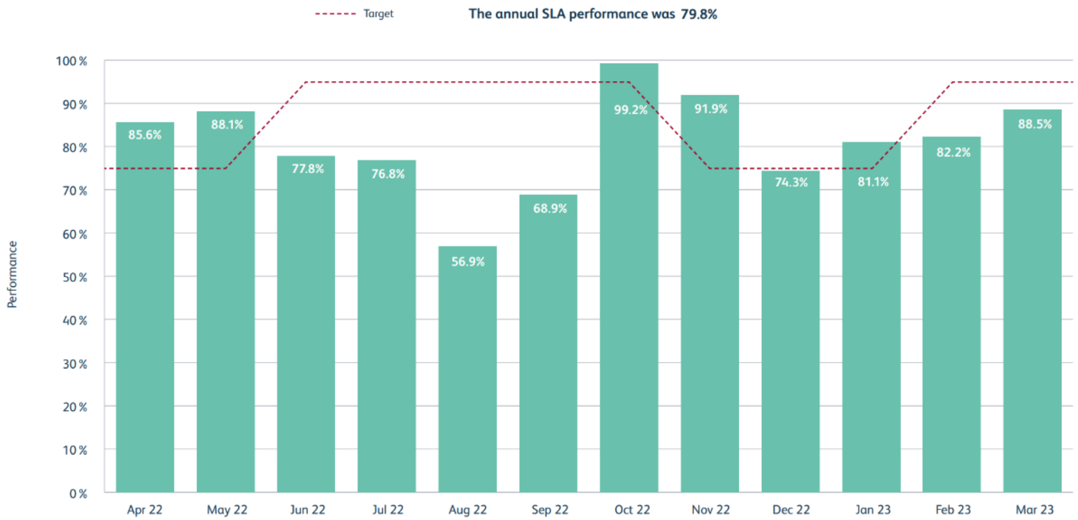
LPPA worked to minimise disruption to members and employers, whilst engaging and supporting their people through this period of significant change.

Also, a new financial administration system was implemented by LCC, the Fund's largest employer, which presented some additional challenges with regards data collection. LPPA continue to work closely with LCC Payroll Team to integrate the new processes.

**Performance**

For the year 2022/23, casework service performance metrics achieved an overall performance of 79.8%. The target performance is usually 95% but was relaxed to 75% during the UPM implementation periods in April, May, November and December 2022, as well as January 2023 (See Figure 1).

**Fig 1 – LPPA Casework Performance (LCPF cases) 2022/23**




Additionally, LPPA monitors the performance of individual case types such as retirement and bereavement. 84.1% of bereavement cases were processed within the SLA target during the year, whilst the figure for Active member to Retirement cases was 73.6%. Deferred member to Retirement cases performed at 84.4%.

The Fund received 313 complaints, an average of 78 per quarter. This is an increased volume of complaints from the previous year because of the impact of UPM's implementation and spikes in casework which followed data migration.

| | Q1 | Q2 | Q3 | Q4 | Annual |
|---|---|---|---|---|---|
| **Performance against SLA** | 84.3% | 68.2% | 88.5% | 84.4% | 79.8% |
| **Complaints** | 45 | 52 | 85 | 131 | 313 |

During the year to 31 March 2023, 32,910 individual calculations and enquiries were completed.

LPPA processed 2,982 retirements for the year ending 31 March 2023. These retirements are made up of 906 members who retired under normal retirement. Of the remaining 2,076 members who retired early, 84 members retired on ill health grounds.

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

| | 2022 - 23 |
|---|---|
| Staff to Fund member ratio | 1:3,602 |
| Average cases per member of staff | 614 |

LPPA tracks the accuracy of both common and conditional data.[1]
These were 98.2% and 96.6% respectively at year end and LPPA are continuing to perform regular data cleansing exercises.

[1] Common data is information which allows a member to be uniquely identified, which includes information such as the member's national insurance number, name, sex and date of birth. Conditional data is scheme-specific data which includes, member's status, salary records, details of pension benefits.

1. **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 2023 a total of 42 appeals have been received (27 Stage 1 of which 1 was upheld and 15 Stage 2 of which 6 were upheld) concerning members of the Fund.

2. **Overpayments**

The Fund seeks to manage and recover, where appropriate, any pension or benefit overpayments made to members with most overpayments arising 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**

2022-23 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:

3. Further development of the LPPA member website (www.lppapensions.co.uk)
4. PensionPoint (UPM's new member portal, replacing My Pension Online) was launched for members across all schemes, including the Fund in November 2022.
5. The member newsletters were made available in a new online format for retired members (in spring 2022 and active/deferred members in summer 2022) and emailed to contactable members.
6. Pension Pulse (online employer newsletter) continued to be sent in an online format to employers via email throughout the year, including a UPM special.

7. The Help Hub was launched on the LPPA website, a new member help and support section that consolidates all resources (FAQs, videos, forms and documents, training) into one easily accessible area.
8. Member video guides (LPPA website) were added to the LPPA YouTube channel, including 'How to log in and register for PensionPoint' and 'How to use the PensionPoint calculators' (videos were important in supporting the launch of PensionPoint).
9. News Hub was also launched – a website page that enables quick and simple access to all LPPA news articles, blogs and research stories. It also includes links to all the latest LPPA newsletters.
10. The LPPA employer toolkit page was created to help all employers communicate the benefits of PensionPoint to their members in the workplace. This includes access to content for internal emails, posters and intranet articles.
11. Ongoing improvements continued to be made to member letters – simplifying language, signposting more effectively, and reducing the word count.
12. Scheme essentials and Retirement essentials training sessions continued – hosted on Teams to help members 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.

Current member engagement activity aims to improve the amount and quality of member contact data and encourage members to use LPPA's digital services. LPPA has focused 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:

13. Increase online registrations.
14. Increase member death nominations.
15. 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 2022/23, the team undertook 37 dedicated support sessions with employers, and 361

employer representatives attended training sessions from those on offer throughout the year (these included Scheme Leavers, Scheme Essentials, PensionPoint Awareness, UPM Employer Portal, and Monthly Data Returns training sessions).
In addition, sessions are provided to scheme members. These sessions continued to be delivered remotely to employers and members, with the team delivering retirement planning sessions to 539 members, and a further 111 members attending Scheme Essentials presentations.
In line with the implementation of UPM, the year saw a large-scale training and communications program set up to support employers through the process of moving to the UPM employer portal to submit their monthly data returns. This involved the Engagement Team leading several online training sessions about the new process. Guides were also produced to support employers and a series of emails were distributed to ensure they were aware of the changes.

**Online Service**

PensionPoint is an online facility allowing members to view their details and securely update changes, such as their personal details. As part of the migration to the new UPM administration system, PensionPoint (which replaced My Pension Online, the previous online portal) was made available for members to register from the 28 October 2022.

Members who are registered can run various pension estimates assisting with planning for retirement. Members can also view their pension details, P60, payslips and annual benefit statement. Other benefits of the system include allowing members to view and update their nominated beneficiaries, and access to a selection of forms and guides.

At the end of March 2023, 14.6% of deferred, 26.6% of active and 26.1% of pensioner members were registered with PensionPoint. 22.0% of the Fund's members are now registered.

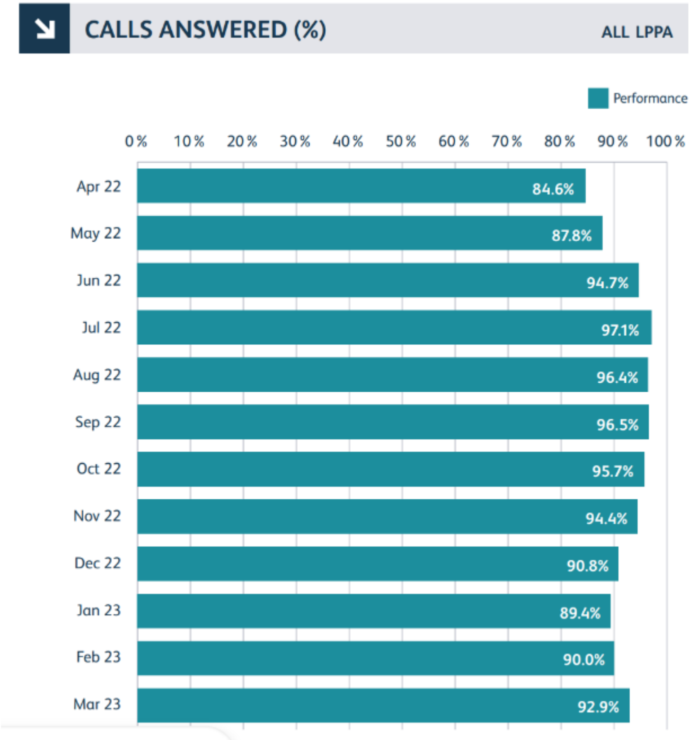
**Helpdesk**

A dedicated Helpdesk provides the main point of contact for members and employers. The Helpdesk has a target to answer 90% of calls received, and in the months when this wasn't achieved, this was due to the various migrations of member data to UPM through the year, the impact of system downtime and subsequent spikes in casework. In total (across all client Funds) 154,762 calls were received into the Helpdesk in 2022/23 compared to 119,914 in the previous year (an increase of 29%). Not all member calls are dispositioned at client level so calls received into the Helpdesk, average call wait time and % of calls answered, reflect volumes irrespective of client Fund.

Figure 2 shows all calls received into the Helpdesk and average call wait time and Figure 3 shows the percentage of calls answered by the Helpdesk.

**Fig 2.- Call volumes received and average call wait time 2022/23**

**Fig 3 – Call volumes Answered (%)**




Satisfaction surveys have continued during the year to measure member satisfaction at key points in the member journey. A total of 4,125 Helpdesk surveys and 2,170 Retirement surveys were completed in the period. A summary of the satisfaction results is detailed in Figure 4 and 5; LPPA is prioritising a program of efficiency and service improvements in 2023/24 to improve member experience and satisfaction.

**Fig 4 – Helpdesk satisfaction surveys**

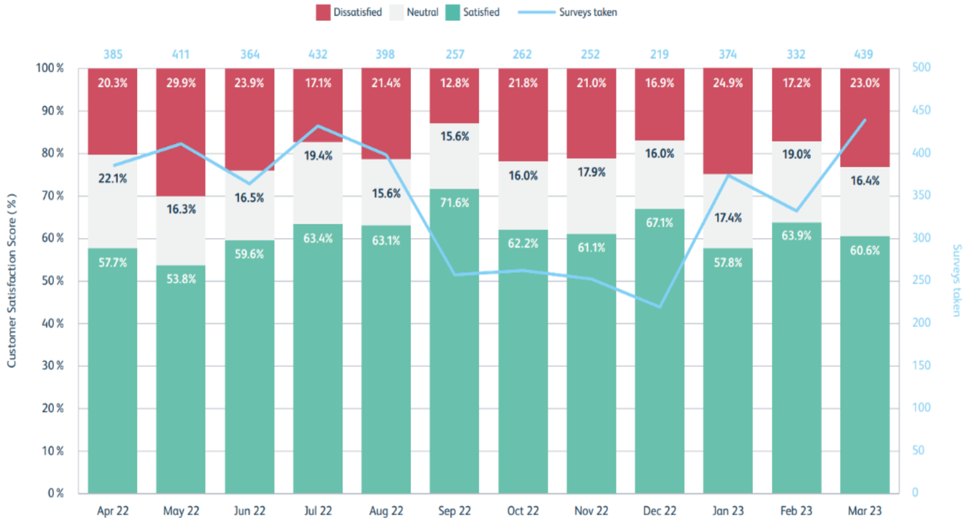
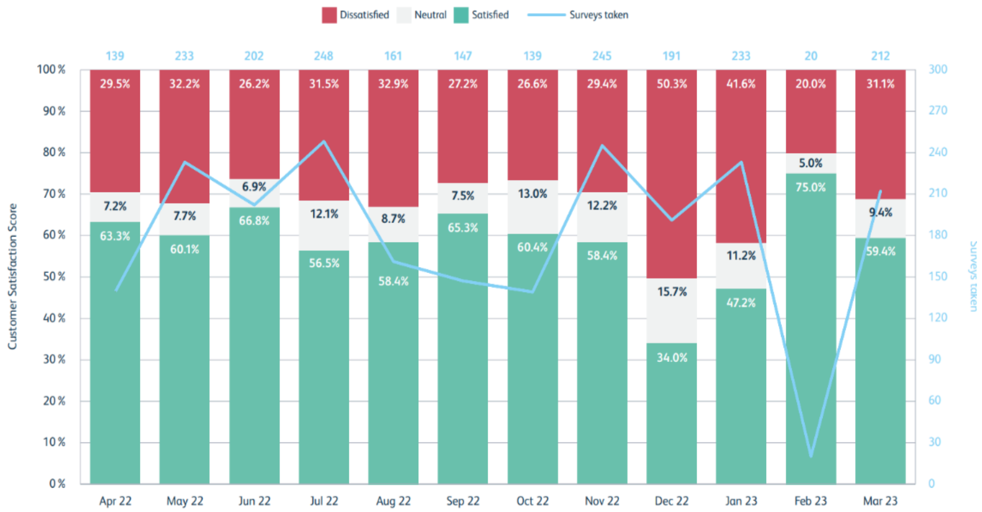


**Fig 5 – Retirements satisfaction surveys**




## 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.

## H Investment Management

### 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, the Fund's return relative to its actuarial benchmark (the rate at which the Fund's liabilities are assumed to grow year on year) has been strong, exceeding the benchmark over both 3- and 5-year periods. The Fund's return relative to its policy portfolio benchmark (PPB) has been mixed, with the Fund outperforming over the 5-year period but underperforming over the 3-years. The underperformance over the 3-year period is notably impacted by the Fund's Public Equity portfolio being underweight in the sectors which rebounded strongly following the disruption during the Covid pandemic.

Over the year ending 31 March 2023, the Fund delivered a +3.2% return on assets, which was significantly above the policy portfolio benchmark but below the actuarial benchmark. This is illustrated in the enclosed charts.

The value of the Fund's investment assets at 31 March 2023 was £10.8 million, up from £10.7 million at 31 March 2022. There were positive returns in a number of asset classes, including Public Equities, Private Equity, Diversifying Strategies and Infrastructure over the 1-year period. This is detailed in the charts below.

**Investment assets returns compared to benchmarks**

| Return Metric | 1 Year | 3 Year* | 5 Year* |
|---|---|---|---|
| **Investment Assets Return** | 3.2% | 9.2% | 8.1% |
| **Actuarial Benchmark** | 3.8% | 3.8% | 3.9% |
| **Policy Portfolio Benchmark** | 0.1% | 9.8% | 6.6% |

Asset returns are shown net of fees * Annualised Returns

**Fig.1 Total Fund performance at 31 March 2023**

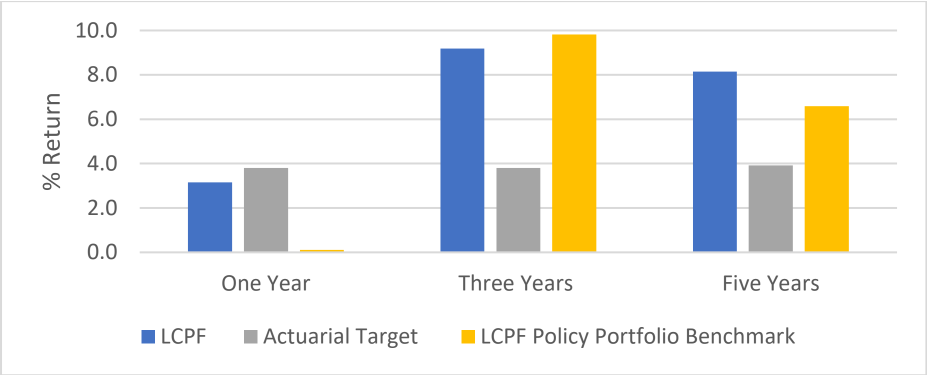



**Fig.2 One-year Fund performance by asset class at 31 March 2023**

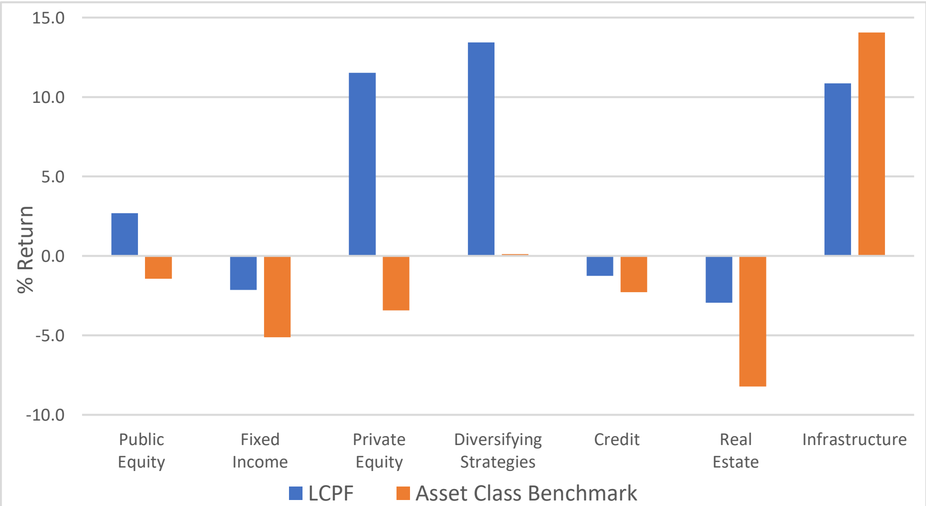



**Fig.3 Three-year Fund performance by asset class at 31 March 2023**

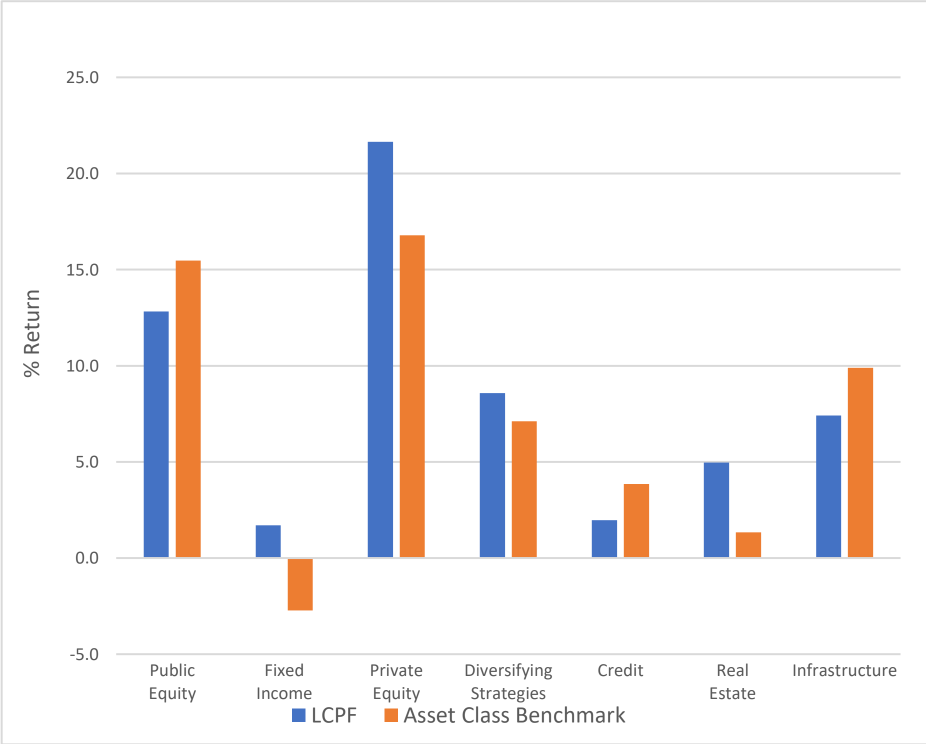
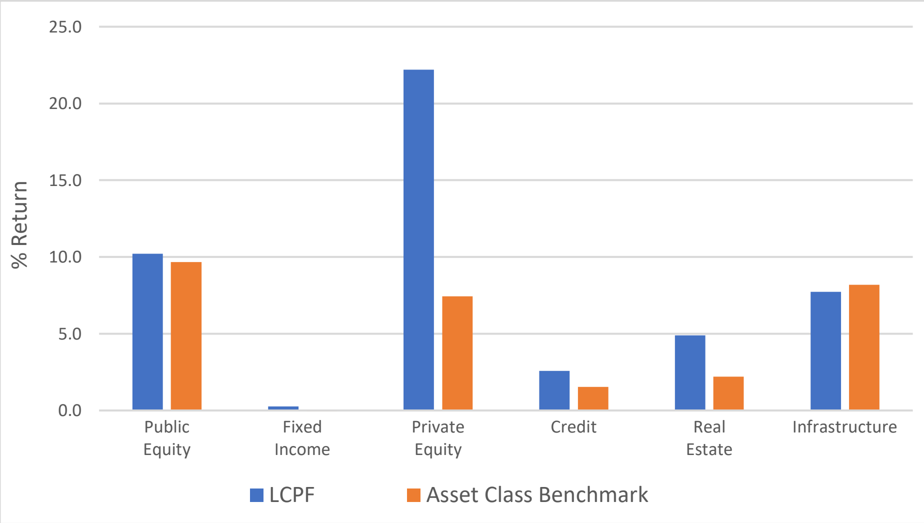


**Fig.4 Five-year Fund performance by asset class at 31 March 2023**



**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 the Royal County of Berkshire Pension Fund have also appointed LPPI to manage their assets. LPPI has created seven pooled funds, across a range of asset classes, to manage clients' assets which are 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.

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

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

**Current and Strategic Asset allocation**

Over the year, the Fund's investment strategy remained unchanged. 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.

The following table presents the Fund's actual asset allocation versus strategic target at the end of March 2023 and March 2022:

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.
At the end of March 2023, the Fund was overweight in its allocation to Equities (both Public and Private) and Diversifying Strategies relative to its AA, whilst being underweight in its allocation 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.

| Asset Class | March 2023 | | | | March 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Assets (GBP Million) | Allocation (%) | Strategic Asset Allocation (%) | Range (%) | Assets (GBP Million) | Allocation (%) | Strategic Asset Allocation (%) | Range (%) |
| Public equities | 5,191 | 48.0 | 45.5 | 40.0 - 50.0 | 5,165 | 48.5 | 45.5 | 40.0 - 50.0 |
| Fixed income | 158 | 1.5 | 1.5 | 0.0 - 10.0 | 399 | 3.7 | 1.5 | 0.0 - 10.0 |
| Diversifying strategies | 116 | 1.1 | 0.0 | 0.0 - 5.0 | 102 | 1.0 | 0.0 | 0.0 - 5.0 |
| Credit | 1,596 | 14.7 | 18.0 | 12.5 - 22.5 | 1,417 | 13.3 | 18.0 | 12.5 - 22.5 |
| Infrastructure | 1,678 | 15.5 | 16.0 | 10.0 - 20.0 | 1,386 | 13.0 | 16.0 | 10.0 - 20.0 |
| Private equity | 897 | 8.3 | 5.0 | 0.0 - 10.0 | 877 | 8.2 | 5.0 | 0.0 - 10.0 |
| Real Estate | 1,099 | 10.1 | 12.5 | 7.5 - 17.5 | 1,117 | 10.5 | 12.5 | 7.5 - 17.5 |
| Cash | 87 | 0.8 | 1.5 | 0.0 - 5.0 | 177 | 1.7 | 1.5 | 0.0 - 5.0 |
| **Total** | **10,822**[1] | **100.0** | **100** | | **10,640**[2] | **100.0** | **100** | |

[1] The accounts of the Fund section refer to net assets of £10,847m. Difference due to asset values contained in the Account of the Fund section includes an updated Market Value in respect of several asset classes

**Economic Overview 2022/23**

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 interest rates, are macroeconomic variables that influence LPPI's investment market outlook. Data[1] in the financial year for some of the major economies were:

**GDP**

| GDP Growth (% Year on Year) | | | |
|---|---|---|---|
| | **UK** | **US** | **Eurozone** |
| Q2 2022 | 3.8% | 1.8% | 4.4% |
| Q3 2022 | 2.0% | 1.9% | 2.5% |
| Q4 2022 | 0.6% | 0.9% | 1.8% |
| Q1 2023 | 0.2% | 1.6% | 1.3% |

**Inflation**

| Consumer Price Inflation (% Year on Year) | | | |
|---|---|---|---|
| | **UK** | **US** | **Eurozone** |
| Q2 2022 | 9.4% | 9.1% | 8.6% |
| Q3 2022 | 10.1% | 8.2% | 9.9% |
| Q4 2022 | 10.5% | 6.5% | 9.2% |
| Q1 2023 | 10.1% | 5.0% | 6.9% |

**Interest Rates**

| 10-Year Nominal Government Bond Yields (quarterly change in brackets) | | | |
|---|---|---|---|
| | **UK** | **US** | **Germany** |
| Q2 2022 | 2.23% (0.62%) | 3.01% (0.67%) | 1.33% (0.78%) |
| Q3 2022 | 4.09% (1.86%) | 3.83% (0.82%) | 2.11% (0.78%) |
| Q4 2022 | 3.67% (-0.42%) | 3.88% (0.05%) | 2.57% (0.46%) |
| Q1 2023 | 3.49% (-0.18%) | 3.47% (-0.41%) | 2.29% (-0.28%) |

The latest fiscal year was marked by increased macroeconomic uncertainty, with inflation rising further across most developed countries. This led to a strong shift in the monetary policy outlook, with most central banks embarking on the fastest pace of interest rate hikes in decades to dampen accelerating prices. The fiscal year was also marked by increased geopolitical uncertainty, with the ongoing Russia-Ukraine war entering its second year, while US-China tensions grew focusing on Taiwan and the US's investment restrictions for emerging technology sectors in China. Amid this backdrop, global growth weakened in 2022, however less so than initially expected.

[1] Data sourced from Bloomberg

On a regional basis, the UK economy had a lacklustre year, with a slight expansion only in inflation-adjusted terms. The annual Consumer Price Index (CPI) inflation rose to a high of 11.1% in October 2022. Initial strong contributions from energy commodities and services prices gave way to broader price increases across the economy. Over the 12-month period, the Bank of England ("BOE") raised its policy rate from 0.75% in April 2022 to 4.25% in March 2023, with annual inflation ending the fiscal year moderately lower (10.1%). The quickly unfolding monetary policy tightening cycle contributed to a tightening of financial conditions, which at times was exacerbated by political and policy uncertainty (most notably in September/October 2022). Despite this, actual economic results surpassed previous forecasts, with the BOE reversing its recession estimates at the start of 2023. Similar to other developed economies, a resilient labour market with correspondingly low levels of unemployment and strong nominal wage growth (together with accumulated savings during the pandemic) cushioned economic activity throughout the year. Additionally, fiscal measures to limit the direct impact of higher energy prices proved supportive.

The US economy remained a brighter spot among developed economies, broadly outperforming expectations despite some volatility in its quarterly GDP emanating by fluctuations in business inventories. Conversely, consumer spending (which better reflects the outlook of the domestic economy) remained strong. Core inflation (which excludes contributions from energy and food prices) remained elevated and at broadly comparable levels to the UK, however the headline CPI index receded more quickly from a peak of 9.1% in June 2022 to 5.0% in March 2023. The Federal Reserve ("Fed") raised its effective interest rate by 4.5% over the fiscal year to approximately 4.9%.
After a strong expansion through June 2022, inflation-adjusted GDP growth for the Euro area economy decelerated notably. Despite the deceleration in activity, pessimistic growth scenarios due to the economy's high dependency of oil and natural gas imports from Russia did not materialise, as the diversification of energy supplies away from Russia was implemented quicker than expected. Among the biggest common-currency economies, Italy and Spain led the bloc's expansion, whilst Germany's real GDP growth was 0.1% lower year-on-year in Q1 2023. After lagging most developed market central banks, the European Central Bank (ECB) embarked on its tightening policy cycle in July 2022 raising rates by 3.5% through March 2023 from the previous -0.5% level.

As noted above, a key theme this year has been central banks rapid interest rate hikes to counter the highest levels of inflation in decades. The Fed and the BOE accompanied them with quantitative tightening, a process that aims to reduce previously accumulated bond holdings on their balance sheet, and which effectively drains liquidity from the financial system. This sudden shift in the monetary policy outlook, together with progressively more "hawkish" market views on the interest rate outlook (i.e. reflecting a likely higher peak in interest rates), increased financial market volatility and weighed negatively on both equity and bond returns through September 2022. Since then, greater optimism for the economic outlook has spurred a strong rebound for equities in the second half of the Fund's fiscal year. At the same time global bonds have only recovered modestly.

Despite the progress to reduce high levels of inflation across a number of major economies, including the UK, macroeconomic risks remain. Interest rates may either need to rise further or remain close to current levels for a much longer period than expected in order for inflation to trend down to central banks' inflation targets on a more sustainable basis.

The Fund's portfolio continues to be well diversified across different regions, sectors, and asset classes, with the Fund's target weights for the latter remaining unchanged over the year. A comprehensive investment underwriting process combined with a thoughtful consideration of the evolving macroeconomic outlook should allow the Fund to navigate through short term uncertainties.

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 [1] in the UK, and are commonly grouped in global indices, such as the Morgan Stanley Capital International (MSCI) World Index, by their respective company size.
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 "Quality" stocks, which are stocks of 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 Europe and Americas (although **Fig.6** shows that the GEF is underweight Americas versus its benchmark, the region still makes up more than 60% of the GEF's regional exposure).

[1] An equity/stock market index that represents the 100 largest companies listed on the London Stock Exchange by market value.

The GEF is benchmarked against the MSCI All Countries World Index[2] 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 2023, the GEF generated a positive absolute return of +2.7%, outperforming its benchmark by 4.2%.
The economic climate over the past year was marked by high inflation and rising interest rates (as highlighted in the Economic Overview section), leading to a volatile market environment. Despite these conditions, the GEF, with a preference for "Quality" stocks, showcased resilience to outperform its benchmark. The GEF managed this with minimal exposure to "Value" stocks (stocks trading for less than their intrinsic value) and "Cyclical" stocks (stocks of companies heavily influenced by economic conditions), both of which performed better than "Quality" stocks during this period. An underweight position over the past year relative to the benchmark in Energy and defensive Health Care stocks slightly tempered the performance. However, the GEF's overweight allocation over the past 12 months, in the Consumer Staples sector (essential everyday goods), and underweight allocation the in Consumer Discretionary sector (non-essential or luxury goods), and Communication Services sector (companies in telecom, media, and internet sectors) proved beneficial performance.

Over the three-years to 31 March 2023, the GEF returned +12.8% p.a., underperforming its benchmark by 2.3% p.a., whilst over the five-year period to 31 March 2023, the GEF returned 10.2% p.a., outperforming its benchmark by 0.5% p.a.

[2] This is a global equity index that tracks the performance of large and mid-sized companies from both developed and emerging markets around the world

**Fig.5 LCPF Public Equities – Manager composition as at 31 March 2023**

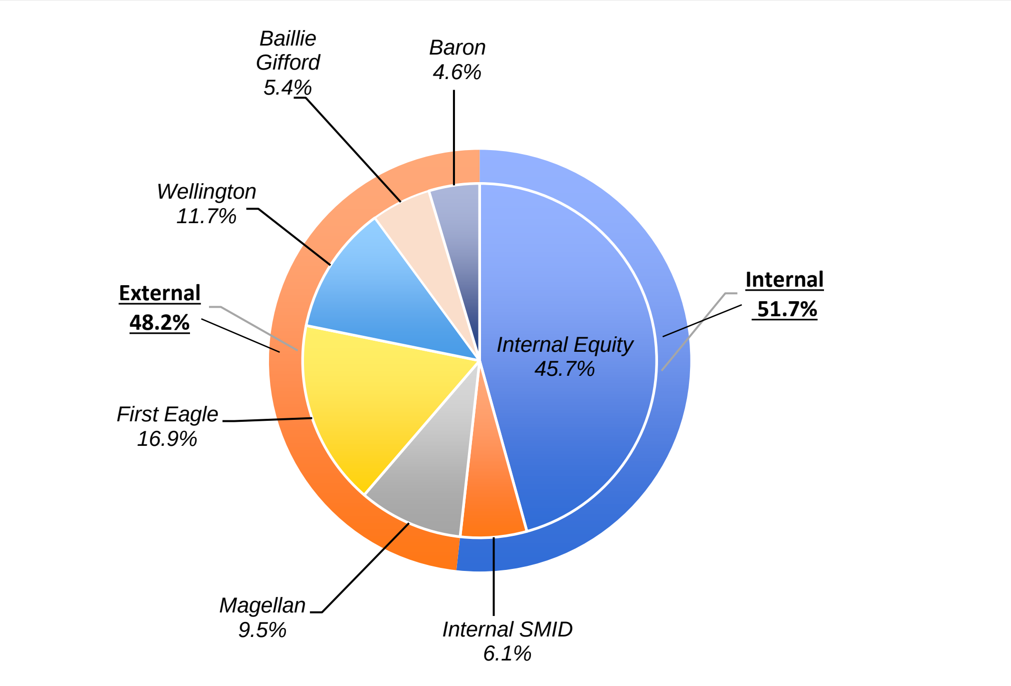



**Fig.6 LCPF Public Equities – Regional weights v MSCI ACWI[1] as at 31 March 2023**

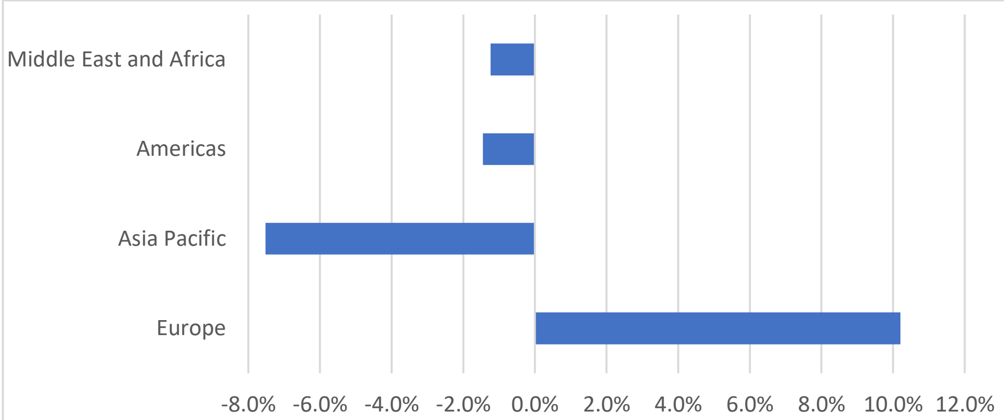
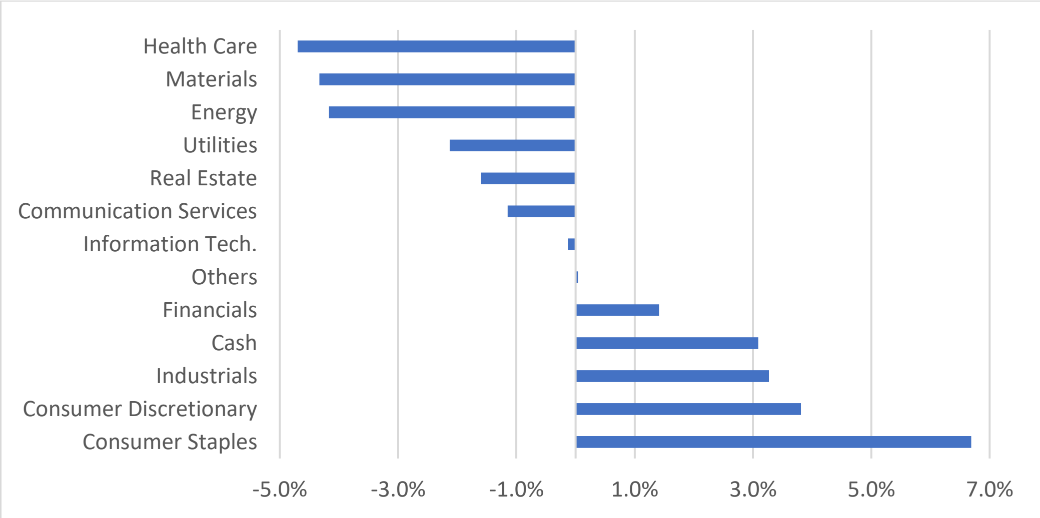



**Fig.7 LCPF Public Equities – Sector weights v MSCI ACWI as at 31 March 2023**

[1] MSCI ACWI – MSCI All Country World Index- this is a global equity index that tracks the performance of large and mid-sized companies from both developed and emerging markets around the world


Health Care
Materials
Energy
Utilities
Real Estate
Communication Services
Information Tech.
Others
Financials
Cash
Industrials
Consumer Discretionary
Consumer Staples
-5.0%
-3.0%
-1.0%
1.0%
3.0%
5.0%
7.0%

**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.

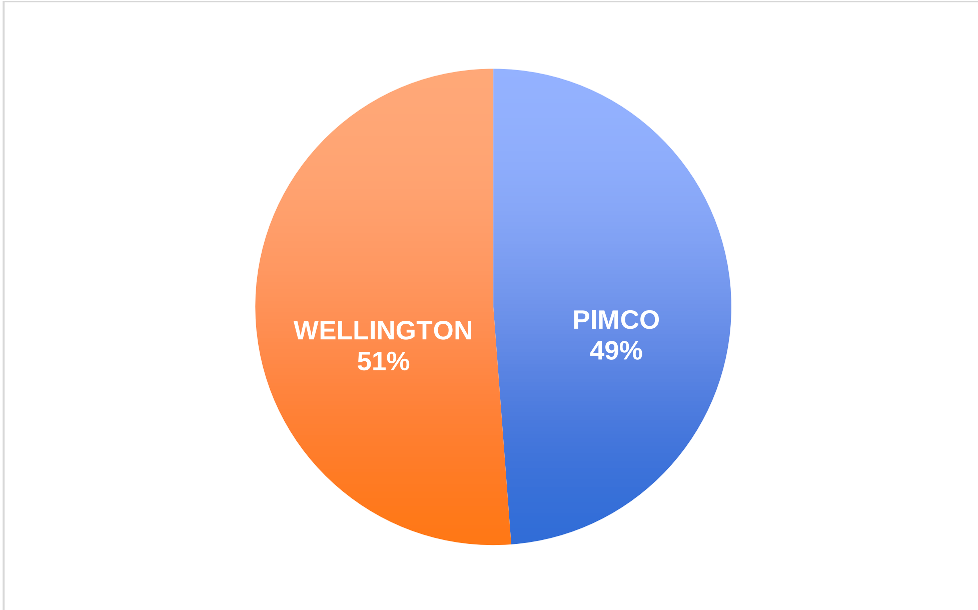
The Fund's exposure to Fixed Income arises through its holding in the LPPI Fixed Income Fund ("FIF"), which consists of two complementary underlying managers, as shown in **Fig 8**. The FIF has a bias towards higher-quality Fixed Income assets, with Fig.9 showing the breakdown of the assets by credit-rating (as an 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[1] (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 -2.1% over the twelve-months to 31 March 2023, outperforming its benchmark by 3.1%. Both underlying managers posted negative absolute returns over the period but outperformed the benchmark. The key driver of the FIF's negative absolute return was its interest rate exposure. Generally, when long-term interest rates increase, the value of Fixed Income assets tends to fall. The tables in the Economic Overview section show that interest rates went up over the year, which caused the value of the assets held in the FIF to fall.

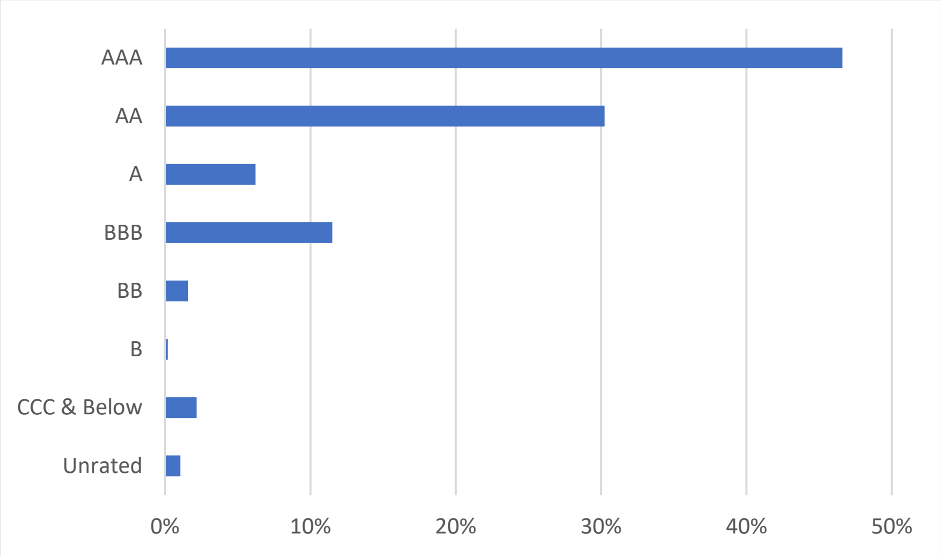
The FIF outperforming its benchmark is also tied to its sensitivity to interest rates. Over the 1-year period, the FIF was less sensitive to interest rate changes than its benchmark, which meant that when long-term interest rate increased over the past 12 months, the benchmark suffered a larger drop in the value of its assets than the FIF.

**Fig.8 LCPF Fixed Income – Manager composition as at 31 March 2023**




[1] An index that measures the performance of global investment-grade debt, including government, corporate, and securitised bonds.

**Fig.9 LCPF Fixed Income – Holdings by credit rating as at 31 March 2023**




**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 Private Equity exposure is being gradually reduced in line with the Fund's long-term strategy.

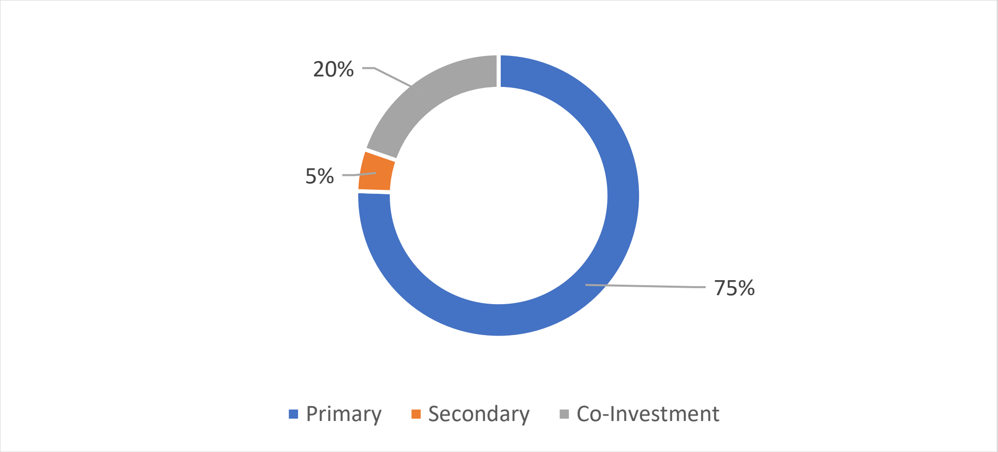
The Fund's Private Equity portfolio is benchmarked against the MSCI World SMID Index[1] and aims to outperform this benchmark by 2% p.a. – 4% p.a. over a rolling ten-year period.

The Fund's Private Equity portfolio returned +11.5% over the twelve-month period to 31 March 2023, outperforming the benchmark by 15.5%. 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 the three-year, five-year and since inceptions periods and has also outperformed the benchmark over each of these periods.

[1] An index that measures the performance of small and medium sized companies from developed markets around the world.

**Fig.10 LCPF Private Equity – Investment strategy breakdown as at 31 March 2023**




**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 2023**

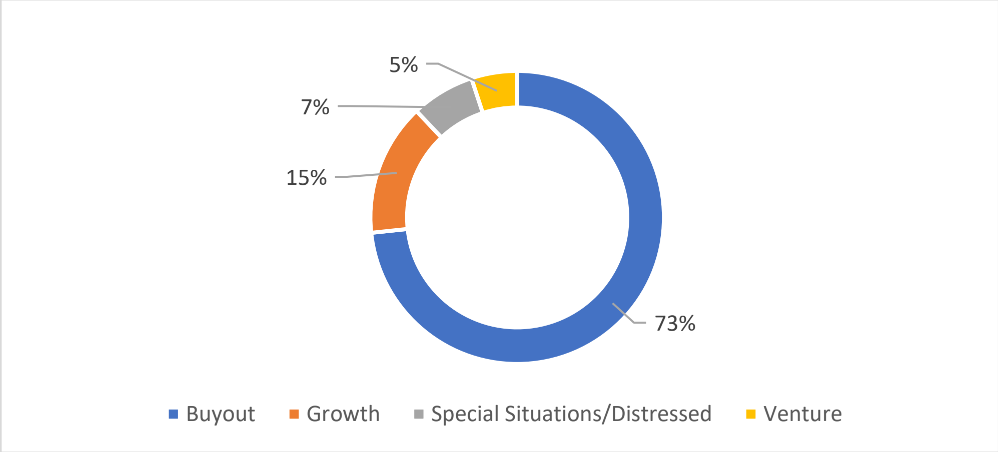
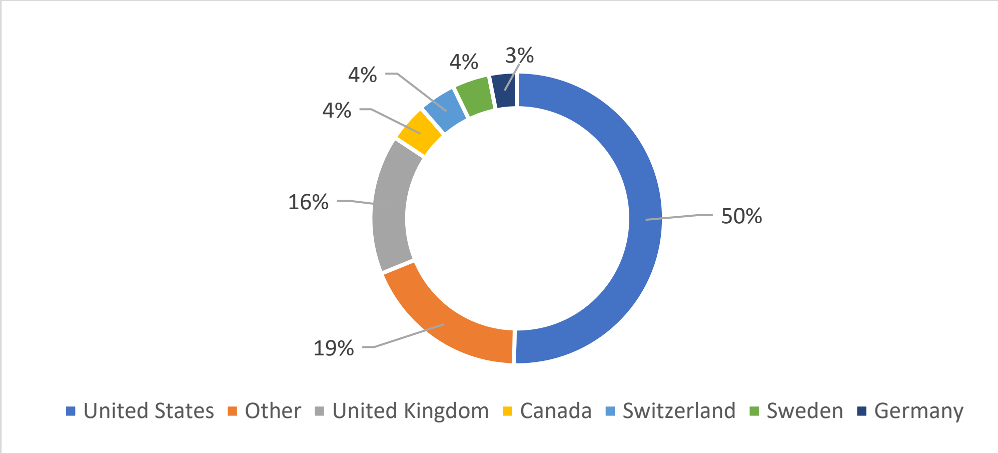



**Fig.12 LCPF Private Equity – Regional breakdown as at 31 March 2023**




## 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 (KFIM) and a collection of external managers. The Fund has retained direct ownership of – outside of the REF – its County and National portfolios managed by KFIM. 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[1] and has a target return of UK CPI[2] + 3.0% p.a. – 5.0% p.a. over a rolling ten-year period.

Over the twelve-month period to 31 March 2023 the Fund's Real Estate Portfolio returned -2.9%, outperforming the benchmark by 5.7%.  This performance is largely attributable to the REF, which returned -1.2% over the period.

Over the past year, the performance of the REF was driven by exposure to non-UK holdings, which balanced out the sharper falls in value of UK assets. In addition, the REF's purpose-built UK residential holdings performed well, benefiting from robust growth in rental income and high occupancy rates, which offset declines in property values. However, some of the REF's direct investments in UK logistics assets (properties that are involved in the movement, storage, and distribution of goods and services), experienced significant declines in value compared to their initial value.

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 2023**

[1] An index that measures the performance of property investments in the UK. It looks at things like changes in property values and rental income.

[2] The UK Consumer Price Index (CPI) measures how much the cost of living in the UK is changing. It looks at the prices of things like food, housing, and transportation to see if they are going up or down.

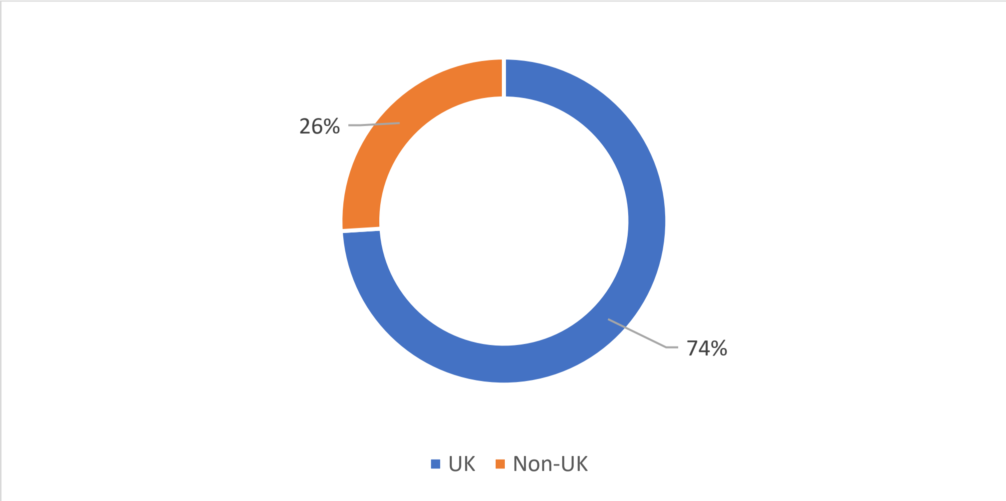
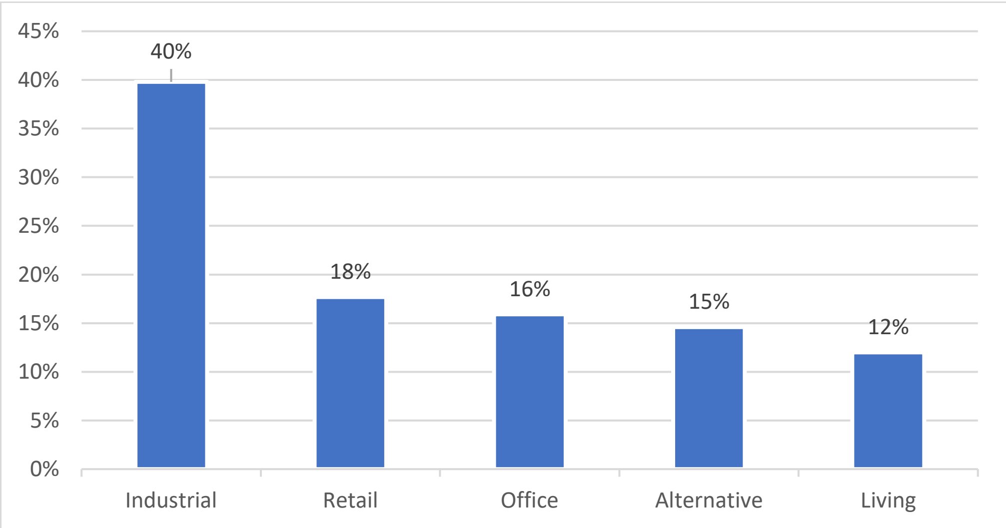



**Fig.14 LCPF Real Estate – Sector breakdown as at 31 March 2023**



**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.

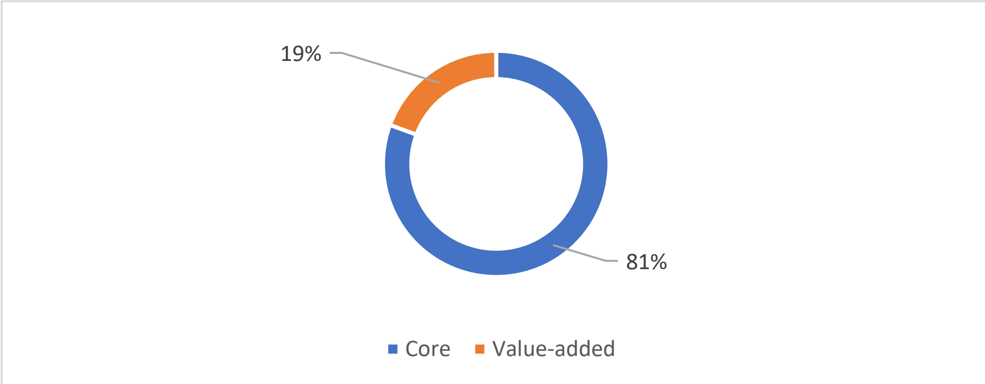
The majority of the Fund's infrastructure exposure is through the LPPI Infrastructure Fund. This comprises allocations to a variety of UK domestic and global infrastructure funds and direct investment projects. The portfolio focusses predominantly on Core infrastructure in the UK, Europe and North America 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 LPPI Infrastructure Fund 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 investment. Through GLIL, the Fund owns interests in various core infrastructure assets in the UK, including investments in wind-powered electricity generation, smart meter assets, 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 2023, the portfolio returned +10.9%, underperforming the benchmark by 2.8%. The LPPI Infrastructure Fund posted a return of +11.4% over the twelve months, with GLIL being a key driver of performance due to its inflation-linked revenue. Regarding infrastructure investments on the Fund's balance sheet, only two North American energy funds remain after a third North American energy fund divested its last asset during the first quarter of 2023.

**Fig.15 LCPF Infrastructure – Strategy breakdown as at 31 March 2023**




**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 2023**

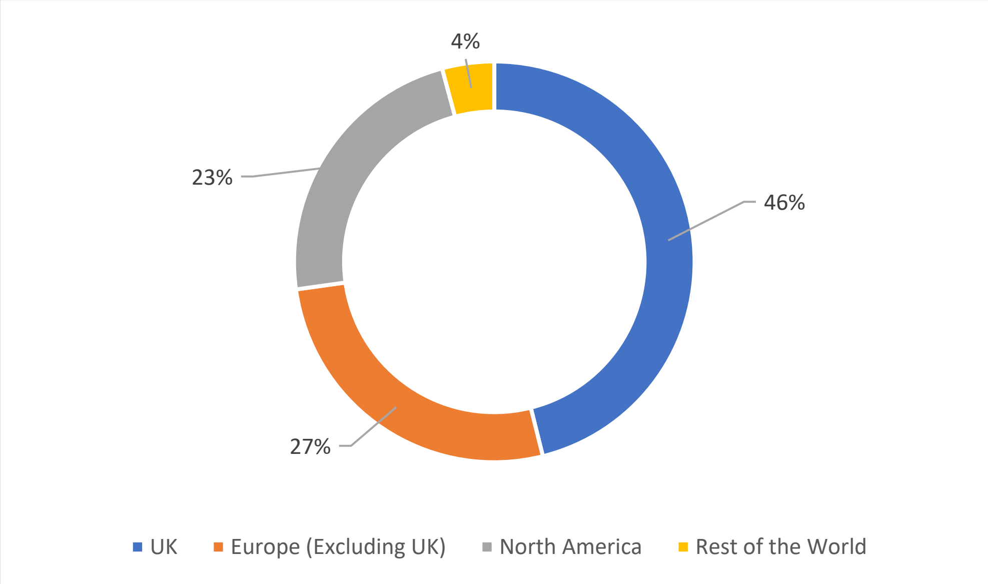
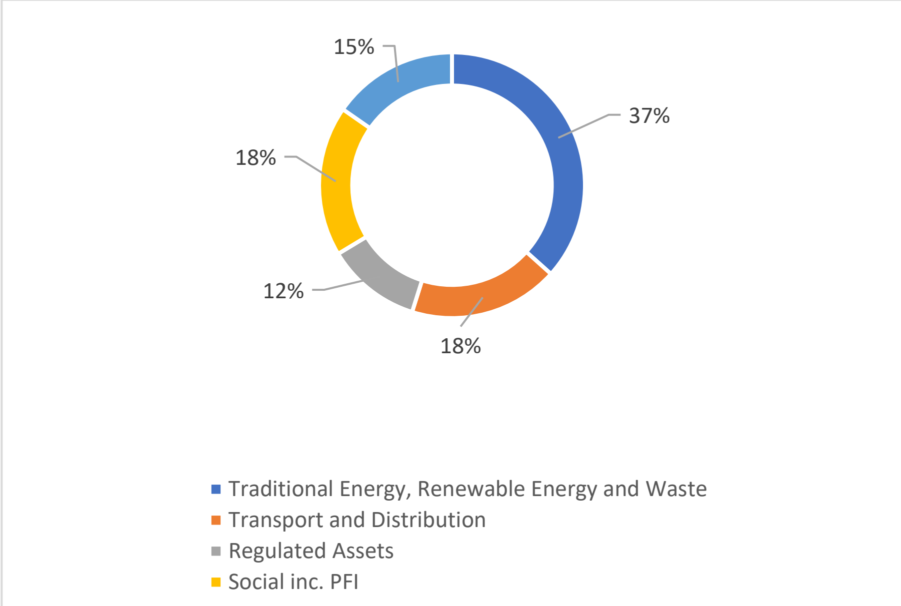



**Fig.17 LCPF Infrastructure – Sector breakdown as at 31 March 2023**



**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.

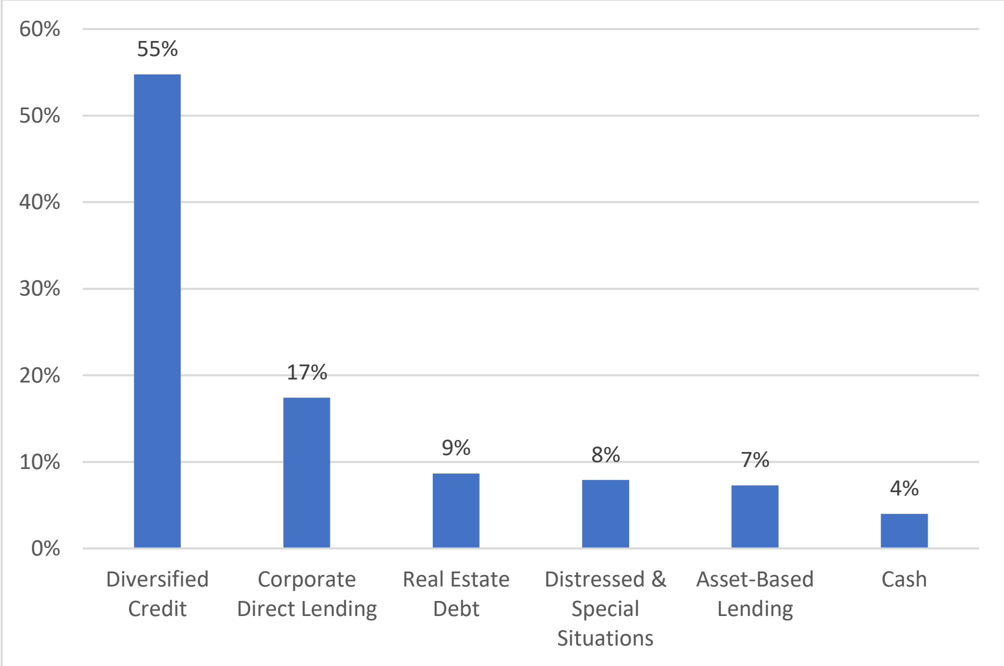
The majority of the Fund's Credit exposure arises through investment in the LPPI Credit Investments LP ("LPPI Credit Fund"), with a small allocation remaining on the Fund's balance sheet. The LPPI Credit Fund invests in a range of credit-linked strategies globally, as noted in **Fig.18**, this being 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% Morningstar LSTA US Leveraged Loan Index[1] (GBP Hedged) and 50% Bloomberg Barclays Multiverse Corporate Index[2] (GBP Hedged). The LPPI Credit Fund'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 Fund's Credit portfolio returned -1.2%, outperforming its benchmark by 1.1%.

The LPPI Credit Fund returned -1.9% over the twelve months, with the largest positive contributor to returns being Real Estate Debt. The allocation to multi-asset credit, which was first added to the portfolio in September 2022, also contributed positively to performance. Corporate Direct Lending and Diversified Credit both detracted from performance over the year.

The Fund's on-balance sheet credit investments made a positive contribution to performance over the year, having been detractors in prior periods.

**Fig.18 LCPF Credit – Investment type breakdown as at 31 March 2023**




[1] An index that tracks the performance of US loans that are borrowed by companies with a higher risk of default.

[2] An index that measures the performance of corporate bonds from both developed and emerging markets globally.

**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).

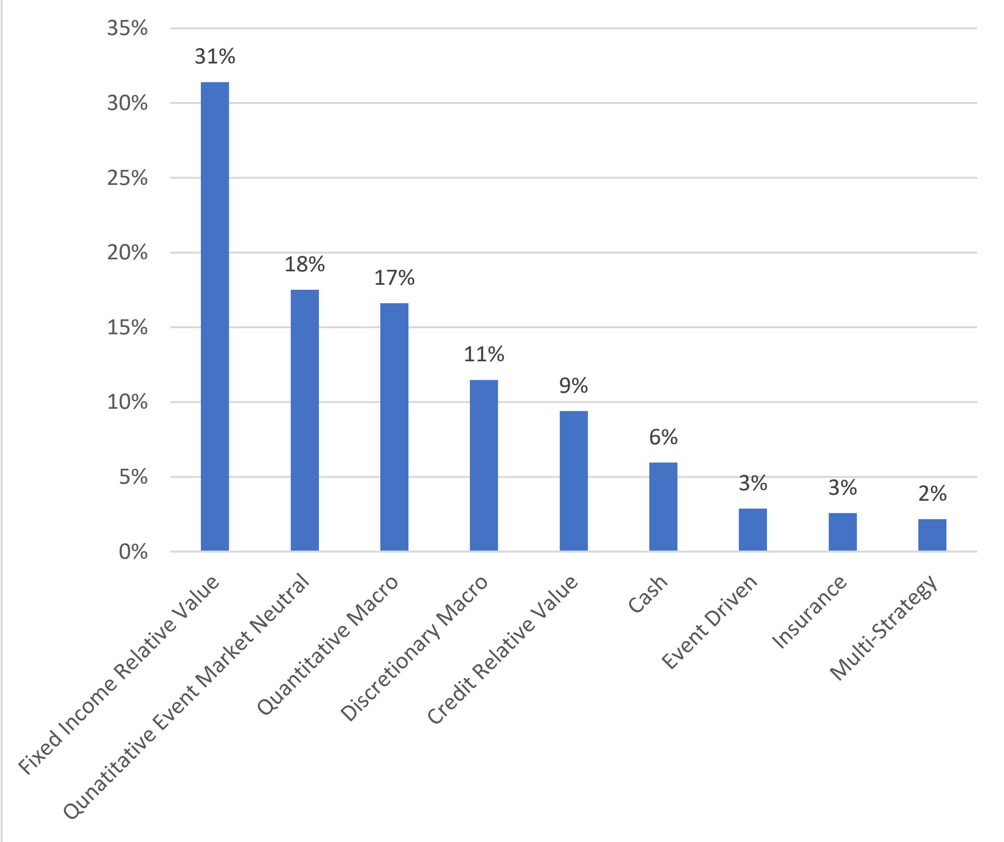
The entirety of the Fund's diversifying strategies exposure is through the LPPI Diversifying Strategies Fund ("DSF").

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 2023. As part of wider portfolio redemption activity, reductions were made to the portfolio's Quantitative Equity Market Neutral, Event Driven and Multi-Strategy mandates over the year.

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

During the twelve-month period to 31 March 2023, the DSF returned +13.4%, outperforming its benchmark by 13.3%. This outperformance was predominantly driven by the returns seen in the three months to June 2022, when inflation and market turbulence spiked.

**Fig.19 LCPF Diversifying Strategies – strategy type breakdown as at 31 March 2023**




[1] An index tracking the performance of conservative investment strategies in the "fund of funds" (group of funds that invest in how other funds are doing) hedge fund world. These funds are considered conservative, meaning they aim for consistent performance regardless of market conditions.

## Responsible Investment

### Strategy

The Fund is committed to the long-term Responsible Investment (RI) of retirement savings on behalf of Fund members. Our RI practices support the delivery of the sustainable returns we need to pay pensions through, with 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 LPPI Global Equity Fund (LPPI 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 – who publish to Code- 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. LPPI has continued to meet the higher standard for stewardship disclosure in accordance with the updated 2020 code and have retained signatory status for 2021-22. Their Responsible Investment and Stewardship Report 2021-22, 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. As a signatory, LPPI is required to report on its RI activities to PRI who assess the report. Latest assessed results indicate LPPI successfully maintained high scores across the board, achieving over 70% in each module.

LPPI has submitted detailed reporting to the PRI annually since becoming a PRI signatory (with the exception of the break in reporting for the 2021/22 reporting cycle whilst PRI changed its framework) and Transparency Reports are accessible from the PRI website describing their responsible investment practices 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 their quarterly voting record.

**Responsible Investment Priorities**

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

**Environment:**

1. Climate Change– the Fund continues to recognise that climate change is to be managed as a systemic and long-term investment concern.
2. Depletion of Natural Resources– encouragement of sustainable business practices which avoid the over-exploitation of natural resources.

**Social:**

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

**Governance:**

1. Corporate Governance– the Fund supports the case for well managed companies which promote fair and just employment practices.
2. 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.

**Corporate Governance**

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.

**Climate**

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. In addition, the Government is planning to introduce new requirements regarding governance and reporting if climate change risks for LGPS Funds.

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. The Fund is also further considering governance, reporting and strategy around climate change risks.

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 2022 carbon intensity was well below that of the LPPI GEF's benchmark (MSCI ACWI) and had declined compared with the same measure in 2021. The table below shows the trend using a revenue measure (gross carbon emissions divided by total revenues for companies in the LPPI GEF) for scope 1 and 2 emissions (scope 1 covers the carbon emissions that a company makes directly and scope 2 covers indirect emissions from consumption, for example, of purchased electricity and heat).

**Global Equities Fund Weighted Average Portfolio Carbon Intensity Scope 1 and 2 Emissions (tC02e/£m Revenue)**

| | Carbon Intensity (tCo2e/£M) | | | |
|---|---|---|---|---|
| | Q4 Dec 2019 | Q4 Dec 2020 | Q4 Dec 2021 | Q4 Dec 2022 |
| LPPI GEF (Scope 1 & 2) | 141 | 106 | 87 | 58 |
| MSCI ACWI (Scope 1 & 2) | 238 | 201 | 203 | 192 |

Investments in businesses that directly contribute to the global transition to a lower carbon economy – as a percentage of the total value of the Fund -have steadily increased over the year.

In addition, LPPI has voluntarily made a public commitment to the long-term goal of aligning our portfolio with net zero emissions by 2050. Net zero is an aspirational multi-decadal ambition and as a signatory to the Net Zero Asset Manager Commitment, LPPI will work in partnership with us and other asset owner clients to bring emissions measurement and portfolio net zero alignment into closer focus. This means sourcing data, setting targets, monitoring progress, and actively encouraging the companies we invest in to decarbonise, so they are well placed to benefit from the global transition underway and deliver the sustainable investment returns we need to pay pensions. LPPI has already published targets for listed equities (our largest asset class) and will bring further asset classes progressively into scope over time. You can read more about this in LPPI's Roadmap to Net Zero.

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

The metrics below summarise activity in 2022/23 where 183 engagement cases undertaken by Robeco involved 344 engagement activities.

**Activity by Focus Topic**

| | YTD |
|---|---|
| Environment | 78 |
| Social | 31 |
| Corporate Governance | 23 |
| Sustainable Development Goals | 45 |
| Global Controversy | 1 |
| Robeco-linked voting | 5 |
| Total | 183 |

**Activity by Region**

| | YTD |
|---|---|
| North America | 42% |
| Europe | 19% |
| Pacific | 14% |
| Emerging Markets | 25% |
| Total | 100% |

**Activity by Sector**

| | YTD |
|---|---|
| Energy | 9 |
| Materials | 29 |
| Industrials | 6 |
| Consumer Discretionary | 20 |
| Consumer Staples | 22 |
| Health Care | 6 |
| Financials | 45 |
| Information Technology | 29 |
| Utilities | 7 |
| Telecommunications | 10 |
| Total | 183 |

**Activity by Method**

| | YTD |
|---|---|
| Meeting | 7 |
| Conference Call | 118 |
| Written correspondence | 156 |
| Shareholder Resolution | 4 |
| Analysis | 56 |
| Other | 3 |
| Total | 344 |

## 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 on shares held by the LPPI GEF centrally and publishes headline information and granular voting reports quarterly on the LPP website.

In the 12-months from April 2022 to March 2023 LPPI voted at 367 company meetings on 4,412 separate resolutions as follows:

| Against | Theme | For |
|---|---|---|
| 250 | Election of Directors (& related) | 2,075 |
| 116 | Compensation | 404 |
| 0 | Anti-takeover & Related | 27 |
| 68 | Capitalisation | 249 |
| 77 | Routine Business | 585 |
| 68 | Shareholder Proposals | 153 |
| 8 | Audit-related | 269 |
| 10 | Strategic Transactions | 53 |
| 597 | Total | 3,815 |

**During the financial year ended 31 March 2023, LPPI voted**

1. Against 20% of management resolutions relating to executive compensation. Votes against management are motivated by a range of factors, including, but not limited to, poor transparency, mis-aligned incentives, and pay magnitude.
2. In support of 100% of shareholder proposals seeking reporting on human rights assessments and the improvement of human rights-related standards.
3. In support of 81% of shareholder proposals related to gender and/or racial diversity. Typical proposals supported requested specific disclosures (such as pay gaps) and actions such as the conducting a racial equity audit.
4. In support of 100% of shareholder proposals seeking greater transparency on company tax practices. In support of 100% of shareholder proposals on climate change where most proposals sought greater information on how companies are managing risk.
5. In support of 64% of shareholder proposals on climate change. LPPI typically supported proposals that sought greater information on how companies are managing risk.
6. In support of 100% of shareholder proposals seeking greater transparency on corporate behaviour relating to political lobbying (e.g. through enhanced reporting).

**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 2022.

**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 Lancashire bringing new infrastructure, jobs, and economic benefits to the Northwest.

Some examples of local investments are below:

**Urban Regeneration: Cathedral Square, Blackburn**

The Fund finances the redevelopment of a section of Blackburn City centre called Cathedral Square. Before the redevelopment, the area around the cathedral was characterised by poor quality public space and buildings that did not fit with the cathedral itself. The county portfolio has since invested £4.8m capital into the regeneration scheme. The redevelopment, which includes a hotel and restaurant, now forms part of the wider 'Cathedral Quarter' regeneration area. As well as the hotel and restaurant facility the scheme has provided office space with a more fitting aesthetic for both residents and visitors to Blackburn. The building scored 'Very Good' by BREEAM[1] and the hotel achieved an Energy Performance Certificate rating of B29.

[1] BREEAM (Building Research Establishment Environmental Assessment Method), is the world's longest established method of assessing, rating, and certifying the sustainability of buildings.

**Supporting job creation and renewable energy generation: Matrix Park, Chorley**

The Fund acquired this logistics unit in November 2013. Prior to the acquisition the tenant was sourcing energy from typical grid connections contributing to global carbon emissions. Post acquisition, the Fund installed roof mounted solar photo-voltaic systems, which has produced 476,492 kWh of electricity with zero carbon output during the 2022/23 year. This is the equivalent of enough energy to power over 148 houses for an entire year.

The property provides Head Office and distribution facilities for Vernacare, a supplier of clinical products and services to the NHS. Vernacare continued to support the NHS through Covid-19 providing pulp containers and macerators to Nightingale Hospitals across the UK. The property management team are in discussions to extend their current lease from 2025 for a further 5-10 year period.

## I 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 £'m | 2015/16 £'m | 2016/17 £'m | 2017/18 £'m | 2018/19 £'m | 2019/20 £'m | 2020/21 £'m | 2021/22 £'m | 2022/23 £'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 | – | – | – |
| **Total** | – | **0.2** | **0.2** | **0.7** | **–** | **0 .8** | **–** | **–** | **–** |
| **Transition costs** | **–** | **–** | **2** | **0.3** | **–** | **–** | **–** | **–** | **–** |

**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 |

| | | | | |
|---|---|---|---|---|
| **Total set up costs** | **–** | **–** | **–** | **1.9** |

| | | | | |
|---|---|---|---|---|
| **Transition costs** | **–** | **–** | **–** | **2.3** |

**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.

**Total expected costs and savings**

| | 2014/15 £'m | 2015/16 £'m | 2016/17 £'m | 2017/18 £'m | 2018/19 £'m | 2019/20 £'m | 2020/21 £'m | 2021/22 £'m | 2022/23 £'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) | (20.8) |
| **Net (savings)/costs realised** | – | **0.2** | **1.6** | **1.4** | **(9.1)** | **(7.3)** | **(12.1)** | **(15.0)** | **(20.8)** |

**Ongoing investment management costs 2022/23**

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 2022/23. 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 £'m | Indirect £'m | Total £'m | Direct £'m | Indirect £'m | Total £'m | £'m |
| Management fees | 54.4 | – | 54.4 | 2.9 | – | 2.9 | 57.3 |
| Performance | 7.5 | – | 7.5 | 3.4 | – | 3.4 | 10.9 |
| Transaction costs | 5.5 | 3.4 | 8.9 | 0.7 | – | 0.7 | 9.6 |
| Custody | – | – | – | 0.1 | – | 0.1 | 0.1 |
| Administration | – | 12.2 | 12.2 | – | 1.0 | 1.0 | 13.2 |
| Borrowing and arrangement fees | – | 2.9 | 2.9 | – | – | – | 2.9 |
| Distribution, comms and client service | – | 0 | 0 | – | – | – | 0 |
| Governance, Regulation and Compliance | – | 5.9 | 5.9 | – | 0.6 | 0.6 | 6.5 |
| Property expenses | – | 7.6 | 7.6 | – | 2.5 | 2.5 | 10.1 |
| Other fees | – | 2.7 | 2.7 | – | – | – | 2.7 |
| **Total** | **67.4** | **34.7** | **102.1** | **7.1** | **4.1** | **11.2** | **113.3** |

## J Accounts of the Fund

### Responsibilities for the Statement of Accounts

**The responsibilities of the administering authority**

The administering authority is required:

1. 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 responsible officer during the year 2022/23 was the Chief Executive, who was 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:

1. Selected suitable accounting policies and then applied them consistently;
2. Made judgements and estimates that were reasonable and prudent;
3. Complied with the Code.

In addition, the Section 151 Officer to the Fund has:

1. Kept proper accounting records which were up to date;
2. 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 2023 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**

**GRANT THORNTON AUDITOR'S REPORT TO BE INSERTED HERE (NOT YET RECEIVED)**

## Lancashire County Pension Fund

### Fund account for year ended 31 March 2023

| 2021/22 | | Note | 2022/23 |
|---|---|---|---|
| **£m** | **Dealing with members, employers and others directly involved in the Fund** | | **£m** |
| 161.5 | Contributions | 6 | 172.5 |
| 15.9 | Transfers in from other pension funds | 7 | 17.8 |
| **177.4** | **Additions from dealings with members** | | **190.3** |
| (306.6) | Benefits | 8 | (314.5) |
| (14.4) | Payments to and on account of leavers | 9 | (18.9) |
| **(321.0)** | **Withdrawals from dealing with members** | | **(333.4)** |
| **(143.6)** | **Net withdrawals from dealings with members** | | **(143.1)** |
| (168.1) | Management expenses | 10 | (116.8) |
| **(311.7)** | **Net withdrawals including fund management expenses** | | **(259.9)** |
| | **Returns on investments** | | |
| 200.1 | Investment income | 11 | 184.7 |
| 1,217.8 | Profit and losses on disposal of investments and changes in the value of investments | 13 | 210.9 |
| **1,417.9** | **Net return on investments** | | **395.6** |
| **1,106.2** | **Net increase in the net assets available for benefits during the year** | | **135.7** |
| **9,605.3** | **Opening net assets of the scheme** | | **10,711.5** |
| **10,711.5** | **Closing net assets of the scheme** | | **10,847.2** |

## Net assets statement as at 31 March 2023

| 31 March 2022 | | Note | 31 March 2023 |
|---|---|---|---|
| £m | | | £m |
| 10,644.0 | Investment assets | 13 | 10,786.9 |
| 55.4 | Cash deposits | 13 | 45.9 |
| **10,699.4** | **Total net investments** | | **10,832.8** |
| 19.9 | Current assets | 19 | 19.8 |
| (7.8) | Current liabilities | 20 | (5.4) |
| **10,711.5** | **Net assets of the fund available to fund benefits at the end of the reporting period** | | **10,847.2** |

**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 2023 and its income and expenditure for the year then ended.

## 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 20222/23 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:

1. the Local Government Pension Scheme Regulations 2013 as amended
2. the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
3. 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.[1]

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 advisors.

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.

[1] Refer to Governance of the Fund section for breakdown of the Pension Fund Committee

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 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 www.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:

1. Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
2. 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 2023 is detailed in the following table:

| **31 March 2022** | **Lancashire County Pension Fund** | **31 March 2023** |
|---|---|---|
| 305 | Number of employers with active members[1] | 324 |
| 157 | Number of ceased employers (no active members but some outstanding liabilities) | 167 |
| | **Number of active scheme members** | |
| 26,545 | County Council | 27,275 |
| 29,142 | Other employers | 29,906 |

| | | |
|---|---|---|
| **55,687** | **Total** | **57,181** |
| | **Number of pensioners** | |
| 27,024 | County Council | 27,967 |
| 27,412 | Other employers | 28,479 |
| **54,436** | **Total** | **56,446** |
| | **Number of deferred pensioners[2]** | |
| 36,583 | County Council | 36,400 |
| 36,992 | Other employers | 39,581 |
| **73,575** | **Total** | **75,981** |
| **183,698** | **Total membership** | **189,608** |

[1] includes employers for whom admission to the Fund is in progress

## 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 2023. Employer contributions are set based on triennial actuarial funding valuations. The contributions in 2022/23 are based on the valuation at 31 March 2019.

Employer contribution rates for 2022/23 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.

| | Service Pre-1 April 2008 | Service post 1 April 2008 and pre-1 April 2014 | Service post 1 April 2014 |
|---|---|---|---|
| **Pension** | Each year worked is worth 1/80th x final pensionable salary. | Each year worked is worth 1/60th x final pensionable salary. | Each year worked is worth 1/49th x the pensionable pay for that year (or 1/98th of pensionable pay if member opts for the 50/50 section of the scheme). |
| **Lump sum** | Automatic lump sum of 3 x salary.<br>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.<br>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.<br>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. |

## 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 2023. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in United Kingdom 2022/23* 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 2022/23,* 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 2023 but not yet adopted by the Code. There are no such accounting changes to be disclosed for 2022/23.

## Events after the reporting period and Contingent Liabilities

The Fund hasn't identified any events after the reporting period or contingent liabilities to disclose in the Statement of Accounts for the year ending 31st March 2023.

# 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.

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, these distributions are recognised as investment income and subsequent reinvestments are recorded as purchase.

### 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. Tax is accounted for 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:*

1. Administrative expenses
2. Oversight and governance costs
3. Investment management expenses

## Administrative expenses

Administrative expenses consist of the following:

1. 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;
2. 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
3. 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:

4. Investment advisory services (strategic allocation, manager monitoring etc.);
5. Independent advisors to the pension fund;
6. Operation and support of the PFC (i.e. those charged with governance of the pension fund), LPB, or any other oversight body;
7. Governance and voting services;
8. Costs of compliance with statutory or non-statutory internal or external reporting (annual reports and accounts, etc.);
9. Legal, actuarial and tax advisory services;
10. Non-custodian accountancy and banking services; and
11. 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.

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 2022/23, £3.1m of fees is based on such estimates (2021/22: £16.8m).

## 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 2023 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.

## Financial Assets at amortised cost

Financial assets with fixed or determinable payments that are not quoted in an active market.

The Fund's financial assets 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

The LPPI Global Equities Fund has been categorised at level 1 in the fair value hierarchy as the NAV provided to the fund is the accumulation of the quoted prices of the underlying assets as of 31st March 2023. All the underlying assets are level 1 quoted securities and no adjustments have been made to the NAV such as for fees on exiting the fund.

## 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 at 31 March 2023 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 £2,595.8m[1] (2021/22: £2,318.3).<br><br>Note 16 & 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks. |
| Long-term credit investments | 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. | The market value of long-term credit investments in the financial statements totals £1,626.0m (2021/22): £1,416.7m excluding investment in loans secured on real assets).<br><br>Note 16 & 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks. |
| Indirect core property investments | 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. | Indirect property investments in the financial statements total £910.8m (2021/22: £944.6m). |

[1] The investment values in the table covering private equity, infrastructure, credit and property differ to values in section H due to values in the table including an updated Market Value.

| | | |
|---|---|---|
| | | Note 16 & 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks. Indirect core property is included within the property and funds, and total property headings in the sensitivity note. |
| Actuarial present value of promised retirement benefits | 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 (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.<br><br>Areas of uncertainty highlighted by the actuary include Guaranteed Minimum Pension (GMP) equalisation, the impact of COVID19 / Ukraine, the court of appeal ruling on the Sergeant and McCloud cases and current high levels of inflation. Further information can be found in note 24 to these accounts. | 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 £401m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £103m and a 1-year increase in assumed life expectancy would increase the liabilities by approximately £189m.<br><br>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 (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. |

## Note 6 - Contributions receivable

| 2021/22 | | 2022/23 |
|---:|---|---:|
| **£m** | **By category** | **£m** |
| **67.7** | Members | **73.4** |
| | Employers: | |
| 86.9 | Normal contributions[1] | 91.2 |
| 5.0 | Deficit recovery contributions[1] | 6.3 |
| 1.9 | Augmentation contributions [2] | 1.6 |
| **93.8** | **Total employers' contributions** | **99.1** |
| **161.5** | **Total contributions receivable** | **172.5** |
| | **By type of employer** | |
| 59.9 | County Council [1] | 62.7 |
| 80.9 | Scheduled bodies [1] | 88.6 |
| 20.7 | Admitted bodies | 21.2 |
| **161.5** | | **172.5** |

[1] 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 included £87.3m in relation to 2021/22 and £88.4m in relation to 2022/23.

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

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## Note 7 - Transfers in from other pension funds

| 2021/22 | | 2022/23 |
|---|---|---|
| £m | | £m |
| 15.9 | Individual transfers in from other schemes | 17.8 |
| **15.9** | | **17.8** |

## Note 8 - Benefits payable

| 2021/22 | | 2022/23 |
|---|---|---|
| £m | **By category** | £m |
| 253.1 | Pensions | 266.5 |
| 44.6 | Commutation and lump sum retirement benefits | 43.7 |
| 8.9 | Lump sum death benefits | 4.3 |
| **306.6** | **Total benefits payable** | **314.5** |
| | **By type of employer** | |
| 127.1 | County Council | 130.5 |
| 153.8 | Scheduled bodies | 158.6 |
| 25.7 | Admitted bodies | 25.4 |
| **306.6** | | **314.5** |

## Note 9 - Payments to and on account of leavers

| 2021/22 | | 2022/23 |
|---|---|---|
| **£m** | | **£m** |
| 1.0 | Refunds to members leaving service | 0.7 |
| 13.4 | Individual transfers | 18.2 |
| **14.4** | | **18.9** |

## Note 10 - Management expenses

| 2021/22 | | 2022/23 |
|---|---|---|
| **£m** | | **£m** |
| 4.1 | Fund administrative costs | 4.2 |
| 162.6 | Investment management expenses[1] | 110.9 |
| 1.4 | Oversight and governance costs [2] | 1.7 |
| **168.1** | | **116.8** |

[1]The decrease in investment management expenses in 2022/23 is mainly due to a decrease in the performance of the Fund's assets.

[2] Oversight and governance costs above include external audit fees which amounted to £51,036 (2021/22: £37,423). Additional fees of £25,800 were paid to the external auditor for IAS19 assurance work on behalf of Fund employers within the PSAA regime.

## Investment management expenses

### 31st March 2023

| | Total | Management Fees[2] | Performance Related fees | Transaction Costs[1] |
|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** |
| Pooled Investments | 97.7 | 66.9 | 27.0 | 3.8 |
| Pooled property investments | 12.8 | 10.2 | 1.0 | 1.6 |
| Property | 0.2 | 0.2 | - | |
| Cash Deposits | 0.1 | 0.1 | | |
| | **110.8** | **77.4** | **28.0** | **5.4** |
| Custody Fees | 0.1 | | | |
| | **110.9** | | | |

### 31st March 2022

| | Total | Management Fees[2] | Performance Related fees | Transaction Costs[1] |
|---|---|---|---|---|
| | **£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 | | | |
| | **162.5** | **91.3** | **66.4** | **4.7** |
| Custody Fees | 0.1 | | | |
| | **162.6** | | | |

[1] 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.

[2] 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.

## Note 11 - Investment income

| 2021/22 | | 2022/23 |
|---|---|---|
| **£m** | | **£m** |
| 0.9 | Fixed interest securities | 1.1 |
| 166.5 | Pooled investment vehicles | 151.5 |
| 25.1 | Pooled property investments | 24.6 |
| 7.7 | Net rents from properties | 6.2 |
| (0.1) | Interest on cash deposits | 1.3 |
| **200.1** | **Total investment income** | **184.7** |

## Note 12 - Property income

| 2021/22 | | 2022/23 |
|---|---|---|
| **£m** | | **£m** |
| 10.6 | Rental income | 9.8 |
| (2.9) | Direct operating expenses | (3.6) |
| **7.7** | **Net income** | **6.2** |

## Note 13 - Reconciliation of movements in investments

| | Market value as at 1 April 2022 | Purchases at cost | Sales proceeds | Change in market value | Market value as at 31 March 2023 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Fixed interest securities | 76.4 | - | (52.9) | (1.3) | 22.2 |
| Pooled investment vehicles | 9,387.5 | 682.0 | (703.7) | 302.5 | 9,668.3 |
| Pooled property investments | 944.6 | 38.5 | (12.8) | (59.5) | 910.8 |
| Private equity | 12.5 | - | | | 12.5 |
| Direct property | 172.1 | 11.5 | - | (30.8) | 152.8 |
| | **10,593.1** | **732.0** | **(769.4)** | **210.9** | **10,766.6** |
| Cash deposits | 55.4 | | | | 45.9 |
| Loan Investments | 50.0 | | | | 20.0 |
| Investment accruals | 0.9 | | | | 0.3 |
| **Net investment assets** | **10,699.4** | | | | **10,832.8** |

| | Market value as at 1 April 2021 | Purchases at cost | Sales proceeds | Change in value during the year [1] | 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 |
| 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 |
| | **9,435.2** | **951.9** | **(1,011.7)** | **1,217.8** | **10,593.1** |
| Cash deposits | 108.4 | | | | 55.4 |
| Loan investments | 55.0 | | | | 50.0 |
| Investment income due | 0.7 | | | | 0.9 |
| **Net investment assets** | **9,599.3** | | | | **10,699.4** |

## Investments analysed by fund manager

| 31 March 2022 | | | 31 March 2023 | |
|---|---|---|---|---|
| £m | % of net investment assets | | £m | % of net investment assets |
| **Private equity investments** | | | | |
| 907.7 | 8.5% | LPPI Private Equity Fund | 876.2 | 8.1% |
| **Private equity investments managed outside of LPPI Private Equity Fund** | | | | |
| 12.1 | 0.1% | Trilantic Capital Partners | 7.8 | 0.1% |
| 12.5 | 0.1% | Local Pensions Partnership Limited | 12.5 | 0.1% |
| **932.3** | **8.7%** | **Total private equity investments** | **896.5** | **8.3%** |
| **Long term credit investments** | | | | |
| 1,342.2 | 12.5% | LPPI Credit Investments | 1,571.2 | 14.5% |
| **Credit investments managed outside of LPPI Credit Investments Fund** | | | | |
| 31.1 | 0.3% | CRC | 26.8 | 0.3% |
| 26.6 | 0.3% | Neuberger Berman | 21.9 | 0.2% |
| 11.1 | 0.1% | Pimco Bravo | 2.5 | - |
| 4.1 | - | Bridgepoint[1] | 3.4 | - |
| 1.5 | - | Hayfin | 0.2 | - |
| **1,416.7** | **13.2%** | **Total long term credit investments** | **1,626.0** | **15.0%** |
| **Fixed income investments** | | | | |
| 398.6 | 3.7% | LPPI Fixed Income Fund | 156.3 | 1.5% |
| **Liquid credit investments managed outside of LPPI Fixed Income Fund** | | | | |
| 182.6 | 1.7% | LPPI internal and LCC Treasury Management | 88.3 | 0.8% |
| **581.2** | **5.4%** | **Total fixed income investments** | **244.6** | **2.3%** |

| | | | | |
|---|---|---|---|---|
| **Global equity investments** | | | | |
| 5,164.5 | 48.3% | LPPI Global Equities Fund | 5,191.3 | 47.9% |
| **5,164.5** | **48.3%** | **Total global equity investments** | **5,191.3** | **47.9%** |
| **Infrastructure investments** | | | | |
| 1,255.4 | 11.8% | LPPI Global Infrastructure Fund | 1,605.5 | 14.9% |
| **Infrastructure investments managed outside of LPPI Global Infrastructure Fund** | | | | |
| 40.4 | 0.4% | Icon Infrastructure Partners | 48.5 | 0.5% |
| 66.9 | 0.6% | Arclight Energy | 36.4 | 0.3% |
| 5.5 | 0.1% | Pike Petroleum Holdings LLC | 4.7 | - |
| 14.1 | 0.1% | Highstar Capital | 2.4 | - |
| 3.7 | - | Eastern Generation Holdings LLC | 1.8 | - |
| **130.6** | **1.2%** | | **93.8** | **0.8%** |
| **1,386.0** | **13.0%** | **Total infrastructure investments** | **1,699.3** | **15.7%** |
| **Diversifying strategy investments** | | | | |
| 101.9 | 1.0% | LPPI Diversifying Strategies Fund | 111.5 | 1.0% |
| **101.9** | **1.0%** | **Total diversifying strategies investments** | **111.5** | **1.0%** |
| **Property investments** | | | | |
| **Directly held properties** | | | | |
| 172.1 | 1.6% | Knight Frank | 152.8 | 1.4% |
| **Pooled property funds** | | | | |
| **Core property** | | | | |
| 944.6 | 8.8% | LPPI Real Estate Fund | 910.8 | 8.4% |
| **1,116.7** | **10.4%** | **Total property investments** | **1,063.6** | **9.8%** |
| **10,699.4** | **100.0%** | **Net investment assets** | **10,832.8** | **100.0%** |

[1]Bridgepoint Credit formerly EQT Credit

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

| 31 March 2022 | | 31 March 2023 |
|---|---|---|
| £m | | £m |
| 42.8 | UK corporate bonds quoted | - |
| - | Overseas public sector | - |
| 33.6 | Overseas corporate bonds/supernational bonds quoted | 22.2 |
| **76.4** | | **22.2** |

## Pooled investment vehicles

| 31 March 2022 | | 31 March 2023 |
|---|---|---|
| £m | **UK funds:** | £m |
| 398.6 | Fixed income funds | 156.3 |
| 185.6 | Private equity | 192.9 |
| 1,255.4 | Infrastructure | 1,605.5 |
| 1,343.8 | Long term credit investments | 1,571.4 |
| 944.6 | Property funds | 910.8 |
| 101.9 | Diversifying strategies | 111.5 |
| | **Overseas funds:** | |
| 68.8 | Fixed income funds | - |
| 734.2 | Private equity | 691.1 |
| 130.6 | Infrastructure | 93.7 |
| 4.1 | Long term credit investments | 54.6 |

| | | |
|---|---|---|
| 5,164.5 | Equity funds[1] | 5,191.3 |
| **10,332.1** | | **10,579.1** |

[1]The LPPI Global Equities Fund includes UK equities.

## Direct property investments

| 31 March 2022 | | 31 March 2023 |
|---|---|---|
| £m | | £m |
| 134.4 | UK – freehold | 120.8 |
| 37.7 | UK – long leasehold | 32.1 |
| **172.1** | | **152.8** |

## 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.

| 31 March 2022 | | 31 March 2023 |
|---|---|---|
| £m | | £m |
| **159.7** | **Opening balance** | **172.1** |
| | **Additions:** | |
| - | • Purchases | 11.1 |
| 0.5 | • New construction | - |
| 0.4 | • Subsequent expenditure | 0.4 |
| 11.5 | Net increase/decrease in market value | (30.8) |
| **172.1** | **Closing balance** | **152.8** |

## 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 2023, the Fund has the following future minimum lease payments due from tenants.

| 2021/22 | | 2022/23 |
|---|---|---|
| **£m** | | **£m** |
| 0.3 | Leases expiring within one year | 0.3 |
| 12.9 | Leases expiring between one and five years | 6.6 |
| 69.2 | Leases expiring later than five years | 91.1 |
| **82.4** | **Total future minimum lease payments receivable under existing non-cancellable leases** | **98.0** |

The above disclosures have been reduced by a credit loss allowance of 5.0% for the county portfolio and 6.3% for the national portfolio (2021/22: 2.6%) per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This adjustment is based on analysis of rents outstanding 28 days after the due date taking account of trading difficulties that some occupiers were experiencing and how this would affect their ability to pay in the future.

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

| 31 March 2022 | | 31 March 2023 |
|---|---|---|
| £m | | £m |
| 33.2 | Sterling | 42.0 |
| 22.2 | Foreign currency | 3.9 |
| **55.4** | | **45.9** |

# 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 2023

| | Fair value through profit or loss | Financial assets at amortised cost | Financial liabilities at amortised cost |
|---|---|---|---|
| | £m | £m | £m |
| **Financial assets** | | | |
| Fixed interest securities | 22.2 | | |
| Loan investments | | 20.0 | |
| Pooled investment vehicles | 9,668.3 | | |
| Pooled property investments | 910.8 | | |
| Directly held private equity | 12.5 | | |
| Cash deposits | | 45.9 | |

| | | | |
|---|---|---|---|
| Investment accruals | 0.3 | | |
| Debtors | | 19.8 | |
| **Total financial assets** | **10,614.1** | **85.7** | |
| **Financial liabilities** | | | |
| Creditors | | | 5.4 |
| **Total financial liabilities** | | | **5.4** |

## 31 March 2022

| | Fair value through profit or loss | Financial assets at amortised cost | Financial liabilities at amortised cost |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| **Financial assets** | | | |
| Fixed interest securities | 76.4 | | |
| Loan investments | | 50.0 | |
| 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 | |
| **Total financial assets** | **10,421.9** | **125.3** | |
| **Financial liabilities** | | | |
| Creditors | | | 7.8 |
| **Total financial liabilities** | | | **7.8** |

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

The net gain on financial assets at fair value through profit and loss was £241.7m (2021/22: £1,206.3m gain). Note 13 outlines the change in Market Value of Fund Asset's, of which, (£3.6m) relates to unrealised gains and £238.1m relates to realised gains on the disposal of assets. Direct property is not included within this figure.

## 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.

### Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets include Cash and Cash Equivalents, directly held Bonds and those held in the LPPI Global Equity Fund. 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. The only asset currently at level 2 is the holding in the LPPI Fixed Income Fund.

### 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. Instruments included in level 3 are private equity, infrastructure, property, long term credit and diversifying strategies 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.

### 31 March 2023

| | 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 | 5,213.7 | 156.3 | 5,244.1 | 10,614.1 |
| Financial Assets at Amortised Cost[1] | 45.9 | 20.0 | - | 65.9 |
| Non-financial assets at fair value through profit and loss (property holdings)[1] | - | - | 152.8 | 152.8 |
| **Net investment assets** | **5,259.6** | **176.3** | **5,396.9** | **10,832.8** |

### 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 | 5,213.7 | 398.6 | 4,783.0 | 10,614.1 |
| Financial Assets at Amortised Cost[1] | 55.4 | 50.0 | - | 105.4 |
| Non-financial assets at fair value through profit and loss (property holdings)[1] | - | - | 172.1 | 172.1 |
| **Net investment assets** | **5,259.6** | **448.6** | **4,955.1** | **10,832.8** |

[1] Included to aid reconciliation to Total Net Investments figure in the Net Asset Statement

## 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. |
| Corporate and overseas government bonds | Level 1 | Market approach – active 'over the counter' markets | Corroborative indicative quotes, interest rates, inflation. | Not required. |
| Fixed income funds | Level 2 | Unadjusted market values based on current yields. | Comparable recent arm's length transactions, reference to other instruments that are substantially the same | Not required. |
| Direct property holdings | Level 3 | Valuation performed by independent professional valuers Avison Young in accordance with Royal Institute of Chartered Surveyor's (RICS) Valuation Standards (9th edition). | Equivalent yield and ERV (Estimated Rental Value) | Significant increases and decreases in any of those inputs in isolation could result in significantly lower or higher fair value measurements |
| Pooled property investments - core property | Level 3 | Current open market value in accordance with RICS Appraisal and Valuation Standards. | Equivalent yield and ERV (Estimated Rental Value) | Ability to exit fund; market opinion; general market movements. Significant increases and decreases in any of those inputs in isolation could result in significantly lower or higher fair value measurements |
| 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 |

| | | | | |
|---|---|---|---|---|
| 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; PIRC, 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 2023.

| Description of asset | Assessed valuation range[1] | Value at 31 March 2023 | Value on increase | Value on decrease |
|---|---|---|---|---|
| | (+/-) | £m | £m | £m |
| Private equity funds | 12.60% | 896.5 | 1,009.5 | 783.5 |
| Infrastructure funds | 6.30% | 1,699.2 | 1,806.3 | 1,592.2 |
| Long term credit | 6.30% | 1,626.0 | 1,728.4 | 1,523.6 |
| Diversifying strategies | 6.30% | 111.5 | 118.6 | 104.5 |
| Property/Property Funds | 6.60% | 1,063.7 | 1,133.8 | 993.5 |
| **Level 3 investments** | | **5,396.9** | | |

[1] All movements in the assessed valuation range derive from changes in the underlying profitability of component companies and investments.

## Reconciliation of fair value measurements within level 3

| | Fixed income funds | Private equity funds | Infrastructure funds | Long term credit funds | Property and Property funds | Diversifying strategies | Total level 3 investments |
|---|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m | £m |
| **Market value 1 April 2022** | **68.8** | **932.3** | **1,386.5** | **1,348.8** | **1,116.8** | **101.9** | **4,955.1** |
| Purchases during the year and derivative payments | - | 76.6 | 329.2 | 220.0 | 50.1 | - | 675.9 |
| Sales during the year and derivative receipts | (70.7) | (172.8) | (127.7) | (29.7) | (12.8) | (2.1) | (415.7) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Unrealised gains / (losses) | (3.7) | (24.3) | 72.2 | 86.9 | (90.4) | 11.7 | 52.4 |
| Realised gains | 5.6 | 84.7 | 39.0 | - | - | - | 129.2 |
| **Market value 31 March 2023** | **-** | **896.5** | **1,699.2** | **1,626.0** | **1,063.7** | **111.5** | **5,396.9** |

# 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 Pension Fund Committee. 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.

## 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.

## 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 advisors, the Fund has determined that the following movements in market price risks are reasonably possible for the 2022/23 reporting period.

| Asset type | Potential market movements (+/-) |
|---|---|
| Total bonds (including index linked) | 4.0% |
| Total equities | 12.6% |
| Alternatives | 6.3% |
| Total property | 6.6% |

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 marketplace would have been as follows (the prior year comparator is also shown):

| Asset type | 31 March 2023 | Potential market movements (+/-)[1] | Potential value on increase | Potential value on decrease |
|---|---|---|---|---|
| | £m | % | £m | £m |
| Investment portfolio assets: | | | | |
| Total equities | 6,088 | 12.6% | 6,855 | 5,321 |
| Alternatives | 3,593 | 6.3% | 3,820 | 3,367 |
| Total property | 1,064 | 6.6% | 1,134 | 993 |
| Total bonds (including index linked) | 22 | 4.0% | 23 | 21 |

| Asset type | 31 March 2022 | Potential market movements (+/-) | 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 |
| **Total assets available to pay benefits** | **10,593** | **6.4%** | **11,267** | **9,919** |
| **Total assets available to pay benefits[2]** | **10,767** | **5.9%** | **11,402** | **10,132** |

[1]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.

[2]The sensitivity table above excludes the cash and loan investments.

## 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.

| | | Potential Movement in Equivalent Yield | | | |
|---|---|---|---|---|---|
| **Asset type** | **Asset value as at 31 March 2023** | **-0.50%** | **0.50%** | **-1.00%** | **1.00%** |
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| Direct Property | 152.8 | 158.0 | 142.0 | 167.9 | 135.3 |

## 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 2022 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

| **31 March 2022** | **Asset type** | **31 March 2023** |
|---|---|---|
| **£m** | | **£m** |
| 55.4 | Cash and cash equivalents | 45.9 |
| **55.4** | **Total** | **45.9** |

## 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:

| | | Impact of | |
|---|---|---|---|
| | **31 March 2023** | **1% increase** | **1% decrease** |
| **Asset type** | **£m** | **£m** | **£m** |
| Cash and cash equivalents | 45.9 | 0.5 | (0.5) |
| **Total change in assets available** | | **0.5** | **(0.5)** |

| | | | Impact of | |
|---|---|---|---|---|
| | **31 March 2022** | | **1% increase** | **1% decrease** |
| **Asset type** | **£m** | | **£m** | **£m** |
| Cash and cash equivalents | 55.4 | | 0.6 | (0.6) |
| **Total change in assets available** | | | **0.6** | **(0.6)** |

## 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 2023 and as at the previous year end.

| 31 March 2022 | Currency exposure – asset type | 31 March 2023 |
|---|---|---|
| £m | | £m |
| 5,898.7 | Overseas equities | 5,882.4 |
| 203.5 | Overseas alternatives | 148.5 |
| 33.6 | Overseas bonds (including index linked) | 22.2 |
| **6,315.8** | **Total overseas assets** | **6,053.1** |

## Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 6.5%. A 6.5% 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 (2021/22: 5.5%).

A 6.5% 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 2023 | Potential market movement +/- 6.5% | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Overseas equities | 5,882.4 | 383.1 | 6,265.5 | 5,499.3 |
| Overseas alternatives | 148.5 | 9.7 | 158.2 | 138.8 |
| Overseas bonds (including index linked) | 22.2 | 1.4 | 23.6 | 20.8 |
| **Total assets available to pay benefits** | **6,053.1** | **394.2** | **6,447.3** | **5,658.9** |

| 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 | 31.8 |
| **Total assets available to pay benefits** | **6,135.8** | **336.0** | **6,471.8** | **5,799.8** |

## The following table summarises the Fund's approximate currency exposure by currency:

| Currency | Asset value at 31 March 2023 | Potential market movement (+/-) [1] | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £m | % | £m | £m |
| Canadian Dollar | 32.0 | 5.7 | 33.8 | 30.2 |
| Euro | 264.8 | 5.3 | 279.0 | 250.7 |
| Singapore Dollar | 9.1 | 5.7 | 9.6 | 8.6 |
| Swedish Krona | 1.2 | 6.0 | 1.3 | 1.1 |
| US Dollar | 554.7 | 9.1 | 605.3 | 504.1 |
| Global Basket | 5,191.3 | 6.9 | 5,547.9 | 4,834.6 |
| **Total Holdings in Foreign Currencies** | **6,053.1** | **6.5** | **6,447.3** | **5,658.9** |

[1]The potential market movement has been separately assessed for each currency including the Total holdings in Foreign Currencies, as such, the sum of the potential change in individual currencies may not equal the potential change of the Total Holdings in Foreign Currencies.

| Currency | Asset value at 31 March 2022 | Potential market movement (+/-) [1] | Value on increase | Value on decrease |
|---|---|---|---|---|
| | £m | % | £m | £m |
| Canadian Dollar | 28.2 | 6.2 | 30.0 | 26.5 |
| Euro | 297.6 | 5.6 | 314.2 | 281.0 |
| Singapore Dollar | 15.3 | 5.7 | 16.2 | 14.4 |
| Swedish Krona | 2.6 | 6.9 | 2.7 | 2.5 |
| US Dollar | 627.6 | 8.3 | 679.7 | 575.5 |
| Global Basket | 5,164.5 | 6.1 | 5,479.0 | 4,850.0 |
| **Total Holdings in Foreign Currencies** | **6,135.8** | **5.5** | **6,471.9** | **5,799.7** |

[1]The potential market movement has been separately assessed for each currency including the Total holdings in Foreign Currencies, as such, the sum of the potential change in individual currencies may not equal the potential change of the Total Holdings in Foreign Currencies.

## 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 arrangements at 31 March 2023 was £45.9.m (31 March 2022: £55.4m) and was held with the following institutions:

| 31 March 2022 £m | Summary | Rating | 31 March 2023 £m |
|---|---|---|---|
| | **Bank deposit accounts** | | |
| 33.3 | Northern Trust | A2 | 7.0 |
| 21.0 | Svenska Handelsbanken | AA2 | 38.7 |
| 0.9 | Natwest | A1 | 0.1 |
| | **Cash float with property manager** | | |
| 0.2 | Barclays Bank Plc | A1 | 0.1 |
| **55.4** | **Total** | | **45.9** |

## 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 £5.4m at 31 March 2023, 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 review 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 2022 to 31 March 2023 for Prudential and are the latest available to the fund due to delays in the production of the annual benefits statement by the AVC 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.*

| | Utmost Life and Pensions | Prudential | Total |
|---|---|---|---|
| | £m | £m | £m |
| **Value at start of the year** | **0.6** | **32.9** | **33.5** |
| Income (incl. contributions, bonuses, interest and transfers in) | - | 7.5 | 7.5 |
| Expenditure (incl. benefits, transfers out and change in market value) | - | (5.7) | (5.7) |
| **Value at the end of the year** | **0.6** | **34.7** | **35.3** |

## Note 19 - Current assets

| 31 March 2022 | | 31 March 2023 |
|---|---|---|
| £m | | £m |
| 10.5 | Contributions due – employers | 8.2 |
| 6.4 | Contributions due – members | 6.2 |
| 3.0 | Sundry debtors | 5.4 |
| **19.9** | | **19.8** |

## Note 20 – Current liabilities

| 31 March 2022 | | 31 March 2023 |
|---|---|---|
| £m | | £m |
| 1.5 | Unpaid benefits | - |
| 6.3 | Accrued expenses | 5.4 |
| **7.8** | | **5.4** |

## Note 21 - Contractual commitments

As at 31 March 2023 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 £602.0m (2022: £526.1m). 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 £39.7m (2022: £65.2m). 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 (2022: £0m).

There are no outstanding commitments in relation to the Pooled real estate fund (2022: £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 Council

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

The Council incurred costs of £1.0m (2021/22: £1.0m) 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 £32.9m to the Fund in 2022/23. A prepayment of contributions for the 3-year period starting 1st April 2020 totalling £120.5m, of which, £40.2m relates to 2022/23. Total employer contributions from the Council in 2022/23 amounted to £73.1m. All monies owing to and due from the Fund were paid in year.

Lancashire County Council is a shareholder in the Local Pensions Partnership (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 and scheme administration expenses. Payments made for the year to 31 March 2023 amount to £5.1m (2021/22: £4.9m).

The Fund has a private equity investment of £12.5m in the Local Pensions Partnership as at 31 March 2023.

## 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 2023 payroll, are included within current assets in note 19.

## Pension Fund Committee, Pensions Board and Senior Officers.

The Pension Fund Committee, Pensions Board members and senior officers of the Pension Fund were asked to complete a related party declaration for 2022/23 regarding membership of, and transactions with such persons or their related parties. No related party transactions were identified during the year to 31 March 2023.

Each member of the Pension Fund Committee and Pension Board formally considers conflicts of interest at each meeting.

# 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:

## 2022/23

| | Employment period | Salary[1] | Employer Pension contributions[1] | Total including pension contributions[1] |
|---|---|---|---|---|
| | | £ | £ | £ |
| Head of Fund | 01/04/22 – 31/03/23 | 77,462 | 13,169 | 90,631 |
| Director of Finance | 01/04/22 – 31/03/23 | 1,074 | 183 | 1,256 |
| Chief Executive and Director of Resources | 01/04/22 – 31/03/23 | 4,451 | - | 4,451 |

## 2021/22

| | Employment period | Salary[1] | Employer Pension contributions[1] | Total including pension contributions[1] |
|---|---|---|---|---|
| | | £ | £ | £ |
| 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 |

# Note 24 - Funding arrangements

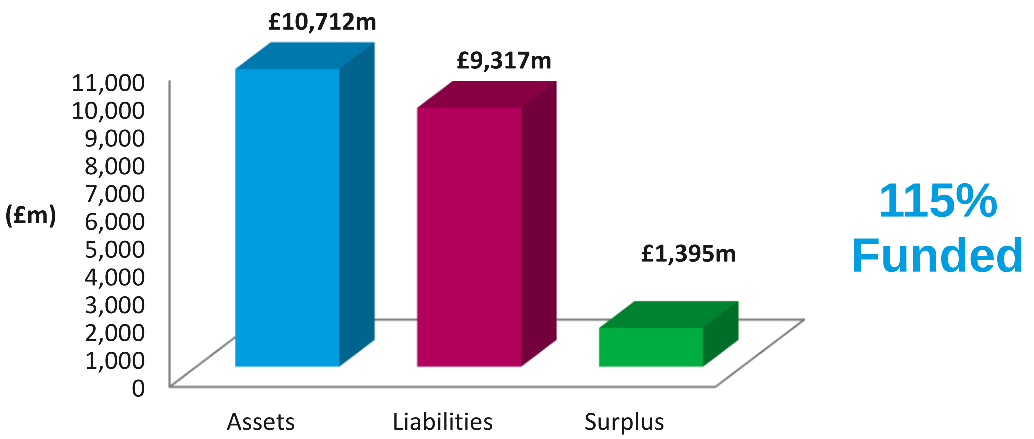
**Lancashire County Pension Fund**

**Accounts for the year ended 31 March 2023 – 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 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

On the basis of the assumptions adopted, the Fund's assets of £10,712 million represented 115% of the Fund's past service liabilities of £9,317 million (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £1,395 million.



The valuation also showed that a Primary contribution rate of 19.2% 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 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 may be 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 actuarial valuation the average recovery period adopted was 10 years for employers in deficit (16 years for employers in surplus). The total initial recovery payment (the "Secondary rate" for 2023/26) was an offset of approximately £27m per annum 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 March 2023.

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 Funding Strategy Statement (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:

| | For past service liabilities (Solvency Funding Target) | For future service liabilities (Primary rate of contribution) |
|---|---|---|
| **Rate of return on investments (discount rate)** | | |
| **Category A employers*** | 4.5% per annum | 5.0% per annum |
| **Category B employers*** | 4.25% per annum | 4.75% per annum |
| **Rate of pay increases (long term)** | 4.6% per annum | 4.6% per annum |
| **Rate of increases in pensions in payment (in excess of GMP)** | 3.1% per annum | 3.1% per annum |

**As defined in the FSS, but broadly speaking category A employers have a taxpayer guarantee / taxpayer backing, and category B employers do not*

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2025. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2026.

**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 2023 (the 31 March 2022 assumptions are included for comparison):

| | 31 March 2022 | 31 March 2023 |
|---|---|---|
| **Rate of return on investments (discount rate)** | 2.8% per annum | 4.8% per annum |
| **Rate of CPI Inflation / CARE benefit revaluation** | 3.3% per annum | 2.7% per annum |
| **Rate of pay increases** | 4.8% per annum | 4.2% per annum |
| **Increases on pensions (in excess of GMP) / Deferred revaluation** | 3.4% per annum | 2.8% per annum |

The demographic assumptions are based on those used for funding purposes for the 2022 actuarial valuation, but with a long-term rate of life expectancy improvement of 1.5% p.a.

Full details of the demographic assumptions are set out in the formal report to the 2022 valuations.

The movement in the value of the Fund's promised retirement benefits for IAS 26 is as follows:

| | Liabilities |
|---|---|
| **Start of period liabilities** | £13,099m |
| **Interest on liabilities** | £363m |
| **Net benefits accrued/paid over the period*** | £197m |

| | Liabilities |
|---|---|
| **Actuarial (gains)/losses (see below)** | (£4,458m) |
| **End of period liabilities** | £9,201m |

**this includes any increase in liabilities arising as a result of early retirements*

Key factors leading to actuarial gains above are:

**Change in financial assumptions:** Corporate bond yields increased significantly over the year, with a corresponding increase in discount rate to 4.8% p.a. from 2.8% p.a. In addition, there has been a reduction in long-term assumed CPI to 2.7% p.a. from 3.3% p.a. In combination, these factors lead to a significant reduction in liabilities

**Pension increases / high short-term inflation:** The figures allow for the impact of the April 2023 pension increase of 10.1%, along with the high levels of CPI since September 2022 (which will feed into the 2024 pension increase). As current inflation is higher than the long term assumption, this increases the liabilities

**Leanne Johnston**

**Fellow of the Institute and**

**Faculty of Actuaries**

**Mark Wilson**

**Fellow of the Institute and**

**Faculty of Actuaries**

**Mercer Limited**

**July 2023**

**Additional considerations**

**The "McCloud judgment":** The figures above allow for the impact of the judgment based on the proposed remedy.

**GMP indexation:** The above figures allow for the provision of full CPI pension increases on GMP benefits for members who reach State Pension Age after 6 April 2016.

**Covid 19 / Ukraine:** The financial assumptions allow for these factors to the degree that they are reflected in the market values on which the assumptions are based. The impact of COVID deaths over the period 2019/22 will be included in the actuarial gains / losses item above. The mortality assumption includes no specific adjustment for COVID as our view is that it is not possible at this point to draw any meaningful conclusions on the long-term impact.

**Current high inflation:** The period-end figures above allow for the impact of actual known CPI at the accounting date as noted above. The period-end assumptions then allow for expected (market implied) CPI from that point.

## K Lancashire Local Pension Board Annual Report

This is my final report as Independent Chair of the Local Pension Board ("the Board"). I was appointed when the Board was first established eight years ago and will stand down in October 2023.

While the legal remit of the Board to assist the Pension Fund Committee ("the Committee") with oversight and the effective running of the Fund has not changed, the Board's role has evolved over this period. The Fund has also outsourced responsibility for investment implementation and for administration to Local Pensions Partnership Investments (LPPI) and Local Pensions Partnership Administration (LPPA) respectively.

Against this changing background the Board has had to establish our role and find ways to add value within the Fund's governance structure. We have also sought ways to represent scheme members and employers effectively. The lockdowns over COVID have brought additional changes to the way which both the Fund and our service providers operate, which the Board has had to adjust to.

After eight years we have created a template to achieve our objectives. At the core is an annual Work Plan, approved by the Committee, to ensure that we cover all the activities we should and that our workflow is aligned with theirs. Our regular duties at every meeting include reviewing and commenting on the reports and compliance assurances which support the Fund's activities. We always look at the service performance indicators and any breaches which may have occurred as well as the risk register for the Fund. We may additionally focus on specific governance or administration projects or areas, including at times working with Officers or members of the Committee.

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

**Membership of the Pension Board**

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

During this year, there has been significant turnover in the membership of the Board. Four members, Steve Thompson, Kathryn Haigh, Yvonne Moult and Carl Gibson, come to the end of their second term during the first half of 2023. They have all been Board members since its establishment and have performed stalwart service on behalf of the Fund. I would like to thank them for it.

We recruited four new Board members in the autumn of 2022, who are joining the Board over the course of the first six months of 2023. We received a total of 29 applications for the four posts, which shows a healthy level of interest among employers and scheme members in the Board's activities. We interviewed ten candidates and appointed two employer representative and two scheme member representatives to replace existing Board members on a phased basis as they approached the end of the terms of appointment. Unfortunately, recently one of the new employer representatives (Tony Wilkinson) has been obliged to resign from the Board due to a change of circumstances and we are currently recruiting to fill the vacancy. I am therefore delighted to welcome Gayna Hart, Shima Maka, and Stephen Dunstan to the Board and am sorry to see the departure of Tony Wilkinson.

My second term came to an end in March 2023, but this has been extended till October 2023 to provide continuity until the new Board members are all on board. An exercise to recruit a new Independent Chair from that date has already started.

The Board 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 £11186.33.

**Attendance of Board Members at Meetings**

The Board has a cycle of 4 meetings and meets in person though some presenters and Board members attended meetings virtually if appropriate. Details of individual members' attendance at Board meetings together with in-year changes to the membership of the Board, are set out below.

| Name | Representing | 5th July 2022 | 18th October 2022 | 24th January 2023 | 4th April 2023 |
|---|---|---|---|---|---|
| W Bourne | Independent Chair | Present | Present | Present | Present |
| County Councillor M Salter | Employer rep – LCC | Present | Present | Present | Present |
| G Peach | Employer rep - LCC | Present | Present | Present | Resigned |
| S Thompson | Employer rep – Unitary, City, Borough, Police & Fire | Present | Present | Resigned | Resigned |
| T Wilkinson | Employer rep – Unitary, City, Borough, Police & Fire | N/A | N/A | Present | Resigned |
| C Gibson | Employer rep - Others | Present | Present | Present | Present |
| Ms K Haigh | Scheme Member rep | Present | Apologies | Present | Resigned |
| Ms Y Moult | Scheme Member rep | Apologies | Present | Present | Present |

| | | | | | |
|---|---|---|---|---|---|
| Ms D Parker | Scheme Member rep | Present | Present | Present | Present |
| K Ellard | Scheme member rep | Present | Present | Present | Present |
| Ms G Hart | Scheme Member rep | N/A | N/A | Observer | Present |
| S Dunstan | New Employer rep – Other | N/A | N/A | N/A | Observer |
| Ms S Maka | New Scheme Member rep | N/A | N/A | N/A | Observer |

**Changes to the Membership of the Board**

Anthony Wilkinson, Lancashire Constabulary replaced, Steve Thomson, Blackpool Council as the employer representative for – Unitary, City, Borough, Police & Fire on the Board with effect from 1st January 2023. As referred to earlier in the report Anthony Wilkinson has subsequently resigned from the Board with effect from 6th March.

Gayna Hart replaced Kathryn Haigh as a scheme member representative with effect from 1st April 2023.
Stephen Dunstan is due to replace Carl Gibson as employer representative – Other with effect from 1st May 2023 and Shima Maka replaces Yvonne Moult as a Scheme Member representative with effect from the same date. Both are invited to attend the Board meeting in April 2023 as observers.

**Training**

The Board 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 own annual efficiency review, which becomes an agenda item at our next meeting. Internal training workshops during this year were conducted on a hybrid basis in conjunction with the Committee, with recordings being made available for those unable to attend. Board members also 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. A comprehensive induction programme was arranged for the new Board members.

During the year the year training was available to Board members on the following subjects:

| Date | Training event |
|---|---|
| 24th Mar 2023 | Internal Workshop – Legal update |
| 27th Feb 2023 | Internal workshop – LPP Budget |
| 23 Feb 2023 | Policy Insights webinar 'Better Communications with LGPS Members' |
| 19/20 Jan 2023 | LGPS Governance Conference 2023 |
| 16 Jan 2023 | Internal workshop - Communications Strategy and LPP Comms Update |
| 20 Dec 2022 | Fundamentals Training (day 3) |
| 5 Dec 2022 | Internal Workshop – Technical Update from Local Pensions Partnership Administration Ltd |
| 10 Nov 2022 | Fundamentals Training (day 2) |
| 1 Nov 2022 | Internal Workshop – Valuation 2022 update |
| 1 Nov 2022 | Presentation 1 on LPP Governance Review |
| 27 Oct 2022 | Fundamentals Training (day 1) |
| 12/13 Oct 2022 | PLSA Conference |
| 4 Oct 2022 | Internal Workshop - TCFD and Stewardship Code |
| 2 Sept 2022 | Internal Workshop – LCPF Annual Report and Accounts |
| 20 July 2022 | Internal Workshop – Cyber Security |
| 13/15 July 2022 | PLSA Annual Conference |
| 29 June 2022 | Internal workshop – LCPF Project PACE and administration Update |
| 9 May 2022 | Internal workshop – Legal Update |
| 28 Apr 2022 | Overview of the Local Government Pension Scheme |

The table below shows the number of internal and external training events individual Board members attended during the period 1st April 2022 to 31st March 2023.

| Name | Internal events | External Events | Total |
|---|---|---|---|
| W Bourne | 1 | 1 | 2 |
| County Councillor M Salter | 4 | 3 | 7 |
| G Peach | 3 | 1 | 4 |
| S Thompson | 0 | 0 | 0 |
| C Gibson | 2 | 0 | 2 |
| K Haigh | 8 | 0 | 8 |
| Y Moult | 4 | 1 | 5 |
| K Ellard | 7 | 3 | 10 |
| D Parker | 10 | 1 | 11 |
| A Wilkinson | 0 | 0 | 0 |

Further information about the Board, including agenda/minutes, can be viewed on the **Lancashire County Council Website**.

**Activities**

The year's activities have been dominated by changes in software systems. As I previewed last year, Local Pensions Partnership Administration Ltd (LPPA) undertook a major project to consolidate their clients' pension administration software systems into a single system. As a result, the Fund moved to a different software system in October 2022 at almost the same time as Lancashire County Council changed to a new payroll and financial system.

These were both major and related projects requiring risk management ahead of the switch over and monitoring at the time of it. Members were successfully moved to the new system and the Fund's payroll reconciled at the end of October 2022. At the same time the employer and member portals both went live. As expected with a project of this size and pace, there have been challenges, especially as there is a national shortage of experienced administration staff. The Board discussed these risks at every meeting with representatives from LPPA and pro-actively gave accurate and constructive feedback on issues faced by employers and scheme members as the new systems were implemented.

As part of the project, the regular Key Performance Indicators were temporarily relaxed at various times to allow LPPA staff to concentrate on implementation of the administration project. Over the past year, LPPA in some cases failed to achieve these, and the Board has discussed with them what needs to be put in place to ensure that service returns to normal standards in 2023.

The core of the Board'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. This year we also reviewed statutory statements such as the Actuarial Valuation, the Funding Strategy Statement and the Communications and Breach Reporting policies. Board members are all users of the Fund, (either as employers or scheme members of the Fund), and in many cases have specific expertise which is the basis for providing useful and relevant feedback to the Committee.

I commented last year that we are still expecting significant regulatory change over the next 12 months, and that remains the case. We are still waiting for:

- The Pensions Regulator to combine the public sector Code of Practice 14 with nine other codes covering pension funds (expected in 2023);
- DLUHC (the Department of Levelling UP, Housing, and Communities) to publish new investment regulations and guidance, including further requirements on pooling and possibly levelling up (consultation expected in 2023);
- New statutory guidance to implement the recommendations made in the Scheme Advisory Board's 2019 Good Governance project.

Where we can prepare for this, as for example with the Single Code of Practice, we have done so, but it is not always possible until the legislation is published.

DLUHC is keen to accelerate the pooling process to achieve economies of scale. LPPI, the pool which the Fund belongs to, is in a good position in that it has successfully onboarded almost all its partner funds' assets and is well aligned with the other requirements the Government has set. However, at £23bn it remains smaller than the Government's targeted size of around £50bn.

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

Looking ahead to next year the Board's activities are likely to be dominated by the continuing implementation of the new pension administration software. It is important both that service standards return to their previous levels and that the new software generates either cost savings or other benefits to employers and scheme members. LPPA's increasing standardisation across their clients is both inevitable and desirable from a cost perspective, but there will be occasions when communication needs to be more specific to the members and employers within the Lancashire County Pension and we will work with the Fund's officers and LPPA to find ways of achieving this.

Under the Board's Terms of Reference, I am required to make a statement in respect of my annual review of the Board's effectiveness. I conducted this in January 2023 and made recommendations which were discussed at our Board meeting in April 2023. I believe the Board operates effectively and efficiently and fulfils its legal and regulatory requirements.
The Board is supported by the Pensions Fund and the Democratic Services teams at Lancashire County Council. The Board's ability to function and the Fund's success in dealing with the considerable challenges it has faced during the last eight years relies on their efforts. On behalf of the Boards members as well as myself personally, I would like to finish by thanking them. I know they will provide the same level of support to my successor, which will make his or her role easier.

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

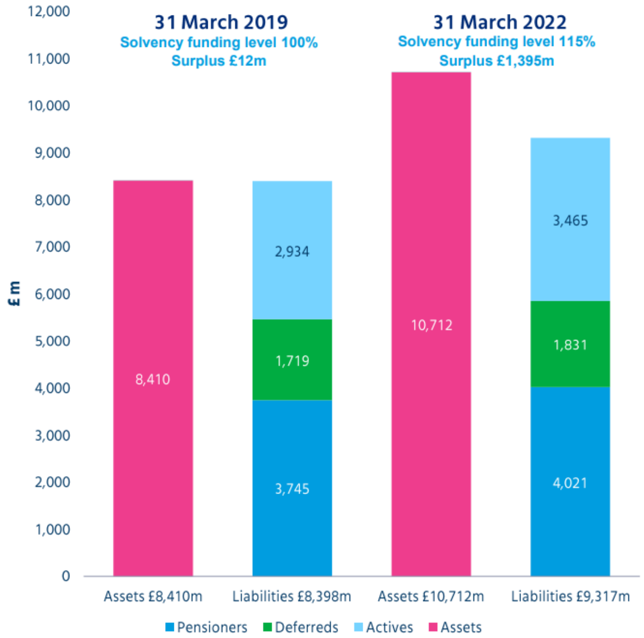
## L Actuarial Valuation

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 as at 31 March 2022 which determined contribution rates effective from 1 April 2023 to 31 March 2026. As part of the valuation, the Funding Strategy Statement (FSS), included at appendix 5, was reviewed and approved by the Pension Fund Committee. The FSS sets out a clear, transparent funding strategy that will identify how each employer's pension liabilities are to be met going forwards. the FSS has regard to the requirement to maintain as nearly constant a primary rate of contribution as possible and secure the solvency and long-term cost efficiency of the Fund.

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 valuation (effective from 1 April 2023) revealed a funding level of 115% and an overall employer Contribution rate of 16.9% in 2023/24 increasing by 0.1% in each of the next two years. As part of the FSS review, it was agreed that a 'funding buffer' be introduced as a margin against future adverse experience and to increase the long-term stability of contributions.

The chart below, taken from the certified actuarial valuation as at 31 March 2022, compares the assets and liabilities of the Fund at 31 March 2022. Figures are also shown for the last valuation as at 31 March 2019 for comparison.




The employer contributions for 2023/24 are based on the 2022 valuation and the recommended employer contributions for the period 1 April 2023 to 31 March 2026 are set out in the Schedule to the Rates and Adjustments in the actuarial valuation report. The actuarial valuation report as at 31 March 2022 has been included as Appendix 7 to this Annual Report and provides detail actuarial methodology and assumptions**.**

## M Contacts

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**Fund accounts**

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**Benefits administration**

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**Investment Management**

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35 Fishergate
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30 Winckley Square
Preston PR1 3JJ

**AVC providers**
Prudential
Lancing
BN15 8GB

Utmost Life and Pensions
Walton Street
Aylesbury
Buckinghamshire
HP21 7QW

## N Glossary

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

**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.

**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, can 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.

**Auditor**
An independent qualified accountant who is required to verify and agree the Pension Fund accounts and issue an opinion on their accuracy.

**Auto enrolment**
UK employers must automatically enrol their staff into a workplace pension if they meet the criteria.

**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 $1/49^{th}$ 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.

**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.

**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.

**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.

**Default**
Occurs when a borrow stops making the required repayments on a debt.

**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.

**Developed Market**
A Developed Market is an economy with a mature and sophisticated economy, usually with well-established industries, stock markets, and regulatory systems.

**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.

**Distressed**
This is a broad category but typically involves investing in companies which are financially stressed. This could also include buying stressed and/or distressed public market securities.

**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**
An emerging market economy is the economy of a developing nation that is becoming more engaged with global markets as it grows e.g. Latin America, Africa, Asia and the Middle East as well as areas of Europe and the Far East. Countries classified as emerging market economies are those with some, but not all, of the characteristics of a developed market. 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.

**Equity Market Neutral**
An investment strategy where a manager attempts to exploit differences in stock prices by being long (i.e. owning) and short (i.e. selling with the intention of repurchasing it later at a lower price) an equal amount in closely related stocks.

**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 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).

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.

**Event Driven Strategies**
These identify specific events where there could be a resultant stock mispricing and look to exploit these to an investors advantage (for example a corporate merger / acquisition).

**External managers**
Refers to a third-party outside of LPPI that manage assets, but LPPI maintain oversight of the assets.

**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.

**GBP Hedged**
Hedging refers to taking steps to reduce or eliminate risk. In this context, GBP hedging means reducing or eliminating potential losses due to fluctuations in exchange rates between GBP and other currencies.

**GDP (Gross Domestic Product)**
Represents the total value of goods produced and services provided in a country for 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**
An index is a statistical measure that tracks the performance of a group of assets in a standardised way. It produces a numeric score based on inputs such as a variety of asset prices. They 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.

**Insurance Strategies**
These look to harvest reinsurance premiums tied to (re)insured natural catastrophe risk.

**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 LPFA, with the goals of creating:

1. 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.
1. An FCA-regulated structure for asset pooling.
2. An organisation focused on managing assets and liabilities (risk) together in order to improve long-term fund performance, stabilise contributions and reduce deficits.
3. 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.

**Multi-Strategy**

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

**On-balance sheet assets**

Assets that LPPI have oversight of, but which are not held within one of LPPI's pooled funds.

**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 Funds**
Funds where capital is aggregated together from investors, with each investor then owning a number of units in that fund.

**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.

**Quantitative**
A style of investing that is rules based, using statistical methods and mathematical models. There is little human judgement involved in making investment decisions.

**Real Estate Debt**
This is a form of asset-based lending. It involves lending to an owner, or potential buyer, of real estate, to provide finance for a purchase or project. The load is secured against a property.

**Related party**
A person or organisation which has influence over another person or organisation.

**Relative Return**
A measure of how the absolute return of an asset compares to the return its benchmark 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.

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.

**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.

# Appendices

## Appendix 1
**Scheme employers with active members at 31 March 2023**

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| **Employer Name** | **Employer (£'000)** | **Employee (£'000)** | **Deficit (£'000)** |
| **Total Active Employers (316[1])** | **91,456** | **73,411** | **6,026** |
| **Lancashire County Council** | **32,323** | **29,789** | **-** |
| Lancashire C.C excl schools | 2,447 | 19,528 | - |
| Lancashire C.C Schools | 29,876 | 10,260 | - |
| **Scheduled Bodies (205) as follows:** | **44,492** | **37,636** | **5,441** |
| Blackburn With Darwen B.C. | 6 | 5,213 | - |
| Blackpool B.C exc Schools | 7 | 4,664 | - |
| Blackpool B.C Schools | 0 | 497 | - |
| Burnley B.C | 1,247 | 471 | 316 |
| Chorley Borough Council | 1,453 | 612 | - |
| Fylde Borough Council | 314 | 478 | - |
| Hyndburn B.C. | 1,091 | 515 | - |
| Lancaster City Council | 777 | 1,396 | - |
| Pendle B C | - | 362 | - |
| Preston City Council | 0 | 1,038 | - |
| Ribble Valley B.C | 992 | 380 | - |
| Rossendale B.C | - | 300 | - |
| South Ribble B.C | - | 679 | - |
| West Lancashire B.C | 59 | 954 | - |

[1] This represents employers that have contributed during the year ending 31 March 2023 and excludes employers for whom admission is in progress.

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| **Employer Name** | **Employer (£'000)** | **Employee (£'000)** | **Deficit (£'000)** |
| Wyre B.C | 75 | 529 | - |
| Blackpool Transport Servs.Ltd | - | 25 | - |
| Edge Hill University | 4,560 | 1,840 | 410 |
| University of Central Lancashire | 6,313 | 2,615 | 227 |
| Lancaster & Morecambe College | 643 | 216 | 9 |
| Blackpool & The Fylde College | 1,842 | 742 | - |
| Preston College | 878 | 340 | 20 |
| Runshaw College | 973 | 338 | - |
| Blackburn College | 953 | 377 | - |
| Burnley College | 887 | 361 | - |
| Nelson and Colne College | 1,173 | 434 | 82 |
| Myerscough College | 1,195 | 417 | 85 |
| Blackpool Sixth Form College | 366 | 140 | - |
| Cardinal Newman College | 408 | 190 | - |
| Blackburn St Mary's | 28 | 11 | 801 |
| QEGS Blackburn Academy (FS) | 213 | 72 | - |
| Lancashire Fire and Rescue Service | 1 | 459 | - |
| Penwortham Town Council | 18 | 6 | - |
| Blackpool Coastal Housing | 821 | 371 | - |
| Pilling Parish Council | 9 | 2 | - |
| Catterall Parish Council | 9 | 2 | - |
| Garstang Town Council | 9 | 3 | 0 |
| United Learning (Accrington Academy) | 185 | 75 | - |
| ANWET (Darwen Aldridge Comm) | 416 | 176 | - |
| Fulwood Academy | 86 | 56 | - |

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| **Employer Name** | **Employer (£'000)** | **Employee (£'000)** | **Deficit (£'000)** |
| St Annes on Sea Town Council | 16 | 5 | 4 |
| Active Lancashire Limited | 228 | 98 | - |
| Lancaster Girls GS (Academy) | 148 | 55 | 34 |
| Lancaster RGS (Academy) | 278 | 86 | 87 |
| Clitheroe Royal GS (Academy) | 213 | 65 | 56 |
| Hodgson Academy | 199 | 63 | 58 |
| FCAT (Hambleton Primary Academy) | 37 | 13 | 15 |
| Ripley St Thomas C E (Academy) | 358 | 116 | 71 |
| St Michael's CE High (Academy) | 152 | 48 | 17 |
| ATCT (Bowland High Academy Trust) | 110 | 34 | 41 |
| St Wilfrid's C of E Academy | 211 | 66 | 115 |
| Lostock Hall Academy Trust | 113 | 36 | 34 |
| St Christopher's CE (Academy) | 390 | 107 | 188 |
| Bishop Rawstorne High Academy | 126 | 37 | 40 |
| Belthorn Primary Academy | 59 | 18 | 11 |
| Garstang Community Academy | 152 | 42 | 40 |
| Parbold Douglas CE Academy | 46 | 14 | 15 |
| FCAT (Westcliff Prim Academy) | 44 | 14 | 20 |
| All Saints CE Prim School (Academy) | 49 | 15 | 30 |
| Tarleton Academy | 63 | 20 | 50 |
| FCAT (Montgomery HS Academy) | 203 | 64 | 92 |
| Morecambe Town Council | 32 | 10 | - |
| Parklands High School Academy | 214 | 74 | 49 |
| Penwortham Priory Academy | 155 | 62 | 21 |
| Albany Academy | 187 | 58 | 40 |

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| **Employer Name** | **Employer (£'000)** | **Employee (£'000)** | **Deficit (£'000)** |
| Norbreck Primary Academy | 101 | 32 | 28 |
| Waterloo Primary Academy | 180 | 63 | 36 |
| Hawes Side Academy | 102 | 32 | 31 |
| The Lancashire Colleges Ltd | 19 | 7 | - |
| Academy at Worden | 89 | 32 | 14 |
| Wensley Fold CE Primary Academy | 95 | 30 | 53 |
| Star Academies | 689 | 369 | 53 |
| Bacup Rawtenstall GS (Academy) | 184 | 63 | 43 |
| ATCT (Roseacre Primary Academy) | 97 | 33 | 38 |
| Star Academies (Islam Boys HS) | 59 | 25 | 7 |
| Thames Primary Academy | 153 | 49 | 47 |
| Maharishi School (Free School) | 62 | 18 | 4 |
| Pendle Educ Trust-Colne Primet | 153 | 46 | 9 |
| Pendle Education Trust - Walter St | 107 | 35 | 19 |
| Moorside Community Academy | 79 | 28 | 15 |
| Fylde Coast Academy Trust | 97 | 41 | 12 |
| Blackpool MAT (Devonshire Academy) | 130 | 40 | 53 |
| Blackpool MAT (Park Academy) | 205 | 82 | 86 |
| Blackpool MAT (Anchorsholme Academy) | 120 | 35 | 58 |
| FCAT (Unity Academy) | 237 | 80 | 124 |
| Langdale Free School | 11 | 25 | 1 |
| Star Academies (Olive Blackburn) | 78 | 34 | 5 |
| Star Academies (Olive London) | 58 | 26 | 4 |
| Educ Partner Tr (The Heights) | 71 | 28 | 41 |
| Preesall Town Council | 10 | 2 | 1 |

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| **Employer Name** | **Employer (£'000)** | **Employee (£'000)** | **Deficit (£'000)** |
| BFET (South Shore Academy) | 183 | 62 | 78 |
| Darwen Town Council | 1 | 0 | 0 |
| Habergham Eaves Parish Council | 0 | 0 | 0 |
| Old Laund Booth Parish Council | 1 | 0 | 0 |
| Police & Crime Commissioner | 104 | 57 | - |
| Blackpool MAT (Revoe) | 113 | 39 | 73 |
| Cidari Educ (St Georges) | 136 | 42 | 63 |
| ATCT (Witton Park Academy Trust) | 185 | 60 | 74 |
| Cidari Educ (Lukes & Philips) | 39 | 13 | 41 |
| Cidari Educ Ltd (St James) | 57 | 18 | 30 |
| Cidari Educ Ltd (St Barnabas) | 33 | 12 | 29 |
| Cidari Educ Ltd (St Aidans) | 47 | 15 | 31 |
| Blessed Edward MAT (St Marys) | 213 | 70 | 74 |
| Blessed Edward MAT (St Cuth) | 55 | 17 | 38 |
| FCAT (Aspire Academy) | 177 | 47 | 73 |
| Blessed Edward MAT (Christ) | 59 | 18 | 19 |
| ANWET (Darwen Vale Academy) | 159 | 50 | 108 |
| Star Academies Eden GS Waltham | 51 | 24 | 4 |
| Star Academies Eden GS Coventry | 77 | 31 | 8 |
| Star Academies Eden BS Bolton FS | 59 | 21 | 8 |
| Lancashire Chief Constable | 15 | 4,400 | - |
| BFET (Marton Primary Academy) | 115 | 32 | 39 |
| Educ Partner Tr (Burnley High FS) | 58 | 24 | 2 |
| Cliviger Parish Council | 1 | 0 | - |
| Star Academies Islam Girls HS | 95 | 36 | 32 |

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| **Employer Name** | **Employer (£'000)** | **Employee (£'000)** | **Deficit (£'000)** |
| Cidari Education Trust | 125 | 62 | 13 |
| Cidari Edu Ltd(Baines Endowed) | 125 | 40 | 65 |
| Cidari Ed Ltd(Marsden St John) | 43 | 13 | 10 |
| ANWET (Sudell PS Academy) | 39 | 11 | 29 |
| Blackpool Housing Company Ltd | 158 | 71 | 23 |
| Pendle Edu Trust (Castercliff) | 81 | 26 | 33 |
| Educ Partner Tr (Coal Clough) | 111 | 38 | 16 |
| Star Academies (Eden BS Preston) | 45 | 20 | 2 |
| Star Academies (Eden GS Slough) | 82 | 36 | 8 |
| Star Academies (Eden BS Birming) | 54 | 21 | 9 |
| FCAT (Blackpool Gateway Academy) | 71 | 24 | 12 |
| Eden School | 53 | 22 | 4 |
| Whittle le Woods Parish Council | 3 | 2 | 0 |
| Educ Partner Tr (Pleckgate HS) | 190 | 70 | 108 |
| Freckleton Parish Council | 1 | 0 | - |
| PET (West Craven) | 120 | 40 | 13 |
| Star Academies Highfield Humanities | 146 | 45 | 48 |
| Pendle Education Trust | 52 | 27 | - |
| Education Partnership Trust | 82 | 46 | 56 |
| Blessed Edward Trust | 26 | 12 | - |
| Star Academies Olive Bolton | 36 | 16 | - |
| Star Academies Olive Preston | 47 | 19 | - |
| Star Academies Olive Birmingham | 67 | 27 | - |
| Clayton-Le-Woods Parish Council | 6 | 2 | - |
| FCAT (Mereside) | 122 | 35 | 53 |

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| Employer Name | Employer (£'000) | Employee (£'000) | Deficit (£'000) |
| Tor View SLC | 417 | 155 | 61 |
| FCAT (Westminster Primary Academy) | 110 | 34 | 22 |
| Mosaic Academy Trust | 117 | 43 | 20 |
| Cidari (Newchurch PSM) | 13 | 3 | 2 |
| Star Academies - Eden Girls Manchester | 74 | 31 | - |
| Cidari Educ (St Silas) | 52 | 16 | 14 |
| Bay Learning Tr (Morecambe Bay Academy) | 208 | 73 | - |
| Star Academies (The Valley Leadership Academy) | 90 | 32 | -1 |
| Star Academies (Eden Boys LA Birmingham East) | 37 | 13 | - |
| Learning Together Trust (Adlington PS) | 32 | 9 | 5 |
| Blackpool Waste Services | 636 | 230 | - |
| Nelson Town Council | 5 | 3 | - |
| Bay Learning Tr (Central Lancaster HS) | 93 | 35 | - |
| Star Academies (Eden Girls LA Birm) | 58 | 24 | - |
| Star Academies (Eden Boys LA Bradford) | 40 | 16 | - |
| Educ Partner Tr (The Heights Burnley) | 63 | 24 | - |
| Romero (St Mary's RC) | 57 | 19 | - |
| Champion Educ Tr (Blackburn Central HS) | 255 | 89 | 29 |
| Champion Educ Tr (Crosshill Specialist Sch) | 79 | 26 | 10 |
| Romero Catholic Academy Trust (St John the Baptist | 53 | 19 | - |
| Romero CAT (St Augustine's) | 54 | 19 | - |
| Romero CAT (All Saints RC HS) | 89 | 32 | - |
| Romero CAT (Blessed Trinity RC) | 269 | 97 | - |

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| **Employer Name** | **Employer (£'000)** | **Employee (£'000)** | **Deficit (£'000)** |
| Endeavour Learning Trust (Northbrook PS) | 49 | 17 | - |
| Champion Educ Tr (Lotus School) | 26 | 9 | - |
| Cidari Educ (St Pauls CE PS) | 18 | 6 | - |
| Cockerham Parish Council | 0 | 0 | - |
| Nether Wyresdale Parish Council | 1 | 0 | - |
| United Learning (The Hyndburn Academy) | 142 | 47 | 16 |
| Pendle Education Trust (Casterton Primary Academy) | 79 | 26 | 11 |
| Bay Learning Tr (Carnforth High School) | 132 | 41 | 23 |
| Star Academies (Bay Leadership Academies) | 174 | 54 | 30 |
| FCAT (Armfield Academy) | 170 | 63 | - |
| Endeavour LT (Burscough Priory Academy) | 74 | 22 | 14 |
| United Learning (Marsden Heights) | 141 | 49 | - |
| Endeavour Learning Trust (Ormskirk School) | 128 | 46 | - |
| Forward as One (St Johns with St Michael) | 18 | 6 | - |
| LET Education Trust | 28 | 13 | - |
| Farington Parish Council | 4 | 1 | - |
| LET Education Trust (The Hollins) | 187 | 64 | - |
| Cidari Education Ltd (St Matthews C of E Primary) | 78 | 26 | -3 |
| LET Education Trust (Oswaldtwistle West End) | 57 | 19 | - |
| LET Education Trust (Accrington Huncoat) | 54 | 18 | - |
| LET Education Trust (Rhyddings) | 119 | 43 | - |
| Romero CAT (St Mary Magdalene) | 43 | 15 | - |
| The Rigby Education Trust (Lancaster Uni) | 3 | 1 | - |
| Cidari Education Limited (Castle View) | 24 | 8 | - |

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| **Employer Name** | **Employer (£'000)** | **Employee (£'000)** | **Deficit (£'000)** |
| Blessed Edward MAT (Sacred Heart Thorntons) | 12 | 4 | - |
| Blessed Edward MAT (St Marys CP) | 12 | 4 | - |
| Blessed Edward MAT (St Wulstans & St Edmunds) | 31 | 10 | - |
| Blessed Edward MAT (St Kentigerns) | 40 | 13 | 2 |
| Blessed Edward MAT (St Teresa's) | 15 | 5 | - |
| MECMAT (St Augustine's) | 6 | 2 | - |
| MECMAT (St Clare's) | 4 | 1 | - |
| MECMAT (Blessed Sacrament) | 7 | 2 | - |
| MECMAT (St Joseph's) | 8 | 3 | - |
| MECMAT (St Teresa's) | 4 | 1 | - |
| MECMAT (Our Lady and St Edward's) | 4 | 1 | - |
| MECMAT (St Bernard's) | 4 | 1 | - |
| ROMERO CAT (Christ The King) | 16 | 6 | - |
| ROMERO CAT (Sacred Heart) | 18 | 6 | - |
| Rowan LT (Farington PS) | 42 | 14 | - |
| Endeavour Learning Trust (Central Team) | 223 | 84 | - |
| MATER CHRISTI MAT ST JOSEPH'S CATHOLIC PRIMARY | 61 | 20 | - |
| Chorley Leisure Ltd | 131 | 62 | - |
| South Ribble Leisure Ltd | 230 | 84 | - |
| Star Academies - Eden Boys Manchester | 80 | 33 | - |
| **Admitted Bodies (110) as follows:** | **14,641** | **5,986** | **585** |
| UCST (AKS Arnold) | 25 | 11 | 4 |
| Lancaster University | 5,732 | 2,342 | - |

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| Employer Name | Employer (£'000) | Employee (£'000) | Deficit (£'000) |
| Lancashire County Branch Unison | 12 | 4 | - |
| NW Inshore Fisheries & Conserv | 113 | 39 | - |
| UCST (AKS Lytham) | 24 | 8 | - |
| University of Cumbria | 1,916 | 766 | 326 |
| Whitworth Town Council | 8 | 3 | 2 |
| Kirkham Grammar School (Ind) | 71 | 19 | 1 |
| Caritas Care Limited | 257 | 85 | 44 |
| Community Council of Lancashire | 35 | 12 | - |
| Progress Housing Group | 227 | 102 | - |
| Pendle Leisure Trust Ltd | 312 | 136 | - |
| Together Housing Assoc Ltd | 2,089 | 826 | - |
| Leisure in Hyndburn | 244 | 91 | 29 |
| Adventure Hyndburn | 37 | 11 | 23 |
| Blackpool Zoo (Grant Leisure) | 17 | 15 | - |
| Rossendale Leisure Trust | - | 24 | - |
| Marketing Lancashire Ltd | 31 | 31 | - |
| Liberata UK Ltd (Pendle) | 33 | 64 | - |
| West Lancashire Community Leisure | 7 | 3 | - |
| Community Gateway Assoc Ltd | 197 | 91 | - |
| Chorley Community Housing Ltd | 99 | 37 | - |
| Capita(Rossendale BC Transfer) | 15 | 9 | - |
| Consultant Caterers Ltd | -1 | -0 | - |
| Alternative Futures Group Ltd | - | 3 | - |
| Creative Support Ltd | - | 10 | - |
| Community and Business Partn | 52 | 22 | - |

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| **Employer Name** | **Employer (£'000)** | **Employee (£'000)** | **Deficit (£'000)** |
| I Care (Home) | - | 2 | - |
| Fylde Coast YMCA (Fylde TUPE) | - | 1 | - |
| Cofely FM Ltd (Lend Lease) | 4 | 5 | - |
| Creative Support Ltd (Midway) | 12 | 5 | - |
| Mellor's (Bishop Rawstorne) | 11 | 3 | 1 |
| Andron (formerly Solar) | - | 1 | - |
| Cofely FM Ltd (Pleckgate) | 3 | 2 | - |
| Liberata UK Ltd (Burnley) | 202 | 68 | - |
| Elite Cleaning and Environment | 4 | 1 | 1 |
| Eric Wright FM - Site Supervisors Highfield HC | 10 | 3 | - |
| Mellors (Little Hoole) | 3 | 1 | - |
| Mellors (Holy Cross) | 9 | 3 | - |
| Lancashire Care Foundation | - | 2 | - |
| Burnley Leisure | 390 | 155 | - |
| CG Cleaning (Kennington Road) | 3 | 1 | 0 |
| Compass Contract Services (UK) Ltd | 30 | 8 | - |
| Service Alliance (St Wilfrid) | 2 | 1 | - |
| Blackpool, Fylde and Wyre CU | 8 | 3 | - |
| Service Alliance (Whalley PS) | 1 | 0 | - |
| County Councils Network | 23 | 30 | 5 |
| Urbaser Ltd | 56 | 14 | 2 |
| Service Alliance (ClithPendle) | 2 | 1 | - |
| I Care | 13 | 4 | - |
| Ind Living Fund (Blackpool BC) | 10 | 2 | 0 |
| Elite CES Ltd (Carr Hill) | 2 | 1 | - |

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| Employer Name | Employer (£'000) | Employee (£'000) | Deficit (£'000) |
| 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) | 1 | 0 | - |
| Mellors (Delph Side) | 2 | 1 | - |
| Mellors (Lostock Hall Academy) | 2 | 1 | 0 |
| Capita (Property & Infrastructure) | 14 | 6 | - |
| Maxim (St Georges CE PS) | 1 | 0 | - |
| Greenwich Leisure Limited (Preston City) | 40 | 13 | - |
| Clarets in the Community Ltd | 4 | 1 | - |
| Mellors (Parklands High School) | 4 | 1 | - |
| Noonan (Hyndburn CCTV) | 4 | 2 | - |
| Mellors (St Michaels CE Academy Trust) | 14 | 4 | - |
| Maxim (St Augustines) | 1 | 0 | - |
| Laneshaw Bridge Primary School | 44 | 13 | 8 |
| Andron (Cidari - St Georges School) | 5 | 1 | - |
| Blacko Primary School | 23 | 6 | 5 |
| Colne Park High School | 176 | 55 | 34 |
| Lord Street Primary School | 104 | 32 | 20 |
| The Pennine Trust | 19 | 9 | - |
| Wolseley UK | 4 | 1 | - |
| Local Pensions Partnership Inv. | 114 | 73 | 42 |
| CG Cleaning Ltd (Burnley St Peters) | 1 | 0 | - |
| CG Cleaning Ltd (Moorside PS Lancaster) | 2 | 1 | - |

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| Employer Name | Employer (£'000) | Employee (£'000) | Deficit (£'000) |
| CG Cleaning Ltd (St Wulstans & St Edmunds) | 2 | 1 | - |
| Bulloughs (Balshaw HS) | 4 | 1 | - |
| Mellors (Cidari - Multi Academies) | 11 | 2 | - |
| Mellors (Cidari - St Silas) | 3 | 1 | - |
| Orian Solutions Ltd (Layton PS) | 1 | 0 | - |
| Maxim FM (St James PS Clitheroe) | 1 | 0 | - |
| Lancashire Care NHS Foundation Trust (EIS) | 6 | 2 | - |
| Aspens Services Ltd (AE - Sudell Primary School) | 4 | 1 | - |
| Progress Housing Association | 454 | 145 | - |
| Aspens Services Ltd - (AE - DACA/DAES) | 12 | 4 | - |
| Aspens Services Ltd - (AE - Darwen Vale HS) | 1 | 0 | - |
| Maxim (Deepdale PS) | 1 | 0 | - |
| Bulloughs Cleaning Services Ltd- (AE - Sudell Prim | 1 | 0 | - |
| Local Pensions Partnership Admin | 1,054 | 482 | 38 |
| Tenon FM Ltd (Clayton Brook PS) | 3 | 1 | - |
| Midshire Services Ltd (Southlands HS) | 10 | 2 | - |
| Safenet Domestic Abuse and Support Services | 3 | 1 | - |
| CG Cleaning Ltd (St Johns PS Poulton-le-Fylde) | 0 | 0 | - |
| Cater Link Ltd (Hyndburn and Accrington Academies) | 63 | 16 | - |
| 5am Contract Cleaners Ltd (Roseacre Primary Acad) | 4 | 1 | - |
| The MCL Group (Int) Ltd | 16 | 7 | - |
| Riverside Truck Rental Ltd | 7 | 3 | - |

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| Employer Name | Employer (£'000) | Employee (£'000) | Deficit (£'000) |
| Andron Contract Services Limited (Frenchwood PS) | 12 | 4 | - |
| Orian Solutions Limited Tarleton Community Primary | 4 | 1 | - |
| Tenon FM Ltd (Morecambe Bay PS) | 1 | 0 | - |
| Orian Solutions Limited (Broughton Primary School) | 3 | 1 | - |
| Veolia ES (UK) Ltd (Wyre BC) | 22 | 6 | - |
| Bulloughs (Blessed Edward MAT) | - | - | - |
| Orian Solutions Ltd (Banks MS) | - | - | - |
| Taylor Shaw (LCC Sch & Res) | - | - | - |
| Maxim FM (St Cecilia's RC High) | - | - | - |
| Mellors (Moorside Academy) | - | - | - |
| PPA Facilities CIC | - | - | - |

**Scheme Employers where contributions have been received or returned during 2022/23 but they had no Active Scheme Members as at 31 March 2023**

| | Contributions Receivable 2022/23 | | |
|---|---|---|---|
| **Employer Name** | **Employer (£'000)** | **Employee (£'000)** | **Deficit (£'000)** |
| **Terminated Employers (9)** | **-254** | **9** | **211** |
| Kirkland Parish Council | 2 | - | - |
| Preston Care and Repair | 2 | - | 215 |
| NSL Ltd.(Lancaster)[1] | -43 | - | - |
| Essential Fleet Services Ltd[1] | -246 | - | -2 |
| Service Alliance Ltd (Altham) | 0 | 0 | - |
| FCC Environment | 9 | 3 | - |
| CG Cleaning Ltd (Mary Magdalens CE PS) | 1 | 0 | - |
| The Floorbrite Group Ltd (Lancaster Royal Grammar) | 21 | 6 | - |
| Orian Solutions Limited (St Peters CEP) | 0 | 0 | - |
| Cofely FM Ltd (Blake/Cross) | - | - | -2 |

[1]Surplus payments paid to terminated employers

## Appendix 2 Annual Administration Report

Appendix 2- Annual
Lancashire County Pe

## Appendix 3 Communication Policy Statement

Appendix 3-
Communication Polic

## Appendix 4 Pensions Administration Strategy

Appendix 4- Pension
Admin Strategy.pdf

## Appendix 5 Funding Strategy Statement

Appendix 5- Funding
Strategy Statement.pc

## Appendix 6 Investment Strategy Statement

Appendix 6-
Investment Strategy.p

## Appendix 7 Actuarial Valuation

Appendix 7- LCPF valuation report 2022

## Appendix 8 Responsible Investment Policy

Appendix 8- Responsible Investme