Lancashire County
Pension
Fund

Annual Report
2020/2021

www.lancashirecountypensionfund.org.uk

Contents

Section

Appendices

A

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

Welcome to the 2020/21 Annual Report of the Lancashire County Pension Fund (LCPF).

I would like to start by thanking all the staff involved in managing LCPF during a very difficult year in which the COVID-19 Pandemic has continued to create major problems. Indeed, this last year has been challenging for all within the Pensions Industry - due to COVID-19 - with uncertainty in the financial markets around the world but the Fund has continued to manage its investments well whilst providing a good service to members of the Fund. Staff are continuing to provide a professional service, in many cases working from home, and I am pleased to report that our funding level has remained in excess of 100% and we are well placed to meet our obligations to members.

Some of the highlights of the year are as follows:

Fund of the Year

Your Pension Fund was awarded the accolade of Local Government Pension Scheme Fund of the Year in December 2020 with particular reference to our work on Governance, Investments and Responsible Investment. I would like to congratulate all involved, our Pension Advisers, Local Pensions Partnership Limited (LPP), the Pension Team at Lancashire County Council (LCC) and the Pension Fund Committee and Local Pension Board members who have been part of managing the Pension Fund.

Membership

The Fund works closely in conjunction with Local Pensions Partnership Administration Limited ('LPPA') who deliver pension services to employers and Fund members on our behalf. This year has been a particularly challenging year due to the COVID-19 pandemic. However, despite the challenging circumstances, LPPA has managed to successfully continue to support members. Overall, there are now 177,799 members of the Fund showing a small decline of 351 from the previous year. Within this membership we provide an administration service to over 300 active employers for whom we provide regular pension updates, training sessions and an effective overall administration support business achieving in excess of 99% of target performance levels.

Investments

Despite the worldwide turmoil in the Financial Markets, the Fund achieved a return of 11.7% in the year with the assets rising significantly by £1.1bn to a total asset value of £9.6bn. This performance has helped us to ensure that the Fund continues to be funded at a level in excess of 100%.

Small changes were made to strategic asset allocations during the year so as to ensure a well-diversified portfolio, across different asset classes to achieve the best returns.

We manage our investment costs through pooling arrangements with LPPI, which have worked well for LCPF, with 100% of our assets under pooled management and over 92% of our assets in pooling vehicles, resulting in approximate annual savings for LCPF of £12.1m for 2020/21 (up from £7.3m in 2019/20). Since we began pooling in 2016, £74m worth of savings have been achieved across both of LPPIs shareholders, LCPF and London Pension Fund Authority. These savings have continually been re-invested into the fund to give greater returns.

Responsible Investment (RI)

The issue of RI continues to create headlines as the world battles issues, including climate change, and the Fund is committed to the long-term RI of retirement savings on behalf of Fund members. Under the LGPS regulations, LCC, as administering authority, has delegated RI to the Pension Fund Committee to ensure our approach is appropriate. We continue to work with the Local Authority Pension Funds Forum who undertake extensive work in this area and LPP have increased their resource in this area to support us by providing regular reports on our progress in this vital area.

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.

Management and financial performance

Administering authority

Lancashire County Council

Pension Fund Committee

Lancashire County Council committee members

County Councillor J Burrows

County Councillor L Collinge

County Councillor G Dowding

County Councillor C Edwards

County Councillor K Ellard

County Councillor T Martin

County Councillor J Mein

County Councillor E Pope (Chair)

County Councillor A Riggott

County Councillor A Schofield (Deputy Chair)

County Councillor A Snowden

County Councillor T Ashton

Co-opted representatives

P Crewe – Trade Union

J Tattersall – Trade Union

Councillor D Borrow – City and Borough Councils

Councillor P Foster – City and Borough Councils

Councillor M Smith – Blackpool Council

Councillor R Whittle – Blackburn with Darwen Council

J Eastham – Further / Higher Education

Scheme administrators

Local Pensions Partnership Administration Limited

Head of Fund

A Leech

M King

S Greene

Chief Executive and Director of Resources

A Ridgwell

External Auditor to the Fund

Grant Thornton LLP

Pooled investments manager

Local Pensions Partnership Investments Ltd

Non-pooled investment managers

Local Pensions Partnership Investments Ltd

Knight Frank LLP

BNP Paribas

Actuary

Mercer

Lancashire Local Pension Board

W Bourne (Chair)

C Gibson

K Haigh

Y Moult

T Pounder

S Thompson

K Wallbank

M Salter (County Councillor)

D Parker

Custodian to the Fund

Northern Trust

Independent investment advisors

A Devitt

E Lambert

AVC providers

Prudential

Utmost Life and Pensions

Legal advisors

Addleshaw Goddard

Allen and Overy

Clifford Chance

DAC Beachcroft LLP

DWF

Eversheds

Lancashire County Council

MacFarlanes

Pinsent Masons

Taylor Wessing

Independent property valuer

Avison Young Partnership

Performance measurement

Northern Trust

Governance and research consultants

Pension and Investment Research Consultants

Bankers

Lloyds Bank plc

Natwest Bank plc

Svenska Handelsbanken

For contact details refer to page 102

B

Financial performance of the Fund

The Fund asset value increased by £1,167.6m from £8,437.7m at 31 March 2020 to £9,605.3m as at 31 March 2021 and delivered a 11.7% return on investment assets over the twelve months, outperforming the actuarial benchmark (the rate at which the Fund's liabilities are assumed to grow year on year) by 7.9%.

Net cash flow, income and expenditure

Benefits payable and transfers out of the Fund exceed the value of contribution income and transfers in to the Fund on a regular basis, resulting in a net cash outflow which is funded from investment income, however, due to the option given to some employers to pay their 3 year future service contribution rate up-front, the Fund recorded a cash inflow in 2020/21.

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.

Following the actuarial valuation in 2019, the Fund gave some employers the option to pay their 3-year future service rate and deficit contributions up-front. A number of employers opted to do this and as a result the employer contributions from the County Council and scheduled bodies for the year ending 31 March 2021 include contributions for the 3 years to 31 March 2023, amounting to £262.9m. This had a significant impact on cash flow and reported income in that year. The Fund policy is to recognise contribution income in the period of receipt.

Fund account	2020/21	2019/20	2018/19
	£m	£m	£m
Members contributions	64.5	61.4	58.7
Employers contributions	351.8	115.6	112.2
Contributions income	**416.3**	**177.0**	**170.9**
Transfers in	10.8	17.0	11.0
Benefits payable	(291.8)	(287.1)	(275.3)
Transfers out and other payments to leavers	(17.3)	(21.8)	(16.4)
Net additions/(withdrawls) from dealing with members	**118**	**(114.9)**	**(109.8)**
Fund adminstrative costs	(4.0)	(3.4)	(3.7)
Investment management expenses	(111.3)	(60.4)	(71.7)
Oversight and governance costs	(1.1)	(1.2)	(0.9)
Net (outflow) / inflow before investment returns	**1.6**	**(179.9)**	**(186.1)**
Investment income	143.8	206.1	193.5
Change in market value of investments	1,022.2	1.4	781.5
Net increase / decrease in the Fund	**1,167.6**	**27.6**	**788.9**

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

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

The allocation of funds to different types of asset class can also impact on the fees chargeable by investment managers since expected returns and risks differ across asset classes. Some of the Fund's mandates also include payment of a performance fee.

More information on investment management expenses and the impact of pooling can be found within section 'G' of this Annual Report.

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

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

Budgeting

A one-year budget is prepared for the Fund on an annual basis and both officers and the Pension Fund Committee closely monitor investment performance, contribution income and expenditure against the budget, with committee reporting on a quarterly basis. The most significant budget variance for the year to 31 March 2021 is an adverse investment income variance of £68m, this has been primarily due to the economic impact of the pandemic, which resulted in lower dividend payments to the Fund.

Actuarial valuation – 100% funding level

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

Governance of the Fund

Lancashire County Pension Fund Governance Policy Statement

While the Pension Fund is not technically a separate legal entity, it does have its own specific governance arrangements and controls which sit within Lancashire County Council's overall governance framework.

Under regulation 55 of the LGPS Regulations 2013, all Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Governance Policy Statement setting out whether the authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer of the authority.

Comprehensive terms of reference have been established for all areas of governance of pension fund activities including the Pension Fund Committee, the Investment Panel, the Lancashire Local Pension Board (LLPB) and issues delegated to the Head of the Lancashire County Pension Fund (LCPF/the Fund).

The Pension Fund Committee has considered the governance arrangements relating to the administration and strategic management of Fund assets and liabilities and the requirement to complete a Governance Compliance Statement for all areas of governance of pension fund activities.

The Fund's Governance Compliance Statement is shown on the following page, and the Governance Policy Statement is included as Appendix 2 to this Annual Report.

Lancashire County Pension Fund Governance Compliance Statement - January 2021

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	(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1) These include: (i) employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members) (iii) independent professional observers (2) (iv) expert advisers (on an ad hoc basis)	Partial (see Notes 1 and 2)
C. Selection and Role of Lay Members	(a) 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	(a) 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.	✓
	(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.	✓
F. Meetings - Frequency	(a) that an administering authority's main committee or committees meet at least quarterly	✓
	(b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sit.	✓
	(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.	✓
G. Access	(a) 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	(a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	✓
I. Publicity	(a) 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

1) Unitary councils, district councils and further and higher education employers, are represented. Other admitted bodies only represent 9% 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 LLPB.

2) Guidance envisaged that an independent professional observer could be invited to participate in governance arrangements to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels which would improve the public perception that high standards of governance are a reality and not just an aspiration. This role is currently performed by the Fund's independent advisers and officers and it is not apparent what added value such an appointment would bring.

D

Administration of the Fund

Background to Lancashire County Pension Fund and the Local Government Pension Scheme

The Lancashire County Pension Fund (LCPF) 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.

Legislation requires funds to pool investments to seek to benefit from economies of scale. As such Local Pensions Partnership Investment Limited (LPPI) provides pooled investment services to the LCPF.

LPPI also manage all non-pooled investments for the Fund. Local Pensions Partnership Administration Limited (LPPA) provide all associated administration services.

The year 2020-21 has been a particularly challenging year due to the COVID-19 coronavirus pandemic. However, despite the challenging circumstances, we have managed to maintain excellent performance standards.

Response to COVID-19 coronavirus pandemic

The administration service has maintained 'business as usual' services throughout the pandemic with most employees working from home since late March 2020. The contact centre has remained operational throughout.

LPPA staff have now started to slowly return to their offices. A flexible working approach will be trialled over the short term to best meet operational and staff needs.

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

Q4 has proved to be more challenging with volumes of work increasing, particularly with regard to bereavement cases and, as bereavement calls and cases are prioritised, this has had a knock-on effect to other administrative tasks.

In response to the transition to home working, a planned improvement to the help desk telephony system was implemented early (in July 2020), providing enhanced call and email functionality alongside better management information. Emails were later replaced by a structured contact us form to improve the response times to members.

Face to face member engagement has been suspended and 'virtual' employer visits have been introduced. There has been a positive response to online employer events leading to increased activity levels. Members too have been invited to online events (where appropriate) to support a planned programme of communication activity. This proactive communication plan has focused on collecting personal contact information and ensuring members complete death nomination forms.

Guidance produced by the Local Government Association regarding the pandemic has been distributed to employer organisations and members where appropriate and a link to the Local Government Association employer coronavirus webinars is available on the LPPA website https://www.lppapensions.co.uk/ A new version of the website was launched in December 2020 focusing on simple and clear communications.

Other changes made in response to the pandemic have included acceptance of electronic copies of forms and documents. Additionally, mail has been centralised and outsourced in the absence of a staff presence in the Preston office.

LPPA has separated out from the wider LPP group. This means all LPPA staff are 100% focused on services (and supporting functions) directly linked to the administration of pensions for members.

Finally, after a full review of the core operating systems LPPA has taken the decision to switch from Heywoods (Altair) to Civica (Universal Pensions Management, UPM) and this will impact LCPF members late in 2022. An experienced project team has been recruited to deliver the project. UPM has potential for a more member centric and integrated solution for the future.

It is envisaged that the new UPM system will provide numerous benefits for the Fund. These include:

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

Review of the Year

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

- Member services
- Engagement and communications
- Helpdesk (formerly Contact Centre)

For the year 2020/21, casework service performance metrics have been consistently achieved with an overall performance of 99% delivered in an exceptional year. The target performance is 95%+.

Additionally, LPPA monitor the performance of individual case types such as retirement and bereavement. All case types performed exceptionally well and, on an annual basis, above the 95% target.

	Q1	Q2	Q3	Q4	Annual
Performance against SLA	99%	99%	99%	98%	99%
Complaints	30	30	30	31	121

During the year to 44,137 individual calculations and enquiries were completed. This compares to 39,406 reported last year showing that whilst volumes of work were 12% higher during the year, SLAs continued to be delivered. The 44,137 calculations completed in 2020/21 were undertaken by the equivalent of 35 full time equivalent staff.

121 complaints were received, an average of 30 per quarter. This is a reduced volume of complaints from the previous year.

The helpdesk remained operational throughout the pandemic. However, a temporary telephone solution needed to be implemented between April and June 2020 to support a quick transition to homeworking.

Performance on call handling has been monitored, particularly average call wait time, abandoned rates and % of calls resolved. This data became available when the new telephone system was implemented in July 2020.

As shown on the graph below, average wait times have varied throughout the year. This is due to implementation of the new system (July) and increased bereavement call volumes (February and March).

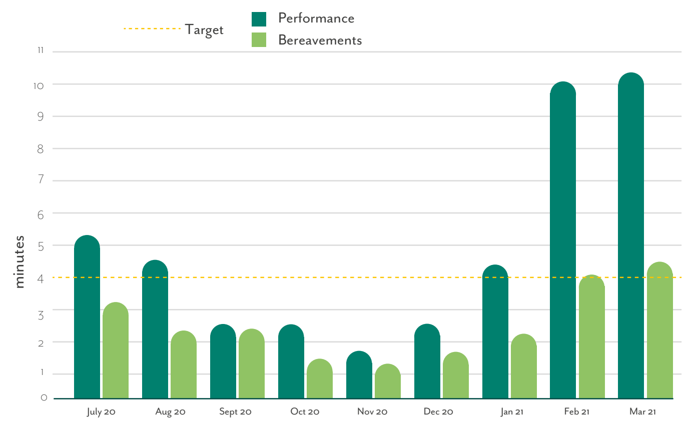
Performance on the bereavement line has been strong due to LPPA prioritising such calls to support next of kin.

Satisfaction surveys have continued during the year to measure member satisfaction at key points in the member journey. A total of 1,836 surveys were completed in the period. A summary of the satisfaction results is detailed below:

	Q1	Q2	Q3	Q4	Annual
Retirement	94.2%	87.5%	89.7%	95.3%	91.4%
Calls	88.8%*	93.5%	95.6%	94.6%	92.9%**

* Q1 is based on the group level satisfaction score (that is, the score for all clients of LPPA rather than LCPF specifically). From July 2020, satisfaction scores are specific to LCPF.

**Annual satisfaction rate includes Apr-Jul group level performance.



Satisfaction rates have consistently exceeded the LPPA target of 85%. Other surveys are undertaken on estimate, transfer and bereavement case types but volumes are quite small.

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

In connection with data quality, LPPA tracks the accuracy of both common and conditional data. These were 98.5% and 97.5% respectively at year end and both improved marginally across the year due to proactive data cleanse work undertaken by LPPA.

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

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

Membership and employers

The Fund is administered on behalf of over 300 organisations including local authorities, further and higher education colleges, voluntary and charitable organisations and private contractors undertaking a local authority function following outsourcing to the private sector. The Local Government Pension Scheme is open to 2 main types of employers, 'Scheduled Bodies' and 'Admitted Bodies'. Some employers are required to participate in the scheme (known as scheduled bodies) and some are admitted to the scheme following application for membership (known as admitted bodies).

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

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

Admitted bodies participate through a written contractual agreement and the majority of cases are established when outsourcing a service or function, where the new contractor wishes to provide continued LGPS membership.

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

Overall fund membership shown below has remained largely static during the year.

Lancashire County Pension Fund	Membership at 31/03/2020	Membership at 31/03/2021
Number of Active Members	53,954	54,277
Number of Pensioners	51,171	52,406
Number of Deferred Members	73,025	71,116
Total Membership	**178,150**	**177,799**

LPPA processed 2,084 retirements for the year ending 31 March 2021.

These retirements are made up of 980 members who retired under normal retirement. Of the remaining 1,104 members who retired early, 98 members retired on ill health grounds.

Performance

The Pension Fund Committee receives quarterly reports (alongside a year end summary report) on the administration of the Fund ensuring that best practice standards are achieved and to satisfy itself that the administration is being run on an efficient and effective basis. These reports have been significantly improved during the year.

In addition, LPPA provides regular data on the performance of employers within the Fund and LCPF utilise this data to assess compliance with key performance targets and monitor trends.

Specific service level standards and corresponding service level targets have been agreed between the Fund and LPPA. Extracts from the year end summary report for the year to 31 March 2021 is included as Appendix 3.

Customer Service

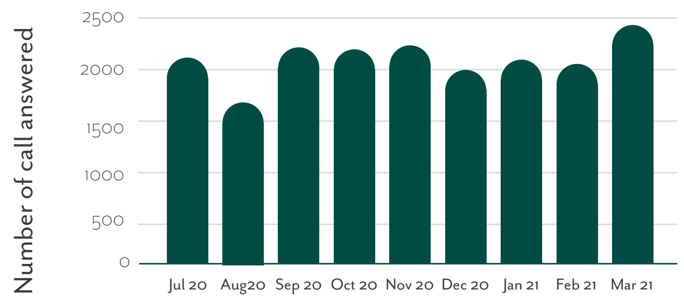
Each year LPPA's dedicated Employer Engagement team manages a series of visits, training events and support meetings with fund Employers to maintain and improve working relationships. In 2020/21, the team undertook more than 30 one-to-one support sessions with Employers, and over 300 employer representatives attended training sessions from those on offer throughout the year (these included Leaver Essentials, Ill Health and Absence and Assumed Pensionable Pay).

In addition, sessions are provided to scheme members. Throughout the year, and as a result of the ongoing coronavirus pandemic, these sessions were delivered remotely to Employers, with the team delivering Retirement Essentials sessions to 85 Members, and a further 57 Members attending Scheme Essentials presentations.

In previous years, a dedicated Employer forum had also been delivered to finance professionals within the scheme, however due to ongoing COVID-19 restrictions this did not take place.

A dedicated helpdesk provides the first point of contact for members and employers. The helpdesk has a target to answer 90%+ of calls received. Between 1 April 2020 and 31 March 2021, this target was largely achieved. Due to the new telephony system launch (July) and bereavement volumes (February and March), the answered calls fell below this target. In total 19,317 calls were received in the period July 2020 – March 2021.

Annual call volumes are shown below:



Legislative Changes

During the year there were two sets of legislation that came into force, and many consultations which directly impacted on the LGPS.

- **LGPS (Amendment) (No.2) Regulations 2020.** This piece of legislation was laid on 27 August 2020 with an implementation date of 23 September 2020. The regulations introduced flexibilities around employer risk and are intended to allow Pension Funds to have the flexibility to react appropriately to the wide range of circumstances that may occur, particularly on the termination of a scheme employer.

LCPF has taken on board these new flexibilities and recently updated their policies accordingly. As a result there are changes to the admission and termination policy to include options to spread termination payments and allowances for deferred debt agreements where an employer no longer has active members in the Fund but continues to operate as an employer in the Fund, in terms of continuing to pay off their pension liability.

Additionally, the new regulations provide the Fund and employers with the ability to review employer contributions between valuations. The Fund and employers now have the following flexibilities:

- The Fund may review the contributions of an employer where there has been a significant change to the liabilities of an employer.
- The Fund may review the contributions of an employer where there has been a significant change in the employer's covenant.
- An employer may request a review of contributions from the Fund if they feel that either point above applies to them.

A new policy detailing the Fund's approach on reviewing employer contributions between valuations, including the circumstances under which a review may take place, and the methodology of that review is now in place.

- **Exit Cap.** The Restriction of Public Sector Pension Scheme Exit Payments Regulations 2020 came into effect on 4th November 2020 to legislate for the implementation of the £95,000 cap on public sector exit payments. The legislation was introduced without appropriate amendments being reflected in the LGPS regulations. The Government announced on the 12 February 2021 that they had 'disapplied' the exit cap, as it had unintended consequences. This has required the LPPA administration team to recalculate the pension benefits to put members who were made redundant over age 55 back to the same position that applied before 4 November 2020. However, the Government have stated that they still intend to introduce the exit cap at a later date. MHCLG plan to introduce further changes to exit payments and has confirmed that it will consult again on further reforms to exit payments before any changes are made.
- **The McCloud consultation.** A consultation on draft regulations introducing amendments to the statutory underpin for the Local Government Pension Scheme (LGPS) in England and Wales was released on 16 July 2020. The proposals look to remedy the unlawful discrimination, identified by the court judgement on the McCloud case, which ruled the protection of older members was discriminatory when this was introduced following the reforms of the LGPS in April 2014. Effectively active members within ten years of their 2008 Scheme normal pension age on 31 March 2012 were granted transitional protection by means of a final salary underpin, i.e. a comparison of the benefits that could have been accrued under the previous final salary scheme. As a consequence, the draft regulations set out in the consultation will essentially remove the condition that requires a member to have been within ten years of their 2008 Scheme normal pension age on 1 April 2012 to be eligible for underpin protection. The Pension Fund is now awaiting a response from MHCLG providing direction on how the remedy will be implemented.
- **Cost Cap.** Legislation requires HM Treasury and the Scheme Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Earlier calculations for the 2016 process found that the cost "floor" had been breached, which meant that improvements to benefits or changes to member contributions would be required (with effect from 1 April 2019) to bring the cost of the LGPS back to the target level. However, the processes were paused pending the outcome of McCloud. The Government has announced an update on the cost control mechanism as follows:
  - o The cost control element of the 2016 valuations will now be completed using 'deferred choice underpin' (DCU) to establish the cost of implementing the McCloud remedy.

- o There will be no reduction to member benefits as a result of completing the 2016 valuation if the cost ceiling is breached.
- o If the cost floor is breached, this will be honoured by implementing increases in benefit accrual and/or reductions in member contributions from 1 April 2019.
- o Any change in employer contributions in the unfunded schemes triggered by the 2020 valuations will take effect from 2024 instead of 2023.

- **Widowers Benefits.** The Government has agreed that married men should get no lower benefits than same sex partners. It is expected that this will be included in the next set of scheme amendments. There is no further update on likely timescales, however the NHS have released a further consultation on how this could be built into their regulations, and the Teachers Pension Scheme have release amendment regulations. It is expected that a similar approach will be taken on the LGPS.
- **Spring Budget.** The Lifetime Allowance has been frozen at its current level (£1,073,100) until April 2026. The Annual Allowance remained at £40,000 and the thresholds unchanged.

Online Service

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

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

Currently 30% of deferred, 40% of active and 48% of pensioner members are registered.

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 appointed by the administering authority to review the disagreement.

During the year to 31 March 2021 a total of 33 appeals have been received (24 Stage 1 and 9 Stage 2).

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 Pension Fund Committee is required to consider and approve the budget for the Local Pensions Partnership Limited (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 Pension Fund Committee 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 3 (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 central point in terms of cost and services compared to its peers, with a total administration cost lower than that of its peers.

Other information

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

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 4, 5 and 6 to this Annual Report respectively.

Online Services

My Pension Online is an online facility allowing members to view their details and also securely update any changes in contact details.

Members who are registered can run various pension estimates assisting with planning for retirement. Members can also view their P60 and annual benefit statement via My Pension Online. Payslips are also published monthly.

Other benefits of the system include: allowing members to view their nominated beneficiaries; access to a host of forms and guides and also allows the administration service to communicate with registered members via email.

Currently around 35% of Lancashire County Pension Fund members are registered online.

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 Local Government Pension Scheme 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 appointed by the administering authority to review the disagreement.

Charges and value for money

The administration business charges the Fund on a per member basis. The Head of Fund is advised of the proposed charges for the upcoming financial year in writing and these charges are reviewed for value for money and consistency with market rates by the Pension Fund Committee and Head of Fund on an ongoing quarterly basis.

The shareholder agreement principles include a requirement for any decision made by the Local Pensions Partnership to ensure long term value for money, evidenced by savings, efficiencies or service improvements when compared to the arrangements and costs of the combined predecessor organisations. Where a new service is carried out by the partnership then comparison should be to wider market benchmarks.

Other information

For further information relating to the administration of the scheme please refer to the Communication Policy Statement and the Pensions Administration Strategy Statement included as Appendix 4 and Appendix 5 to this Annual Report respectively.

Knowledge & skills framework

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.

CIPFA pensions finance knowledge and skills framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) first published a code of practice on public sector pensions finance knowledge and skills in October 2011 which was revised in 2013 to reflect the provisions of the Public Service Pensions Act 2013 and remained a definitive guide to expected standards during the financial year.

The Code of Practice works in conjunction with detailed Knowledge and Skills Frameworks (KSF) also published by CIPFA which support knowledge and skills development by all those involved in the management and oversight of public sector pension funds.

In 2015 a new KSF focussed on the knowledge requirements of Lancashire Local Pension Board members was introduced to reflect the Pensions Regulator Code of Practice No 14 which came into force in April 2015. CIPFA has identified a syllabus of 8 core areas of knowledge across the KSFs it has published during the financial year:

1. pensions legislation;
2. public sector pensions governance;
3. pensions administration;
4. pensions accounting and auditing standards;
5. financial services procurement and relationship management;
6. investment performance and risk management;
7. financial markets and product knowledge;
8. actuarial methods, standards and practices.

Training approach

Since its adoption of the CIPFA Code of Practice in February 2012 the Pension Fund Committee (PFC) has reviewed the Fund's training approach at regular intervals. The current training policy for the Fund is aimed at ensuring the Fund is overseen by individuals who:

- have appropriate levels of knowledge and skill;
- understand and comply with legislative and other requirements;
- act with integrity and;
- are accountable to the Fund's stakeholders for their decisions.

The competency and performance of senior officers charged with managing and directing the Lancashire County Pension Fund fall under the auspices of Lancashire County Council's Performance Management process and wider continuing professional development (CPD) frameworks. For this reason, officers are outside the scope of this training policy which focusses specifically on the training needs of members of the Pension Fund Committee and Lancashire Local Pension Board (LLPB), however senior officers attend the training sessions alongside the Committee and Board members.

The training policy provides a framework for ensuring members receive appropriate support (both collectively and individually) for gaining the knowledge and understanding they need. Training is responsive to the learning needs of individuals in their different roles and members have regular opportunities to build skills and knowledge through a range of methods and approaches including:

- in-house training from officers and/or external advisors
- external training events by recognised bodies
- attendance at external seminars and conferences
- practical support and guidance through recommended reading and targeted information
- key documents/learning materials made accessible via a secure online library

Committee and Board members are personally responsible for identifying gaps in their knowledge which could prevent them performing their duties effectively. They are expected to undertake self-directed learning to complement the training provided and to seek additional support and advice from fund officers as required.

Details of training provided internally and attended externally by members of the PFC and LLPB during the year ended 31st March 2021 are detailed below.

The policy provides a framework for ensuring members receive appropriate support (both collectively and individually) for gaining the knowledge and understanding they need. Training is responsive to the learning needs of individuals in their different roles and members have regular opportunities to build skills and knowledge through a range of methods and approaches including:

- in-house training from officers and/or external advisors
- external training events by recognised bodies
- attendance at external seminars and conferences
- practical support and guidance through recommended reading and targeted information
- key documents/learning materials made accessible via a secure online library

Committee and Board members are personally responsible for identifying gaps in their knowledge which could prevent them performing their duties effectively. They are expected to undertake self-directed learning to complement the training provided and to seek additional support and advice from fund officers as required.

Details of training provided internally and attended externally by members of the Pension Fund Committee (PFC) and Lancashire Local Pension Board (LLPB) during the year ended 31 March 2020 are detailed below.

Date	Subject	Venue	Attendees	
			PFC	LLPB
24 June 2020	LGPS Local Pension Board members annual event	Webinar	0	2
7 Jul 2020	Workshop on Asset safety and cyber security	Via Zoom	9	6
19 Aug 2020	CIPFA Implementation of McCloud workshop	Webinar	1	0
1 Sept 2020	Feedback from the Investment Panel following the review of the LCPF Funding Strategy Statement	Via Zoom	8	6
8 Sept 2020	Pension Trustee Circle - Virtual Environmental Social and Governance Roundtable	Online conference	2	0
12/14 Oct 2020	Pensions and Lifetime Savings Association Annual Conference	Online conference	2	0
13 Oct 2020	Presentation to Pension Board – Internal Audit assurance over LCPF	Via Zoom	1	9
3 Nov 2020	Workshop on the Responsible Investment Dashboard	Via Zoom	9	6
11 Nov 2020	Pensions and Lifetime Savings Association Local Authority	Online conference	1	0
12 Nov 2020	LGPS Investors Focus on Environmental Social and Governance, Responsible & Sustainable Investing Conference	Online conference	2	0
19 Nov 2020	Presentations to Pension Fund Committee members on Divestment.	Via Zoom	11	0
2 Dec 2020	Local Authority Pension Fund Forum Webinar Series 2020	Online event	1	0
12 Jan 2021	Workshop – Update from Local Pensions Partnership Administration	Via Zoom	6	8
26 Jan 2021	LGA - Local Government Pension Scheme update	Webinar	2	0
28 Jan 2021	Pension Fund Investment Forum Virtual Forum seminar – Will 2021 be another extraordinary year? The Outlook Ahead: economic & strategic asset allocation opportunities/dangers	Online event	0	1
4th Feb 2021	CIPFA Responsible Investment for the LGPS	Webinar	2	1
18 Feb 2021	Workshop – Local Pensions Partnership 2021/22 budget	Via Zoom	9	7
9/11 Mar 2021	Pensions and Lifetime Savings Association Investment Conference 2021	Online event	1	0
23 March 2021	Workshop – LPP Communications and demonstration of new LCPF website.	Via Zoom	10	6
23 March 2021	LGPS, climate change and building community wealth beyond the pandemic.	Online	1	0
			78	52

Investment Policy and Performance

Performance

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

Over the longer-term (over a 3-year or 5-year horizon) the Fund's returns have been strong, exceeding both its actuarial benchmark (the rate at which the Fund's liabilities are assumed to grow year on year) and policy portfolio benchmark. Over the year ended 31 March 2021, the Fund delivered a +11.7% return on assets, which was above the actuarial benchmark. This is illustrated in the enclosed charts.

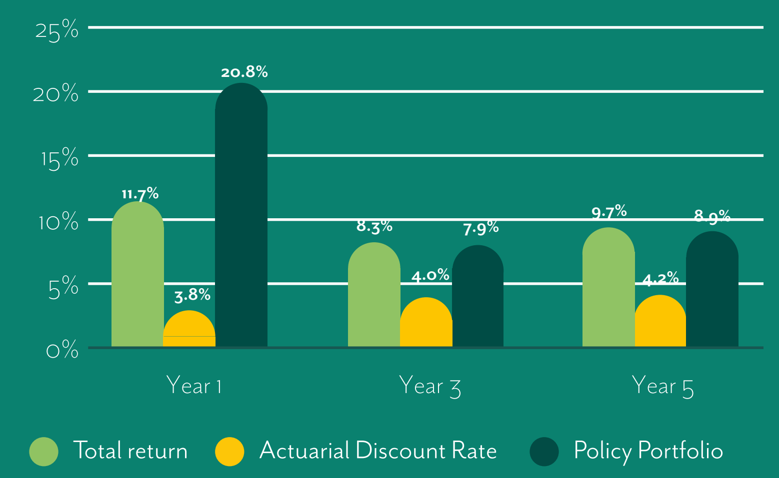
The value of the Fund's investment assets at 31 March 2021 was £9,599 million, up from £8,321 million at 31 March 2020. There were gains made across almost the entire portfolio, but public equity was by far the standout contributor with returns in excess of 25%.

Return Metric	1 Year	3 Year*	5 Year*
Investment Assets Return	11.7%	8.3%	9.7%
Actuarial Benchmark	3.8%	4.0%	4.2%
Policy Portfolio Benchmark	20.8%	7.9%	8.9%

Asset returns are shown net of fees

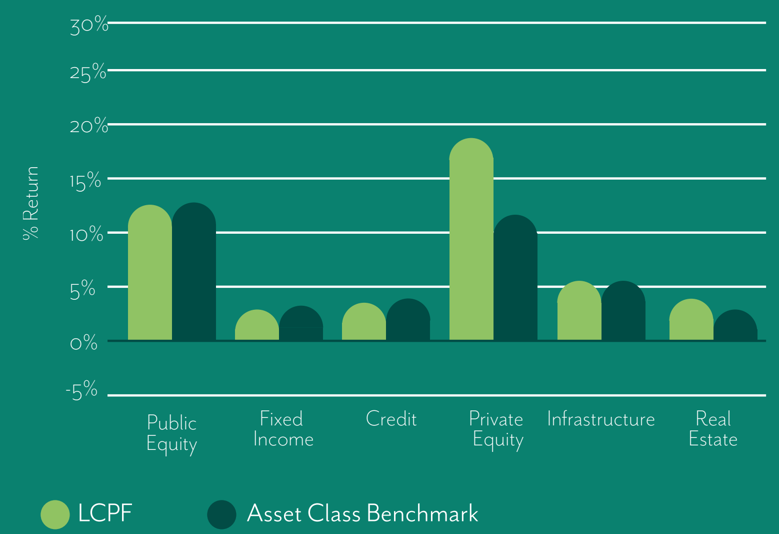
* Annualised Returns

Total Fund performance at 31 March 2021



One-year Fund performance by asset class at 31 March 2021

Three-year Fund performance by asset class at 31 March 2021



Investment pooling

In 2016, the Fund appointed Local Pensions Partnership Investments Limited ("LPPI") to manage its assets. LPPI is a Financial Conduct Authority ("FCA") regulated investment company, which is wholly owned by Local Pensions Partnership Limited, a venture between LCPF, Lancashire County Council and London Pensions Fund Authority (LPFA). LPFA has also appointed LPPI to manage its assets, in addition to The Royal County of Berkshire Pension Fund ("RCBPF") which joined the pooling initiative in May 2018. LPPI has created seven pooled funds, across a range of asset classes, to manage clients' assets including public equities, fixed income, diversifying strategies, credit, infrastructure, private equity and real estate.

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

Note 13 to the financial accounts, section H, differentiates between assets held within LPPI's funds and those assets which reside upon the Fund's balance sheet. LPPI oversee both segments.

F

Current and Strategic Asset allocation

Over the year the Fund implemented an updated investment strategy allocating slightly higher weights to Public equities, Credit and Cash with reductions made to Fixed income and Real estate. In addition to changes to the Fund's strategic asset allocation and accompanying tolerance ranges (shown in the table below), cash from the pension fund was invested into LPPI's Public Equity and Credit Funds with a view to benefitting from the long-term market recovery.

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 2021 & March 2020:

Asset Class	March 2021				March 2020			
	Assets (GBP Million)	Allocation (%)	Strategic Asset Allocation (%)	Range	Assets (GBP Million)	Allocation (%)	Strategic Asset Allocation (%)	Range
Public equities	4,507	47.0%	44.5%	40% - 50%	3,455	41.0%	42.5%	40% - 50%
Fixed income	354	3.7%	1.5%	0% - 10%	333	4.0%	2.5%	0% - 5%
Diversifying strategies	95	1.0%	0.0%	0% - 5%	90	1.1%	0.0%	0% - 5%
Credit	1,261	13.1%	17.0%	12.5% - 22.5%	1,098	13.0%	15.0%	10% - 25%
Infrastructure	1,128	11.7%	15.0%	10% - 20%	1,181	14.0%	15.0%	10% - 20%
Private equity	812	8.5%	5.0%	0% - 10%	778	9.2%	5.0%	0% - 10%
Real estate	991	10.3%	12.5%	7.5% - 17.5%	910	10.8%	15.0%	10% - 20%
Legacy shared ownership[1]	330	3.4%	3.0%	0% - 5%	331	3.9%	4.0%	0% - 5%
Cash	121	1.3%	1.5%	0% - 5%	253	3.0%	1.0%	0% - 5%
Total	**9,599[2]**	**100%**	**100%**		**8,429**	**100%**	**100%**	

[1] As reported in the Fund's 2019 Accounts, the Legacy shared ownership (Heylo Housing) resided within the Credit allocation. It has since been separated out into its own allocation grouped within Real Estate.

[2] This figure is investment assets held by the Fund. At other points in the Annual Report net asset value is quoted of £9,605.3m – this includes investment assets as well as current assets and liabilities

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.

Economic Overview 2020/21

The performance of the Fund is largely determined by economic conditions and the movement in financial markets. The last 12 months has been impacted by the continuing COVID-19 pandemic and Governments reactions to it. The Gross Domestic Product (GDP) growth and inflation (as well as real rates) are key macroeconomic variables that influence LPPI's investment market outlook. Data in the financial year for some of the major economies were:

GDP

	GDP Growth (% Quarter on Quarter)		
	UK	US	EU
Q2 2020	-19.5%	-9.0%	-11.4%
Q3 2020	16.9%	7.5%	12.4%
Q4 2020	1.3%	1.1%	-0.6%
Q1 2021	-1.6%	1.6%	-0.3%

Inflation

	Consumer Price Inflation (% Quarter on Quarter)		
	UK	US	EU
Q2 2020	-0.10%	-0.30%	0.50%
Q3 2020	0.40%	1.10%	-0.70%
Q4 2020	0.20%	0.50%	0.20%
Q1 2021	0.20%	1.31%	1.30%

Interest Rates

	10-Year Nominal Government Bond Yields (quarterly change in brackets)		
	UK	US	Germany
Q2 2020	0.17% (-0.18%)	0.66% (-0.01%)	-0.46% (0.01%)
Q3 2020	0.23% (0.06%)	0.68% (0.02%)	-0.52% (-0.06%)
Q4 2020	0.19% (-0.04%)	0.91% (0.23%)	-0.57% (-0.05%)
Q1 2021	0.84% (0.65%)	1.74% (0.83%)	-0.29% (0.28%)

GDP contracted across major economies in Q1 2020, even though most government measures to stem the COVID-19 pandemic were enacted during the period. As the data above illustrates, Q2 2020 marked the worst quarter for activity in developed markets with notable differences between different regions. Since Q3 2020, GDP growth has found firmer footing, although further lockdown measures implemented in certain regions at the end of 2020 and the beginning of 2021 weighed heavily on activity in affected economies.

After the initial sell-off between February and March 2020 (when investors sold large volumes of assets in response to the emerging pandemic), investors quickly reacted to the "upside", anticipating that the economic impact from COVID-19 would be relatively short lived. Riskier asset prices, such as those for Equities and High Yield bonds, have trended upwards since April 2020, bolstered by ample fiscal and monetary support globally. During the initial months of the pandemic there was an acceleration of long-term ongoing structural trends, namely increased demand for work-from-home systems and e-commerce. This led to significant gains in technology share prices with the U.S. tech-heavy large cap market benefiting the most among major markets. However, as most economies started scaling back their emergency measures (June 2020), cyclical stocks and "Value" shares (assumed to be more sensitive to a cyclical rebound), such as energy and financials, materially outperformed.

In Fixed Income markets, developed market Government bond prices rose during the worst of the pandemic (because they were widely regarded as a "safe haven" by investors) and continued to perform strongly through to July 2020. Since then, rising inflation expectations fueled by pent-up demand and economies reopening have been a major headwind adversely impacting on their performance. Long-term U.S. sovereign yields got a further boost from the 2020 U.S. Presidential election results amid market anticipation of additional fiscal spending under the Biden administration. Global developed market sovereign yields followed U.S. yields higher in Q1 2021.

The Fund entered the COVID-19 crisis positioned conservatively in that there was no significant overweight in risk assets (compared to target weightings), including Public Equities, which saw the most pronounced falls in value. After the Equities drawdown in Q1 2021, LPPI added to the Fund's Equities allocation in March 2020 and further additions were made in March 2021 on the back of continued optimism. Halfway through the year, LPPI added to the Fund's Credit allocation, partly reducing an existing underweight position versus the Fund's target allocation. These allocations have demonstrated a short-term benefit through increases in value as the recovery gains momentum. However, the Fund invests over the long term and performance is evaluated in line with this vision.

The Fund's portfolio continues to be well diversified across different asset classes, regions and sectors. This diversification is paramount in building robust portfolios, as is a good balance between public and private market assets exposure. Being able to accurately predict ongoing economic scenarios is exceedingly difficult, if not impossible. A well-diversified portfolio is the best preparation for the long-term future.

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

Global public equities

Public equities are publicly traded company shares and are commonly viewed as one of the highest-returning liquid asset classes and represent the largest asset class exposure for the Fund. Within the Fund's Public Equities allocation, the majority resides with LPPI's Global Equity Fund (GEF) which combines an internally managed portfolio (50% of GEF) with a variety of external equity managers (50% of GEF) operating with complementary styles of investment selection. The GEF maintains an overall bias to high-quality companies (i.e. companies with more stable earnings, stronger balance sheets, and higher margins), however other styles are included to provide diversification.

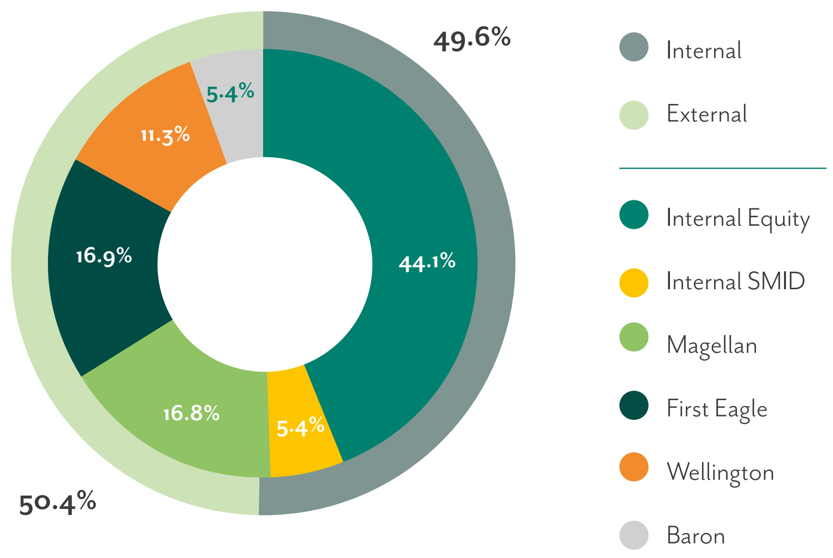
Following the unprecedented market drawdown in March 2020, the Morgan Stanley Capital International (MSCI) World Index rallied by 50% and as of 31st March 2021 it was 10% above the previous market peak prior to the onset of COVID-19. The unprecedented equity market rally can be broadly split into two distinct periods: the first being the strong yet narrowly led recovery and the second from investors reallocating capital into stocks that have a cyclical demand (i.e. not wanted by consumers in all stages of the economic cycle). In the latter, companies previously deemed to be most impacted by COVID-19 outperformed their peers. These cyclical businesses with slower growth and lower profit margins are typically ones which the Fund is generally underweight to, favouring instead high-quality companies and a bias towards consumer staples stocks.

The GEF generated positive absolute returns in both periods and delivered a gain of +25.8% over the year but lagged the wider equity market due to its high-quality bias and more defensive style managers. Such positioning tends to outperform in challenging market environments (demonstrated during the market drawdown in Q1 2020), at the expense of forgoing some upside in rallying periods (especially when the market is led by a handful of sectors with a cyclical bias as was the case later in 2020). Given the Fund's positioning and broad diversification the overall underperformance of the Fund during these periods of pronounced market recovery is unsurprising.

The GEF continues to exhibit a low turnover of holdings and a stable roster of external managers, reflecting a long-term investment horizon (in-line with the timeframe of the Fund's liabilities). However, over the reporting period, the internally managed small / mid cap mandate was increased in size to a target weight of 5% of the GEF and is reflective of its success to date.

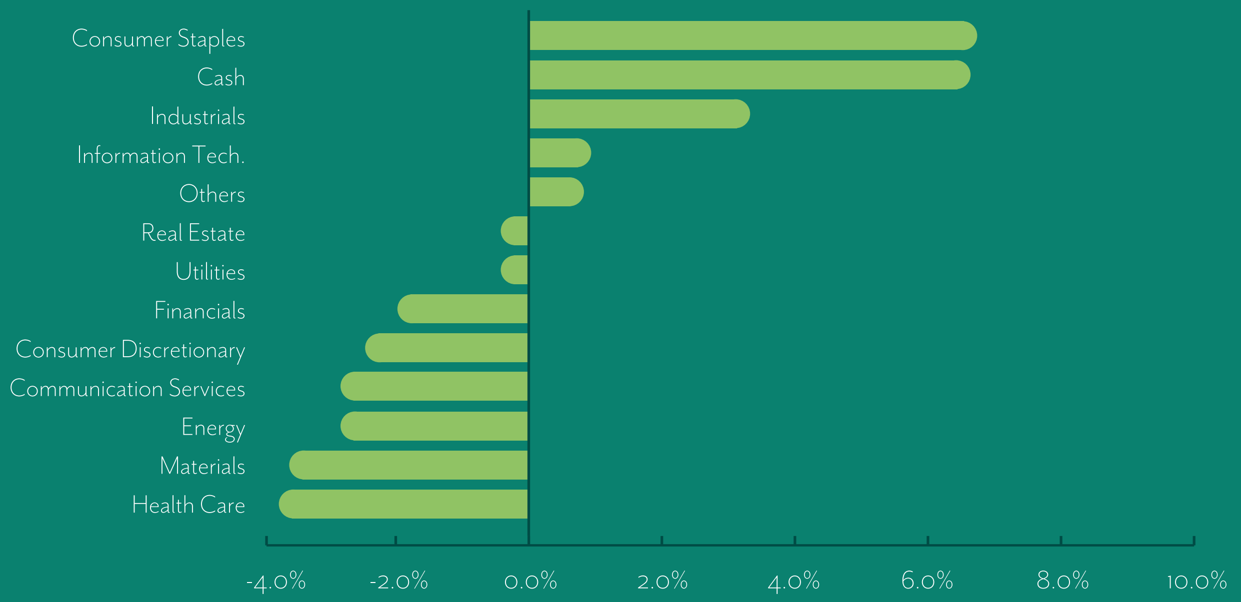
Further information on LCPF Public Equities is provided in the charts below.

LCPF Public Equities – Manager composition as at 31 March 2021

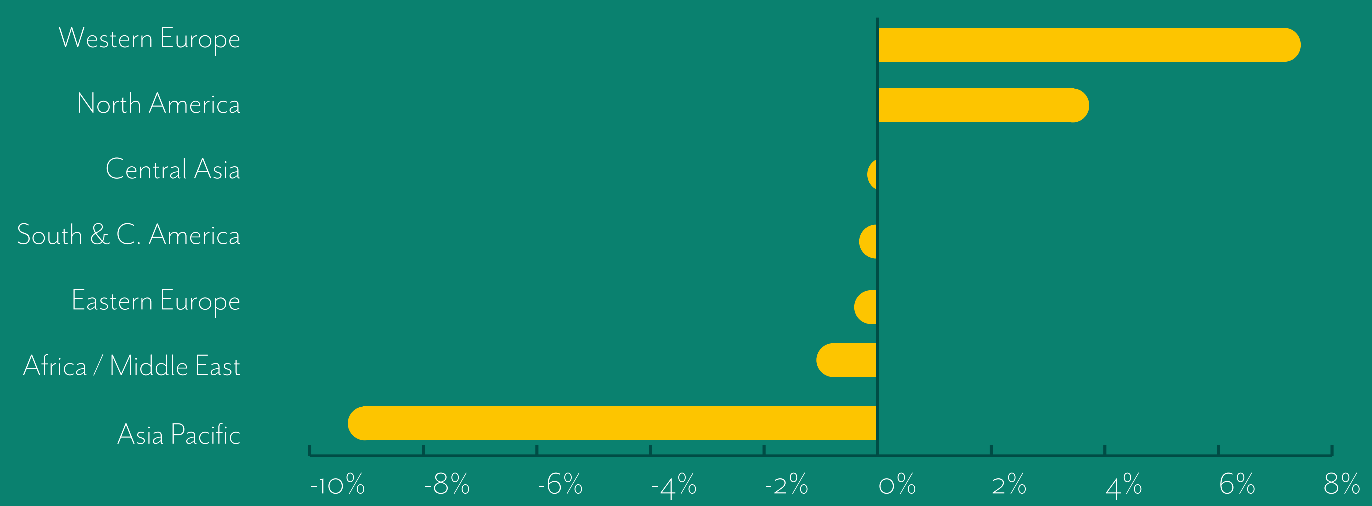


F

LCPF Public Equities – Sector weights v MSCI ACWI as at 31 March 2021



LCPF Public Equities – Regional weights v MSCI ACWI[1] as at 31 March 2021



[1] MSCI/ACWI – Morgan Stanley Capital International/All Country World Index

Fixed Income

Fixed income broadly refers to those types of assets that pay investors fixed interest or dividend payments until a maturity date, including government and company lending. LPPI's Fixed Income Fund (FIF) investment strategy continues to consist of two complementary managers, both are credit-focused with a bias towards higher-quality investment grade debt.

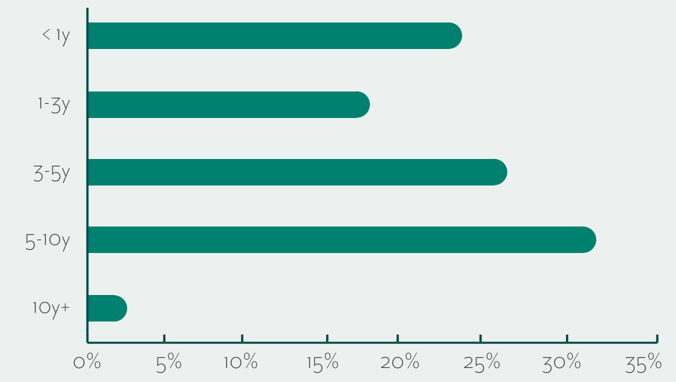
The twelve months to 31st March 2021 were dominated by the theme of recovery from the pandemic – reflected in the strong rebound of capital markets, supported by unprecedented stimulus from central banks and other authorities. Against this backdrop both risk (equities and credit) and safe-haven (government bonds) assets performed well in 2020, experiencing a pronounced rebound up until July, from the market lows seen at the end of March 2020, and rising more steadily until the end of the year.

The FIF benefited from the credit market recovery primarily due to its exposure to corporate bonds across both the investment grade and high yield debt markets. Spreads (the difference in yields between less-risky government bonds and riskier bonds) on a range of credits and securitised products declined back towards levels prior to the onset of the pandemic (responding to a rise in price).

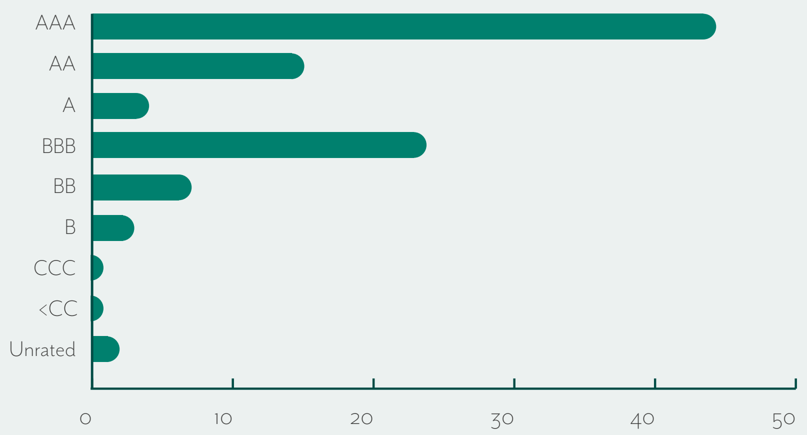
Over the reporting period, the FIF returned +10.0% against the benchmark return of +1.1%. Both managers generated strong returns with performance led by the +11.4% return of Wellington. The FIF's low duration / interest rate risk exposure was advantageous as yields moved sharply higher over 2021, which would have otherwise detracted from performance (yields and prices move in opposite directions).

On the following page are three charts, exhibiting the FIF's aggregate positioning as at 31st March 2021. Please note that individual exposures may not total 100% due to derivative contract positions (these are primarily used by the FIF to express views on the direction of a bond's price).

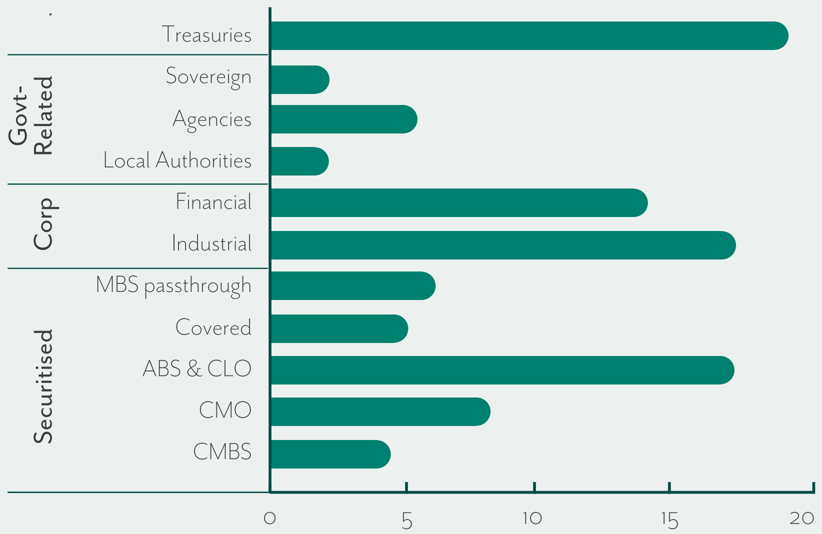
LCPF Fixed Income – Holdings maturity as at 31 March 2021



LCPF Fixed Income – Holdings by credit rating as at 31 March 2021



LCPF Fixed Income – Holdings sector exposure as at 31 March 2021



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 offers a higher return and risk profile. This comes from generally investing in smaller companies with higher leverage and hence higher growth expectations. Private Equity also has lower liquidity – a 10-year fund life is common – which is also compensated through typically higher returns. Private equity investments are held through a variety of closed-ended limited partnerships and managed by a diverse collection of managers who, in turn, cover a variety of strategies and geographic areas. The Fund's exposure to Private Equity is being gradually reduced in line with the Fund's long-term strategy.

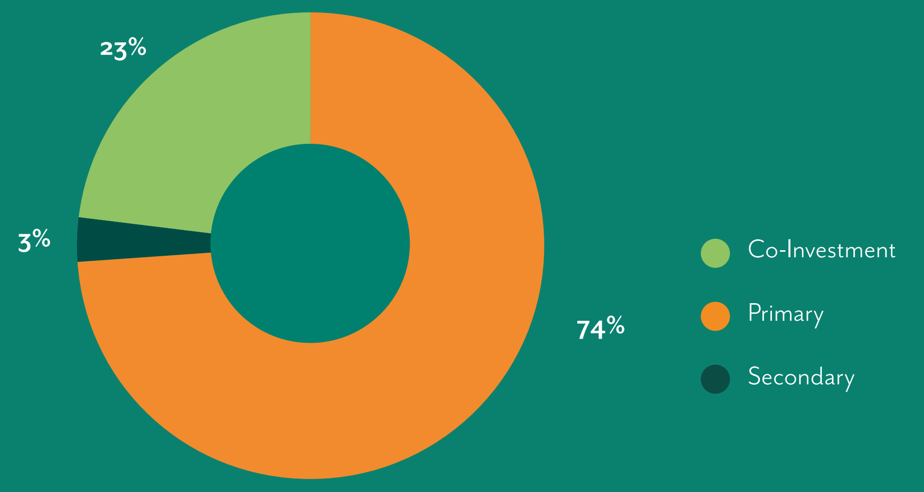
With long-term investment periods, performance is generally best viewed over equally long horizons. Supported by a well-diversified allocation to many top-quartile performing managers, the Fund's Private Equity portfolio has generated double-digit returns since inception and exceeded its benchmark return.

Over the shorter one-year horizon, the Fund's Private Equity portfolio posted a gain of +5.5% with a number of underlying managers posting returns in excess of 30%. Performance, however, lagged its public equity benchmark. Due to the nature of Private Equity investments, the process of valuing them takes much longer than for a public equity. This delay impacts the extent of the recovery reflected in the performance of the asset class within this report (i.e. the one-year Private Equity performance figure includes the market fall in Q1 2020). Public Equity benchmarks are refreshed far more regularly.

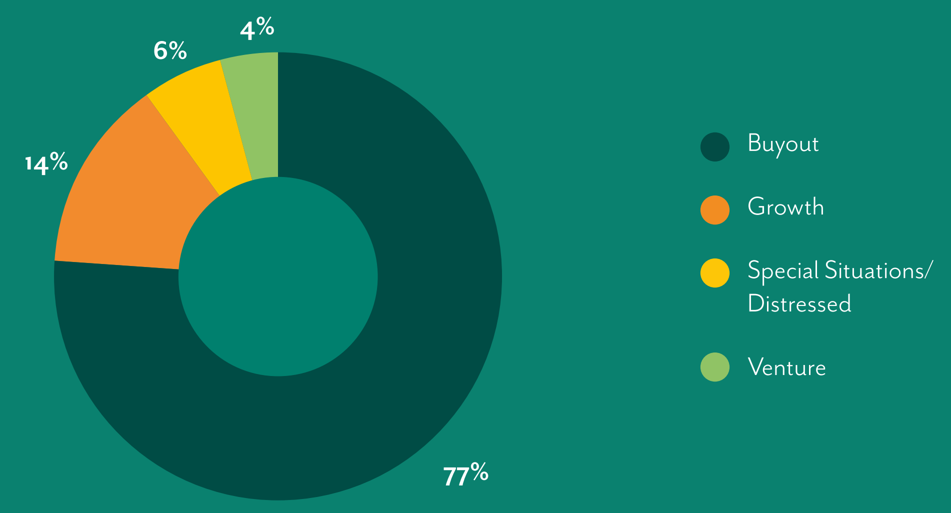
While COVID-19's impact on Private Equity valuations was muted, the same could not be said for completed transactions, which shrank considerably relative to prior years. Meanwhile, the committed capital yet to be deployed continues to increase and has grown by 22% since December 2019 in North America and Europe, reflecting a very competitive market environment with elevated pricing and scarcer opportunities. Against this backdrop, the Fund's capital continues to be prudently deployed while also reducing the overall rate of commitment to new private equity funds in line with the Fund's strategic asset allocation. This has been gradually achieved in a carefully, managed approach that ensures diversification of opportunity and manager relationships are maintained.

Further information on LCPF Private Equities is provided in the charts opposite.

LCPF Private Equity – Investment strategy breakdown as at 31 March 2021



LCPF Private Equity – Investment type breakdown as at 31 March 2021



Primary: Denotes investments made directly within a newly launched company or fund.

Secondary: Denotes investment made within existing private equity opportunities, companies or funds.

Co-investment: Denotes investing alongside other investors in the same opportunity.

F

Real Estate

Real Estate plays a strategically important role within the Fund's overall investment portfolio, both because of its diversification benefits as well as the rental income generated that is used to fund member benefits without the need to liquidate other investments.

The majority of the Fund's Real Estate portfolio is invested in the LPPI Real Estate Fund ('REF') and during the financial year further on-balance sheet real estate investment (i.e. investments held by the Fund outside of the REF) were transitioned into the REF. The REF consists of a portfolio of directly held properties managed by Knight Frank Investment Management and a collection of external managers. The Fund has retained direct ownership of – outside of the REF - its National and County portfolio managed by Knight Frank Investment Management.

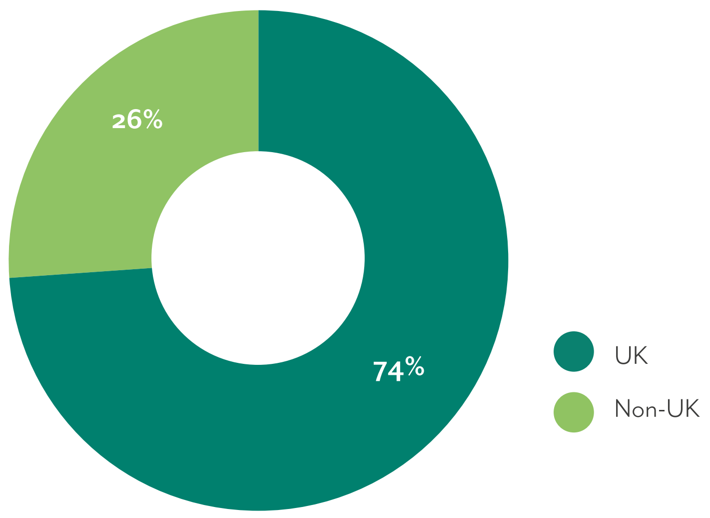
Given the long-term nature of real estate investments, performance is best assessed over longer time horizons. Over three-year and five-year periods, the Fund's Real Estate portfolio has produced strong absolute and relative performance. Against a challenging market environment due to lockdowns and lower rents received, the Fund's overall portfolio returned of -0.1% in the twelve months to 31st March 2021 (outperforming the benchmark return of -2.0%). The REF returned -0.7% over the same period while the Fund's Local and National property portfolios returned +2.1% and +4.1% respectively.

At a sector level, the REF has a positive bias to the office and industrial sectors and relative underweight positioning in retail properties compared to the MSCI UK Quarterly Property Index benchmark, which has helped to protect the portfolio against capital loss over the year. Areas within the Retail sector (high street stores and shopping centres) have underperformed due to sector challenges, as online shopping grows, which has been exacerbated by the effects of the pandemic. In contrast, Industrial and residential assets continue to perform well, benefiting from ongoing shifts in consumer habits to online shopping and favourable demographic trends.

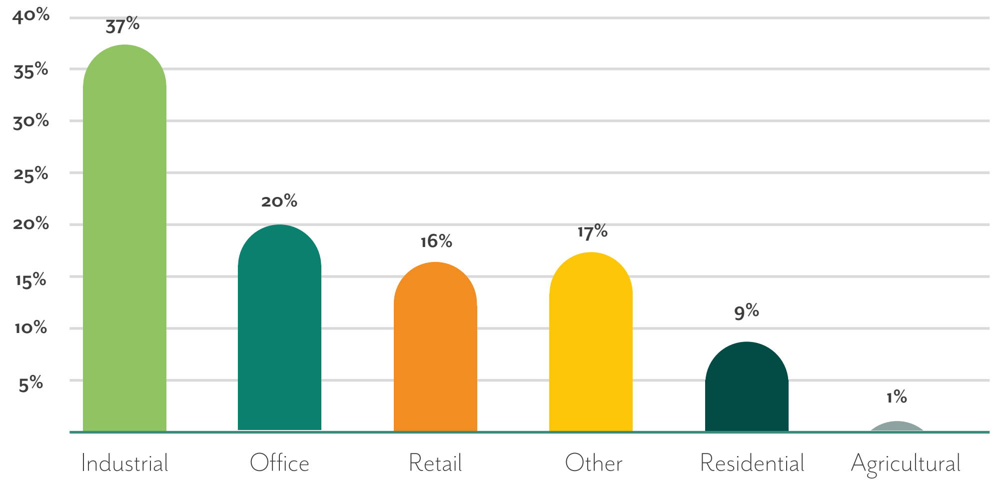
Global rent and service charge collection rates continue to be suppressed due to the pandemic's impact and particularly in the UK where a moratorium on pursuing commercial rent arrears was implemented by the UK Government. Despite the challenging environment, the direct UK portfolio within the REF saw rent collection rates outperform the wider market demonstrating the quality of assets and supportive asset management initiatives; i.e. reducing rents in exchange for a longer lease.

Further information on LCPF Real Estate is provided in the charts opposite

LCPF Real Estate – Geographical breakdown as at 31 March 2021



LCPF Real Estate – Sector breakdown as at 31 March 2021



F

Infrastructure

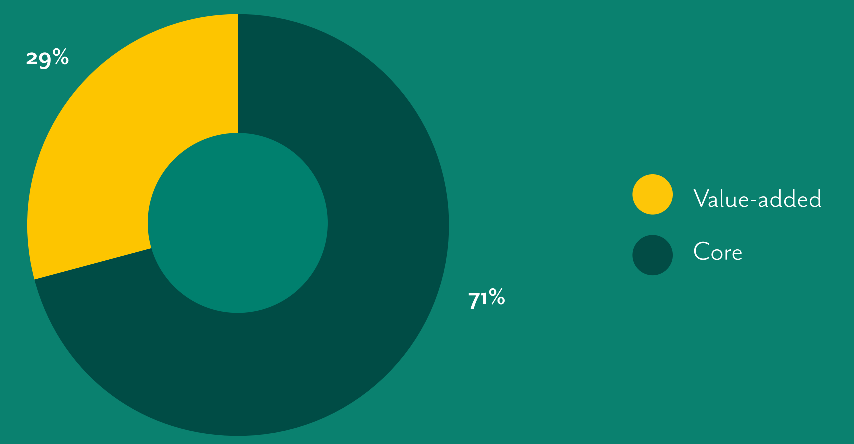
Examples of infrastructure assets are energy generation (gas, electricity and renewable), transport and health care / hospitals. Infrastructure typically offers long-term returns that are aligned to the Fund's investment objectives whilst also providing portfolio diversification and broadly resilient cashflows with a degree of inflation linkage. The majority of the Fund's infrastructure exposure is through LPPI's Global Infrastructure Fund ("GIF"). This comprises allocations to a variety of global infrastructure funds, and direct investment projects.

A key component of the GIF is GLIL Global Infrastructure Platform (GLIL), an infrastructure platform designed to fully align the interests of a number of pension fund investors within Local Government who wish to benefit from the very long-term investment opportunities in infrastructure investing. Through GLIL, the Fund now owns interests in various core infrastructure assets in the UK, including investments in wind-powered electricity generation, water assets, rail rolling stock and ports.

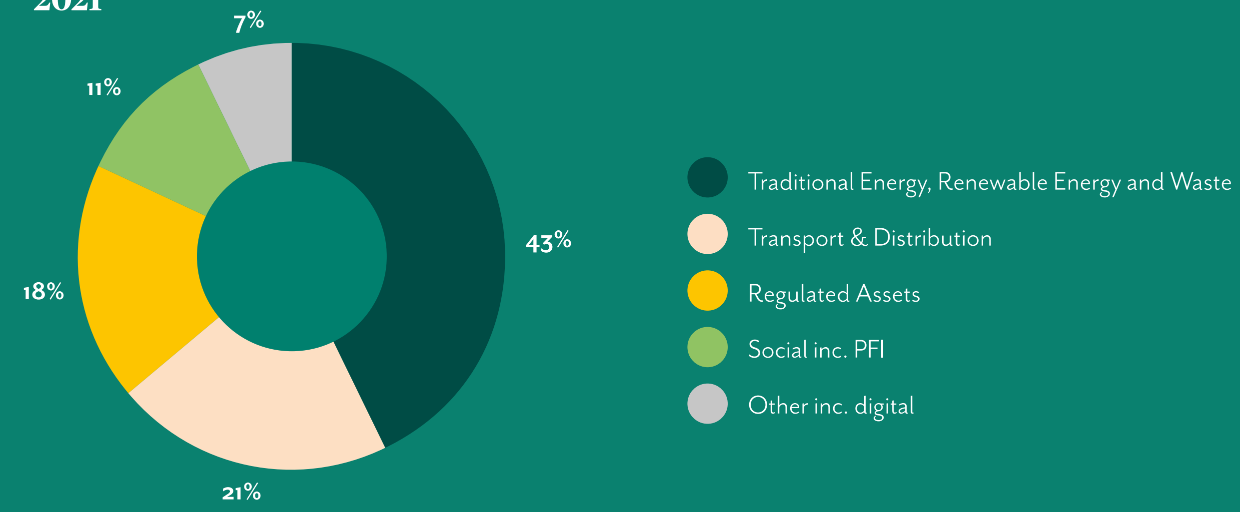
The Fund's infrastructure portfolio delivered a marginal loss (-0.2%) over the twelve-month period. The GIF positive return of +2.3% was offset by losses generated by the Fund's on-balance sheet energy-related investments which were adversely impacted by the fall in oil prices over the period. The modest gain for the GIF reflects the defensive nature of many of the assets held throughout a challenging year.

Capital continued to be deployed by the GIF over the year with c.£270m being directed into new investments. Most recently there have been co-investments alongside one of the GIF's fund managers (covering road transport and digital infrastructure assets), as well as the addition of holdings in UK rail transport through an investment in the Intercity Express Programme East. The latter was established to replace the UK's ageing fleet of intercity trains, providing a new generation of highly reliable and efficient trains for the East Coast Main Line.

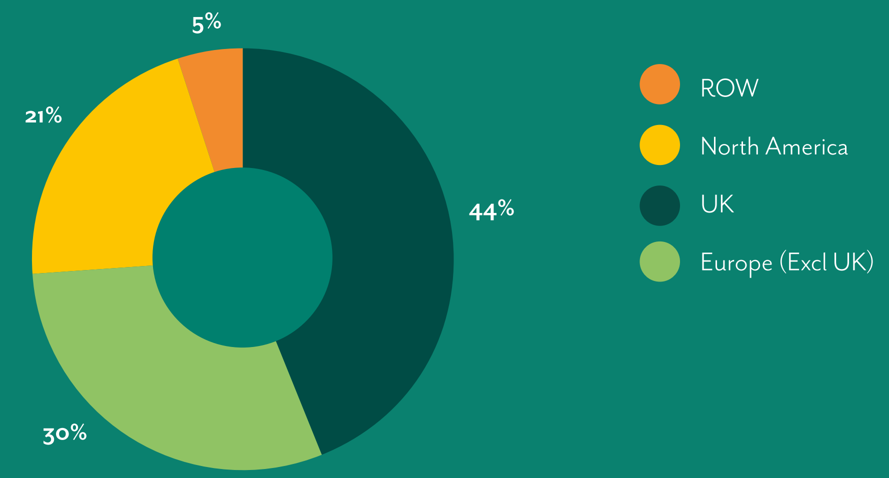
LCPF Infrastructure – Strategy breakdown as at 31 March 2021



LCPF Infrastructure – Geographical breakdown as at 31 March 2021



LCPF Infrastructure – Sector breakdown as at 31 March 2021



Core: assets / strategies that have long-term stable cash flows and have low operational or development risk.

Value Added: Assets / strategies that require enhancements in order to increase demand for the asset and its revenue generation.

Credit

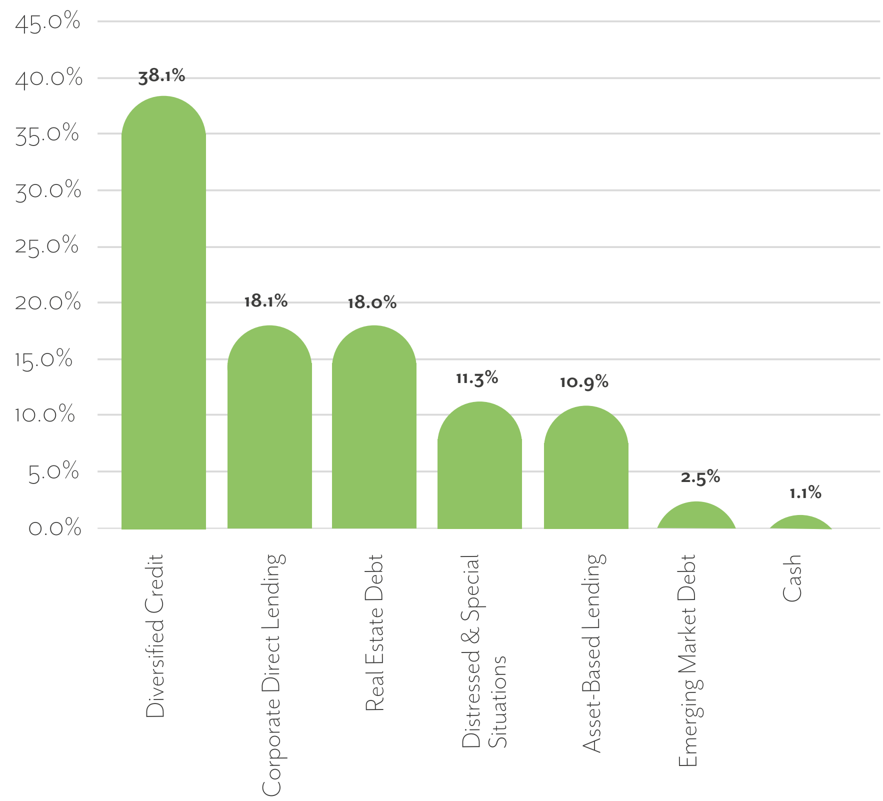
Credit as an asset class refers to company lending and accepting the debt of issuing companies with a view to benefiting from favourable repayment strategies. Examples include private lending to companies, bonds issued by emerging market governments / companies and loans underpinned by real estate assets. LPPI's Global Credit Fund (GCF) comprises the majority of the Fund's credit exposure. The GCF invests in a range of credit-linked assets globally across the spectrum of credit qualities. Credit exposure is predominantly in illiquid investments which are typically held to maturity. The income generated from the GCF is a material source of cash that can be used to meet benefit payments.

The Fund's Credit portfolio returned 0.8% in the year to 31 March 2021 with the GCF' return of 3.9% over the same period being mostly offset by losses posted by a few of the Fund's on-balance sheet credit investments. The credit portfolio's performance lagged the benchmark return of 15.4%, principally due to the lag in quarterly valuations.

As a result of last year's market drawdown caused by the COVID-19 crisis, there were an abundance of opportunities at attractive pricing. The GCF took advantage of the market dislocation with faster deployment of capital into investments made at depressed prices. Among the underlying strategies within the GCF, the allocation to Diversified Credit strategies outperformed. Dorchester Capital and Napier Park (managers deploying capital across a range of public and private market opportunities), which were both added to the portfolio towards the beginning of the financial year, have been standout performers. Albacore – a direct lending manager – was able to source opportunities at attractive pricing and made strong gains over the period. However, the GCF's exposure to distressed and special situations managers detracted from returns. The distressed strategies allocation was previously one of the larger components of the GCF but has reduced in size since 2019 due to the GCF's reorientation towards higher quality credits as well as debt that is secured against assets – both of which have performed well.

Aside from individual manager performance, sterling's appreciation against the US Dollar slightly offset gains made by the GCF. Over the year, LPPI approved plans to partially remove the impact of currency fluctuations through a hedging programme which will be completed by mid-2021. On a related note, the GCF reduced its exposure to interest rate risk amid government bond yields reaching near historic low levels. The GCF transferred its liquid diversified credit strategy to an equivalent fund which has minimal sensitivity to movements in interest rates, thereby reducing risk within the portfolio. Moreover, the GCF is also positioned to benefit from potentially higher interest rates through its exposure to floating rate debt.

LCPF Credit – Investment type breakdown as at 31 March 2021



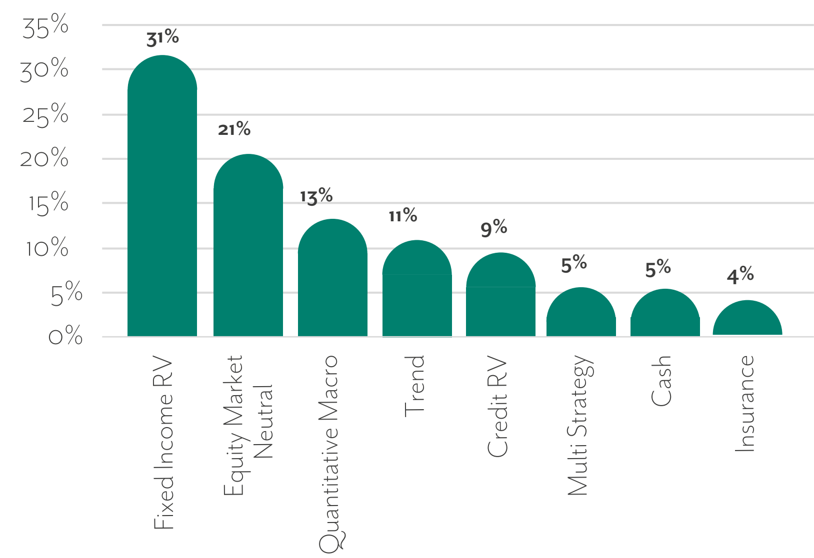
Diversifying strategies

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

In the year to 31st March 2021, the DSF returned 5.0%, lagging the benchmark return of 18.2%. With a mandate to deliver a complementary source of return, the DSF has a lower exposure to equity markets generally but also relative to its benchmark. As public equity markets rallied strongly over the year the DSF did not participate to the same extent in the market recovery, although it did post a positive return. Over the year, the DSF's allocation to Relative Value managers (strategies that seek to benefit from the relative movement in prices of related securities) contributed most to performance with particularly strong returns from the Credit Relative Value manager which was also added to over the period. One of the Fund's macro-based managers particularly underperformed with outsized losses dragging on performance.

There were no significant changes to the DSF over the year.

LCPF Diversifying Strategies – strategy type breakdown as at 31 March 2021



* Quantitative Macro strategies use rules-based trading models (utilising statistical techniques and quantitative research) to invest across a range of asset classes

Responsible Investment Approach

LCPF 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 a focus on identifying and understanding investment risks to improve risk-adjusted returns over the long term.

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. 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.

Ensuring Transparency

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 7 to this Annual Report.

A detailed review of the Fund's approach to RI was undertaken during 2018 and an updated RI policy adopted in November 2018. 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 9 to this Annual Report. The Fund is due to review the RI Policy in 2021.

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

Responsible investment priorities

Our RI Policy identifies corporate governance and climate change as specific priorities for us as a responsible asset owner.

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.

Our investee companies have faced significant challenges connected to the global pandemic during 2020-21. We believe RI (an approach which routinely incorporates the integration of material ESG considerations) has contributed to our portfolio's resilience to the disruption and dislocations COVID-19 has caused. Well managed organisations with effective corporate governance systems generally have a greater capacity for creative problem-solving and operational agility which helps them maintain competitive edge.

COVID-19 has emphasised the importance of people (as consumers, as community, and as critical workforce) and highlighted broader inequalities and imbalances which stifle sustainable progress. LPPI has been actively advocating for a just recovery from COVID-19 focussed on creating quality employment and building a more sustainable, inclusive, and resilient economy for the future. Calling on governments to ensure fiscal stimulus and COVID-19 recovery programmes to address wider social issues is aligned with our core purpose to invest for strong risk-adjusted returns over the long-term.

LCPF recognises climate change as a systemic risk and a long-term investment concern posing material risks across all asset classes with the potential for loss of value including via stranded assets. Understanding and managing the risks faced from climate change is a core priority. We are working with LPPI to gain a better understanding of the risks our portfolio faces and to ensure climate change considerations feature within investment decision-making.

Our objective is to secure the investment returns needed to pay pension benefits and this involves considering whether current and prospective investments face value risk from climate change and the stages of the shift towards a more environmentally sustainable global economy.

Applying high standards

We use two main external benchmarks to ensure that we are applying best practice – the UK Stewardship Code and Principles for Responsible Investment.

The UK Stewardship Code sets clear standards for effective stewardship by asset owners. The Financial Reporting Council defines stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. Both LCPF and LPPI, are signatories to the UK Stewardship Code 2012 and ranked Tier 1 (highest) by the Financial Reporting Council (FRC) for arrangements ensuring the effective stewardship of our investment portfolio.

A revised UK Stewardship Code (2020) has replaced the 2012 Code for reporting from January 2021. The 2020 code implements requirements under the Shareholder Rights Directive II and sets a higher bar and broader scope for stewardship activities. The Funds alignment with the new standard will predominantly come through LPPI's activities and reporting against the 2020 Code on stewardship activities for the partnership. LPPI is due to report under the new Code for the first time in late 2021.

The Principles for Responsible Investment (PRI) are a global standard for responsible investment. Our portfolio is managed under arrangements which comply with the 6 PRI principles, to which LPPI is a signatory. LPPI has submitted detailed reporting to the PRI annually since becoming a PRI signatory (most recently in April 2021) and Transparency Reports are accessible from the PRI website describing arrangements in place and giving detailed examples of good practice.

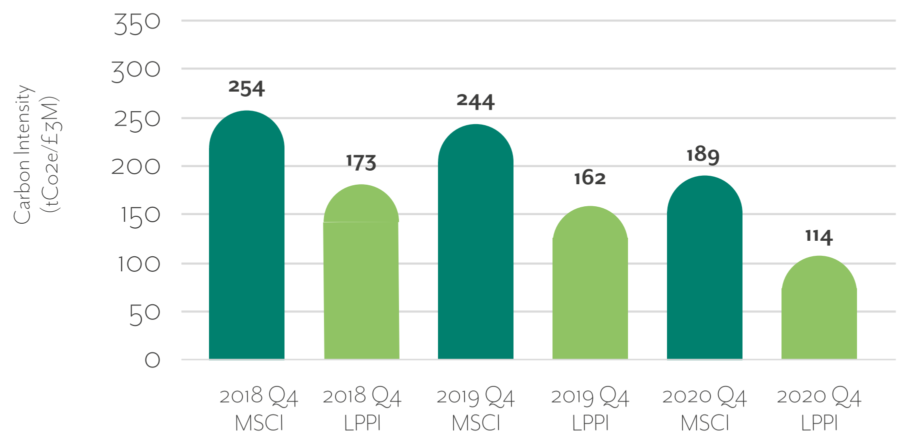
LPP's website is a broader source of information on RI arrangements in place and shares various examples of stewardship activities, including an Annual Report on

Responsible Investment.

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

The carbon footprint of the GEF is measured annually. At 31 December 2020 carbon intensity was well below that of the Fund's benchmark (MSCI ACWI) and had declined compared with the same measure in 2019. The graph below shows the trend using a revenue measure (gross carbon emissions divided by total revenues for companies in the LPPI Global Equities Fund) for scope 1 and 2 emissions.

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



F

Collaboration

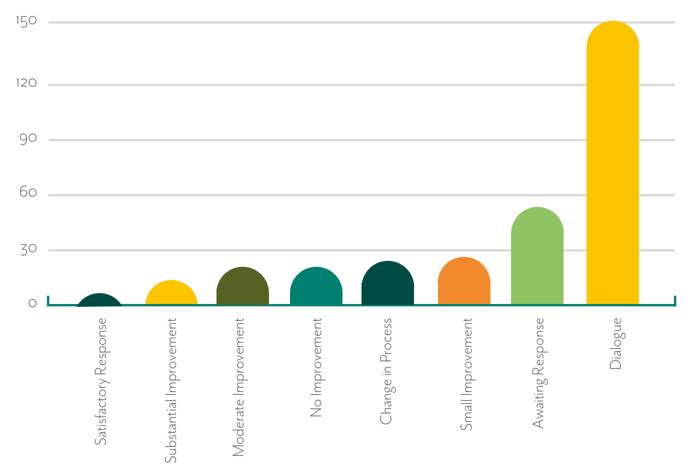
The Fund prioritises working in partnership with like-minded investors to share information and ideas and build influence. We favour collaborative partnerships that build a collective and clear ownership voice capable of gaining the attention of companies. One of our key partners is the Local Authority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

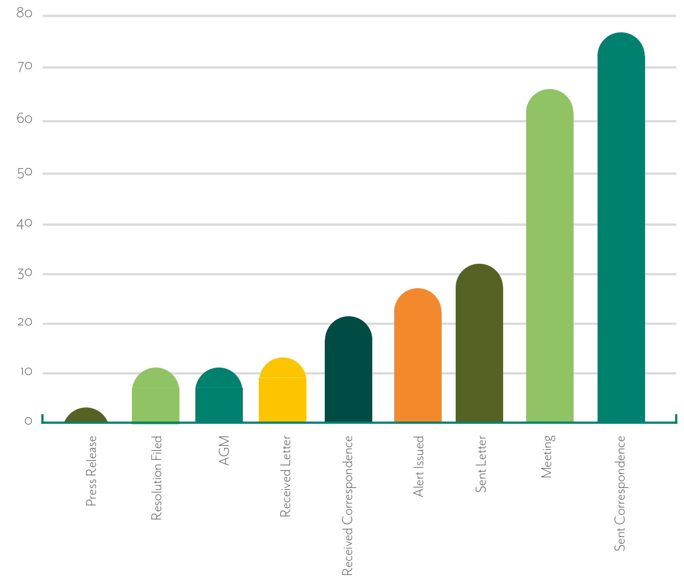
Over the last 12 months, the Fund was represented by LAPFF across the range of activities which are briefly summarised in the tables below (taken from LAPFF's Annual Report 2020).

Local Authority Pension Fund Forum – Annual engagement statistics 2020:

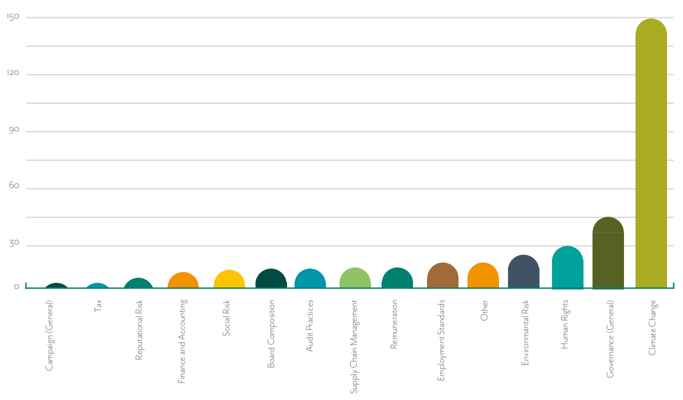
Meeting Engagement Outcomes



Activity



Topic



For more information on LAPFF and its activities please visit http://www.lapfforum.org/

Responsible Investment Examples

Examples of Stewardship Activity

Policy Advocacy on Coronavirus Response

During the pandemic, LPPI has taken active steps to publicly communicate a clear and responsible stance on COVID-19 focussed on safeguarding employees and prioritising resilience and recovery.

Advocacy supportive of a sustainable recovery from COVID-19 has included:

- Signing an Investor Statement on Coronavirus Response which encouraged management teams and boards of directors to support and protect workers.
- Signing a letter to the Prime Minister conveying strong support for a recovery plan from the UK Government which builds a more sustainable, inclusive, and resilient UK economy for the future
- Signing an open letter to EU leaders urging planning for a sustainable recovery from COVID-19 which
  - o prioritises human relief and job creation without locking in high carbon pathways.
  - o supports the Paris Agreement and addresses climate risk by prioritising climate resiliency and net zero emissions within economic solutions.

Positive Social Outcomes

Our investment portfolio includes numerous examples of assets which provide infrastructure, services and products that are delivering positive social outcomes.

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.

Examples of direct investment

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

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.

Student Accommodation

St Leonards House, Lancaster

Redevelopment of disused listed building, former furniture factory of renowned manufacturer Waring & Gillow, remodelled as 180-bed student accommodation, situated in Lancaster city centre. The property is situated close to many amenities, and the mainline train station is only 8 minutes' walk, which is convenient for students and their visitors travelling to Lancaster by train.

Supermarket

Booths, Lytham St Annes

Part of the redevelopment of a former Department for Work and Pensions site, the building opended as a Booths store in 2015. The site (38,000 sq.ft) was acquired for the County Portfolio in May 2020 and houses a North-west company which provides employment, supports local businesses, supplies regional produce, and directly serves the local community.

50 direct commercial properties in the UK (industrial, office, and retail). Tenant businesses provide goods, services and emplyment opportunities.

High standards for sustainability

- Minimum standards for the construction and refurbishment (BREEAM very good or excellent) (Building Research Establishment Environment Assessment Method).
- A flood risk threshold below 0.1% (a 1 in 1000 chance of flooding each year as assessed by the Environment Agency).
- Properties are assessed for their suitability for the installation of photovoltaic panels.
- A rolling program of works to increase the Energy Performance Ratings of buildings to a minimum of EPC B by 2030

18 sites have roof mounted solar PV installations currently

1,196,500 A generation capacity (at peak) (kW)

1,075,384 Energy generated annually (kWh)

Sufficient to power **371** UK households for a year

Shareholder Voting

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

In the 12-months from April 2020 to March 2021 LPPI voted at 574 company meetings on 6,762 separate resolutions as follows:

Against	Theme	For
249	Election of Directors (and related proposals)	3,584
112	Non-Salary Compensation	594
1	Anti-takeover (and related proposals)	52
9	Mergers, acquisitions, and reorganisations	124
66	Capitalisation	476
65	Routine business	1,227
70	Shareholder proposals	133
572	**Total**	**6,190**

During the financial year ended 31 March 2021, LPPI voted

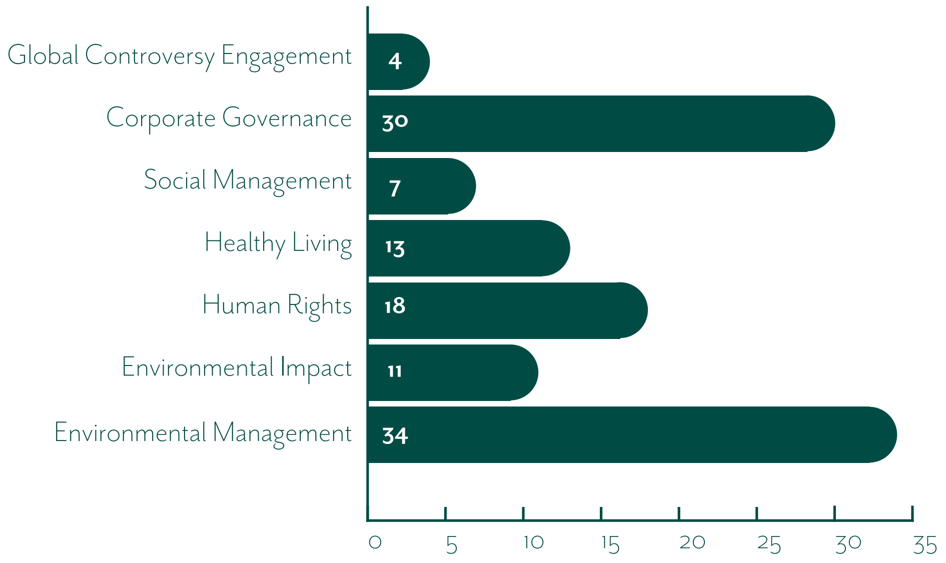
- against 15% of management resolutions and in support on 44% of shareholder proposals on remuneration,
- in support of 89% of shareholder proposals on human rights issues
- in support of 50% of shareholder proposals related to gender and/or racial diversity (requesting clear targets or specific information to be reported)
- in support of 100% of shareholder proposals on the health impact of products (e.g. sugar, antibiotics)
- in support of 100% of shareholder proposals on climate change where the majority of proposals sought greater information on how companies are managing risk.

Examples of Shareholder engagement

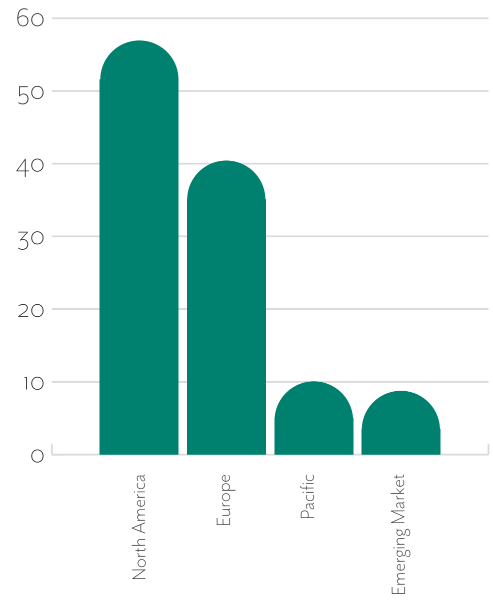
To increase the resources focussed on engaging with and influencing public companies (listed equities and corporate fixed income) LPPI appointed an engagement services partner – Robeco - at the beginning of 2020. Robeco undertake direct engagement with investee companies as part of a planned programme of thematic engagements targeting material environmental, social and governance 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 2020/21 where 117 engagement cases undertaken by Robeco involved 440 engagement activities. COVID-19 placed practical constraints on meeting directly with companies in 2020/21 and required virtual methods to support the commencement and continuation of dialogue on priority themes.

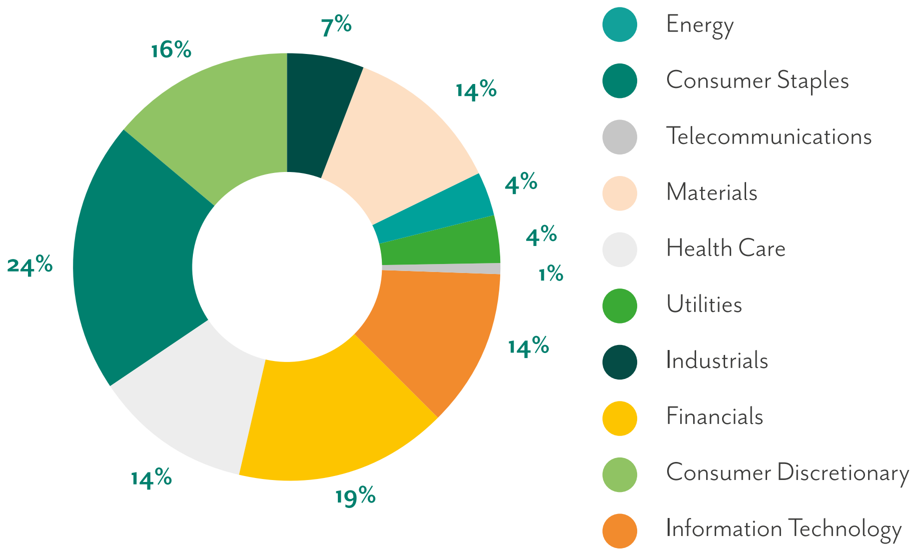
Activity by Focus Topic



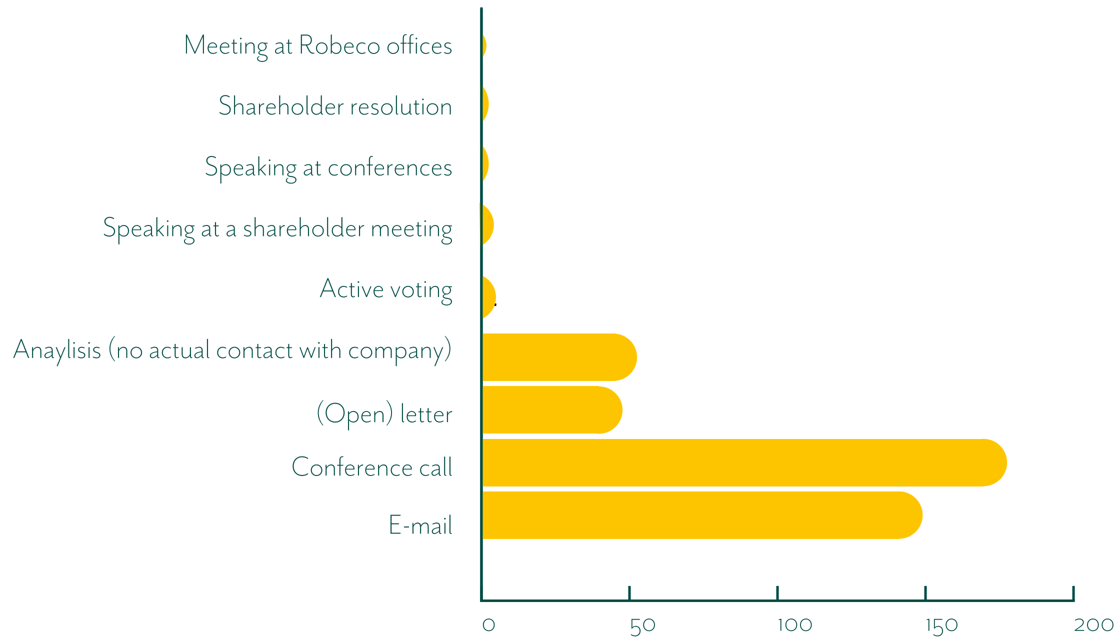
Activity by Region



Activity by Sector



Activity by Method



G

Asset pools

The below table shows the costs to LCPF of setting up both the pooling company, Local Pension Partnership Investments Ltd (LPPI), as well as the individual pooling vehicles.

Pool set up and investment transition costs by year

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Set up costs							
Legal	–	0.1	0.1	0.3	–	0.3	–
Professional fees	–	0.1	0.1	0.3	–	0.1	–
Other support costs	–	–	–	0.1	–	0.4	–
Total	**–**	**0.2**	**0.2**	**0.7**	**–**	**0.8**	**–**
Transition costs	**–**	**–**	**2.0**	**0.3**	**–**	**–**	**–**

Pool set up and investment transition costs by type of expense

	Current Year			
	Direct	Indirect	Total	Cumulative
	£m	£m	£m	£m
Set up costs				
Legal fees	–	–	–	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 previously fees may have been lower as they may have been netted off against the change in market value. This is consistent with current recommended practice.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Set up costs	–	0.2	0.2	0.7	–	0.8	–
Transition costs	–	–	2	0.3	–	–	–
Fee savings	–	–	(0.6)	0.4	(9.1)	(8.1)	(12.1)
Net saving realised	**–**	**0.2**	**1.6**	**1.4**	**(9.1)**	**(7.3)**	**(12.1)**

Ongoing investment management costs 2020/21

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 following table summarises investment management costs for 2020/21. It has been compiled from cost transparency templates completed by each of the Fund's investment managers.

The investment expenses are split between those held within LPPI investment pooling vehicles and those non-pooled assets held directly by the Fund.

	LPPI pooled assets			Non pooled assets			Fund total
	Direct	Indirect	Total	Direct	Indirect	Total	
	£m	£m	£m	£m	£m	£m	£m
Management fees	46.4	–	46.4	5.2	–	5.2	51.6
Performance	62.9	–	62.9	5.7	–	5.7	68.6
Transaction costs	3.0	0.5	3.5	2.7	–	2.7	6.2
Custody	–	–	–	0.1	–	0.1	0.1
Administration	–	7.6	7.6	–	2.1	2.1	9.7
Borrowing and arrangement fees	–	1.1	1.1	–	–	–	1.1
Distribution, comms and client service	–	0	0	–	–	–	0
Governance, Regulation and Compliance	–	6.3	6.3	–	0.6	0.6	6.9
Property expenses	–	2.8	2.8	–	4.5	4.5	7.3
Total	**112.3**	**18.3**	**130.6**	**13.7**	**7.2**	**20.9**	**151.5**

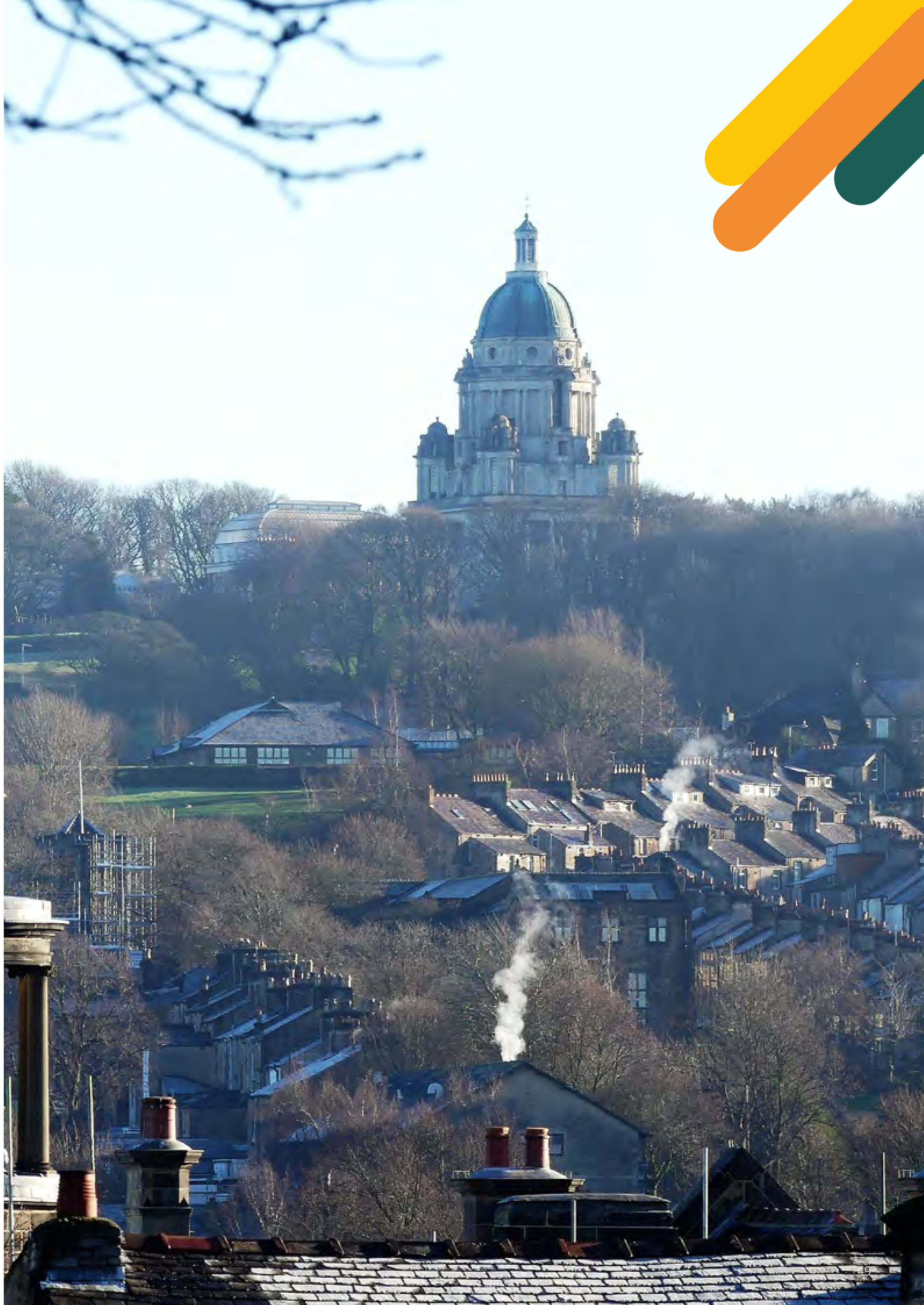
The Fund's assets have increased in value during the year and the benefits of asset pooling have contributed to further savings in investment management fees. Direct costs across both LPPI pooled and non-pooled assets, which includes performance fees and transaction costs, are higher compared to the previous year, with an increase in performance fees of £51.1m, triggered by investment out-performance.

Understanding the relationship between costs, risks and return associated with the pension fund portfolio

A significant part of LCPF's portfolio is invested in alternative / private market asset classes such as real estate, infrastructure and private equity. These asset classes are unable to be managed passively due to their lack of liquidity and active management (undertaking operational improvements, for example) is a key driver of returns. In exchange for a greater involvement within the investment selection and management process, costs can exceed those typically seen within public market investments

Whether an asset falls within the public or private market classification, active management typically requires additional research, diligence, and systems amongst other considerations to facilitate stronger returns. This additional investment in resource should translate through to better long-term risk-adjusted returns. Strong asset performance over the last few years, generated through actively managed assets, has been identified as the principal driver for the improvement in LCPF's funding position at the latest triennial valuation review.

LPPI's Investment Committee oversees all investment managers and assesses the benefits of deploying capital across different asset classes to optimally balance capital growth and capital preservation whilst seeking to provide the best value for LCPF's members.



Accounts of the Fund

Responsibilities for the Statement of Accounts

The responsibilities of the administering authority

The administering authority is required:

- To make arrangements for the proper administration of the financial affairs of the Lancashire County Pension Fund (Pension Fund), and to ensure that an officer has the responsibility for the administration of those affairs. For Lancashire County Council, the respective officer is the Chief Executive and Director of Resources, who is also the Section 151 Officer to the Pension 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 Pension 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 Pension 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 Pension Fund has:

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

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

- Kept proper accounting records which were up to date;
- Taken responsible steps for the prevention and detection of fraud and other irregularities.

The Statement of Accounts relate to the financial year ended 31 March 2021 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

Introduction

LCPF is a Pension Fund within the Local Government Pension Scheme (LGPS) which is a funded pension scheme created under the terms of the Superannuation Act 1972. LCC is the body appointed under statute to act as the Administering Authority for the Fund. While the Fund is technically not a separate legal entity it does have its own specific governance arrangements and controls which sit within LCC's overall governance framework. Ensuring that the Fund has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority (Lancashire County Council).

At 31 March 2021 the LCPF provides a means of pension saving and retirement security for 177,799 members across 313 organisations with active members and a range of other organisations with only deferred or pensioner members.

The Pension Fund's Responsibilities

The Fund is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that what is, in effect, scheme members' money is safeguarded and properly accounted for. The Fund has a responsibility under local government legislation to make arrangements which secure continuous improvement in the way in which its functions are delivered.

In discharging this overall responsibility, the Fund is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions including arrangements for the management of risk.

The Fund has adopted its own Governance Policy Statement in line with the relevant regulations concerning the governance of funds within the LGPS. This statement has regard to relevant standards such as the Myners' principles. The Governance Policy Statement – which was updated in January 2021 - is available through the following link appendix-a.pdf (lancashirecountypensionfund.org.uk)

In addition, the operation of the Fund is subject to LCC'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 defines the seven core principles that should underpin the governance of each local authority namely:

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- Ensuring openness and comprehensive stakeholder engagement;
- Defining outcomes in terms of sustainable economic, social and environmental benefits;
- Determining the interventions necessary to optimise the achievement of the intended outcomes;
- Developing the Fund's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

This statement sets out both how the Fund has complied with its own Governance Policy Statement and LCC's Code of Corporate Governance.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Fund is directed and controlled and the activities through which it engages with and informs stakeholders, including both fund members and employers. It enables the Fund to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective outcomes.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot, particularly in the investment context, eliminate all risk and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Fund's objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This statement reports on the annual review of the governance framework by officers which confirms that the framework has been in place within the Fund for the year ended 31 March 2021.

The Fund's Governance Framework

The key elements of the systems and processes that comprise the Fund's governance framework are:

The identification and communication of the Fund's purpose objectives and intended outcomes to Fund members and employers.

The Fund has clear objectives as outlined in the funding strategy statement and other strategy documents. It has an established planning process focussed around the triennial actuarial review. The Fund has a communication strategy which keeps both Members and employing bodies informed on funding position, strategy and other developments. This is supported by the role of the Lancashire Local Pension Board (LLPB).

Review of the Fund's objectives and intended outcomes and implications for the Fund's governance arrangements

The Pension Fund Committee is responsible for establishing the strategic objectives of the Fund through a rolling three-year Strategic Plan and for monitoring the progress on the delivery of the strategic objectives. In addition, periodic reviews of strategy statements and policies are undertaken.

The Head of Fund reviews new and proposed legislation and the results of activities such as the triennial valuation on an ongoing basis and proposes any necessary changes either to objectives and outcomes or the governance arrangements to the Pension Fund Committee.

All reports considered by the Pension Fund Committee identify the key risks involved in any proposed decision and the nature of mitigation, together with any legal or other issues that might arise.

Measurement of the quality of services provided to Fund members and employers, ensuring they are delivered in line with the Fund's objectives and ensuring that they represent the best use of resources and value for money.

The Pension Fund Committee has approved a strategic plan for the Fund setting out specific objectives in relation to the four dimensions of the running of a pension fund – governance, asset and liability management, administration and communication. Many of these functions are now performed under contract by Local Pension Partnership Limited (LPPL). These functions and the overall strategic plan will continue to be monitored by the Head of Fund.

Reports on the performance against Investment Strategy are taken to each meeting of the Pension Fund Committee. This reporting focuses not just on the performance of investments but on the scale of the Fund's liabilities, cashflow and funding level. Asset allocation strategies are as efficient as possible in providing the best returns (net of fees) for the appropriate amount of risk.

The administration service is undertaken by Local Pensions Partnership Administration (LPPA), which is a subsidiary of LPPL. As part of its responsibility for the governance of the Fund the Pension Fund Committee is responsible for overseeing the administration function. To do this the Committee receives a quarterly update report on the performance/activities of LPPA and the Head of Fund meets with representatives of LPPA on a quarterly basis.

Definition and documentation of the roles and responsibilities of those involved in the management of the Fund with clear delegation arrangements and protocols for communication.

Appropriate guidance documents and constitutional documents provide the basis on which the management of the Fund is undertaken. The Terms of Reference of the Pension Fund Committee are set out in Article 7 of the Constitution of the County Council and include matters reserved to Full Council, Employment Committee and Officers (Head of Fund, Director of Corporate Services and the Section 151 Officer). The Investment Panel and the LLPB have separate Terms of Reference which are also set out in Article 7 of the Constitution. This information is also communicated in the LCPF Governance Policy Statement. In addition, agreements are in place covering the provision of services by LPPL and its subsidiaries.

Development communication and embedding codes of conduct, definition of the standards of behaviour for members and staff.

These matters are defined in law and the various codes of conduct and protocols contained within the county council's constitution. Staff are reminded of the requirements of these codes on a regular basis, while specific training in relation to matters such as declarations of interest is provided to elected members following each set of county council elections.

Review of the effectiveness of the Fund's decision-making framework including delegation arrangements.

The Pension Fund Committee reviews governance arrangements, decides on pension functions to be delegated to officers and appoints suitable advisors to the Investment Panel. The interaction between the Pension Fund Committee and the Investment Panel meets the needs of the Fund in terms of effective delivery of the Investment Strategy. This is reflected in specific reporting arrangements in relation to investment activity.

In addition, the Pension Fund Committee conducts an annual appraisal, with the purpose of reviewing and improving its efficiency and effectiveness.

Review and update of standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals which define how decisions are taken and the processes and controls required to manage risks.

At the top level these requirements are set out in the Governance Policy Statement and within the county council's Constitution. These are reviewed on a regular basis.

The management of risk is central to the Fund's activities and the Fund has continued to develop and update its risk register. The risk register is broken down into the following key risk areas:

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

The Coronavirus Global Pandemic presents a major risk to the Fund. Therefore, in addition to the main risk register, the Fund continues to operate a Risk Register solely dedicated to COVID-19.

The risk register is reviewed quarterly to ensure that each risk is effectively managed or reduced and is regularly reported to the Pension Fund Committee and the LLPB.

Fulfilling the core functions of an Audit Committee

The functions of an audit committee for the Fund are performed by LCC's Audit, Risk and Governance Committee.

Ensuring compliance with relevant laws and regulations, internal policies and procedure and that expenditure is lawful

The various LGPS Regulations (covering both the structure and benefits payable by the Fund and the investment of funds) and the Pension Regulator Code of Practice, are key from an operational point of view.

Compliance with the Regulations is ensured by a dedicated in-house team that identify changes to regulations and monitor change using the risk register. LPPA has a Risk & Compliance function to ensure all administration activities comply with the Code of Practice and public sector pensions legislation and use a pension's administration system specifically designed for the LGPS. In addition, the Pension Fund Committee and LLPB have specific roles regarding compliance activities.

The Fund's investments are managed in line with the relevant regulations with independent assurance in relation to compliance provided by either the Fund's or LPPL's custodian. Local Pensions Partnership Investment Limited (LPPI) - the investment arm of LPPL - is a Financial Conduct Authority (FCA) registered company and therefore has to follow strict rules over compliance and has a compliance team which is independent from the investment management function.

The Fund and its officers must also comply with a range of other laws and regulations applicable either to local authorities generally or to any organisation. These are managed through the specific accountabilities of individual managers or through the wider county council's business processes with the Monitoring Officer providing advice on the impact of legislative changes when necessary.

The Fund and its officers must also comply with a range of other laws and regulations applicable either to local authorities generally or to any organisation. These are managed through the specific accountabilities of individual managers or through the wider county council's business processes with the Monitoring Officer providing advice on the impact of legislative changes when necessary.

Whistle blowing and receiving and investigating complaints from the public

The Fund is covered by the county council's whistle blowing policy, the effectiveness of which is reported to the Audit, Risk and Governance Committee annually.

Complaint handling is carried out in line with either the Internal Dispute Resolution Procedure (in relation to complaints by members in relation to the level of benefit awarded) or the county council's complaints procedure (in relation to other matters). These policies are publicly available and the numbers and outcomes of complaints under the Internal Dispute Resolution Procedure are reported annually to LLPB.

Assurance provided by internal audit

Assurance over the Pension Fund is available to the Council from its own Internal Audit Service, and work undertaken by Deloitte for the Local Pension Partnership Limited (LPPL).

Audit work	Assurance
Assurance provided by the county council's Internal Audit Service over the work of the Lancashire County Pension Fund Service	
Recovery of overpayments	Limited
Accounting through the council's general ledger	Substantial
Assurance provided by Local Pensions Partnership Limited own internal auditors (Note that Deloitte disclaims any liability to the county council)	
LPPA	
Benefits administration calculations	Effective
Benefits administration: quality assurance and on hold process review	Effective with scope for improvement
Data quality	Effective
LPPI	
Investment valuations – Phase 1	Ineffective; but all high-risk actions have subsequently been closed
Investments portfolio monitoring	Effective with scope for improvement
Senior manager certification regime (SMCR)	Effective with scope for improvement
Cyber security follow-up	All actions arising have been closed

Identifying the development needs of members and senior officers in relation to their roles and supporting them through appropriate training.

The Training Policy of the LCPF sets out the approach to support the learning/development needs of individuals with responsibility for the strategic direction, governance and oversight of the Fund through their membership of the Pension Fund Committee or the LLPB.

County Councillors undertake training needs analysis linked to the Chartered Institute of Public Finance and Accountancy (CIPFA) Knowledge and Skills Framework. This has resulted in the provision of access to a range of specific reading material and the provision of a programme of learning opportunities targeted at areas of identified need. In addition, prior to major decisions coming before the Pension Fund Committee topic-based training relating to the decision at hand is provided.

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

Establishment of clear channels of communication with all stakeholders ensuring accountability and encouraging open consultation.

The Fund maintains a Communications Policy Statement as part of its policy framework which sets out the way in which the Fund will engage with specific audiences and on what issues. The key channels of communication are:

- Member communications – such as Annual Benefit Statement for active members and newsletters for active, deferred and pensioner members;
- Engagement events – including workshops, conferences and guidance materials provided to employers;
- Fund website - provides information about investments and governance arrangements, as well as all relevant fund publications;
- Member website and portal - which contains transactional capability for members and employers;
- An annual "brief" for Finance Directors of employer organisations providing information on the performance of the Fund and an update on specific issues of interest, such as the triennial valuation;
- The publication of committee papers, minutes and various Annual Reports and policy documents on the internet.

The incorporation of good governance arrangements in respect of partnerships and other group working and reflecting these in the Fund's overall governance arrangements.

The Fund itself has a number of partnerships, which are largely in the form of jointly procured contracts for the provision of services for which suitable governance arrangements are in place. The main arrangement which involves the pension fund is LPPL. 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 contractual form where appropriate or through a form of "service level agreement" where a contract is not appropriate.

The Fund seeks to comply with the principles set out in CIPFA's statement The Role of the Chief Finance Officer in Local Government, and the arrangements within LCC comply with the principles of this statement. The Fund is not a local authority in its own right and therefore the applicability of some elements of the statement within the context of the Fund is limited. The responsibility for fulfilling the county council's functions as administering authority rests with the Head of Fund.

Review of Effectiveness

The Pension Fund Committee is responsible for conducting, an annual review of the effectiveness of its governance framework. This is informed by the work of the Head of Fund, the Head of Internal Audit's Annual Report, and also reports of the external auditor.

The key planned activities of the Fund during 2020/21 were:

- Monitor the impact of COVID-19 with the continued development and monitoring of a separate Risk Register;
- Review and propose any necessary changes to the Investment Strategy Statement following the triennial actuarial review;
- A high level review of LPPL including the consideration of feedback from the balanced scorecard review;
- To assess the work undertaken by LPPA on employer risk. This work is being brought in-house from 1 April 2021.

Actions Planned for 2020/21

The following specific actions are proposed for during 2021/22:

- To develop an employer risk framework and effective in-house employer risk services;
- Planning and preparation work for the 2022 valuation, including engagement with employers;
- Review the governance arrangements of the Fund in light of the implementation of a single code of practice and expected governance response to the Good Governance Project by the Scheme Advisory Board;
- Implementation of the regulations following the McCloud judgement in line with statutory deadlines;
- To undertake a Service Based Review of LPPL and its subsidiaries.

Signed

County Councillor Eddie Pope

Chair of the Pension Fund Committee

Sean Greene

Head of Fund

Lancashire County Pension Fund

Date: 29/11/2021

In association with

Grant Thornton
An instinct for growth™

Independent auditor's report to the members of Lancashire County Council on the pension fund financial statements of Lancashire County Pension Fund

Opinion

We have audited the financial statements of Lancashire County Pension Fund (the 'Pension Fund') administered by Lancashire County Council (the 'Authority') for the year ended 31 March 2021 which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2021 and of the amount and disposition at that date of the fund's assets and liabilities;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Executive and Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Chief Executive and Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Chief Executive and Director of Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

The responsibilities of the Chief Executive and Director of Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Chief Executive and Director of Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

The Chief Executive and Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements, our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. Our opinion on the Pension Fund's financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Pension Fund's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund's financial statements or our knowledge of the Pension Fund obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Pension Fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements and our knowledge of the Pension Fund, the other information published together with the Pension Fund's financial statements in the Statement of Accounts, for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

Responsibilities of the Authority, the Chief Executive and Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Executive and Director of Resources. The Chief Executive and Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Chief Executive and Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Chief Executive and Director of Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Pension Fund will no longer be provided.

The Audit, Risk and Governance Committee is Those Charged with Governance for the Pension Fund. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Public Service Pensions Act 2013, The Local government Pension Scheme Regulations 2013 and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

- We enquired of senior officers and the Audit, Risk and Governance Committee, concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Audit, Risk and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements.

This included the evaluation of the risk of management override of controls and fraudulent financial reporting We determined that the principal risks were in relation to:

- large and unusual journals that impacted the fund account made during the year and after the balance sheet date; and
- accounting estimates and critical judgements made by management.

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Chief Executive and Director of Resources has in place to prevent and detect fraud;
  - journal entry testing, with a focus on manual journals that were unusual and high-risk journals;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments, directly held investment property and IAS 26 pensions liability valuations;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to level 3 investments, directly held investment property and IAS 26 pensions liability valuations;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government pensions sector
  - understanding of the legal and regulatory requirements specific to the Pension Fund including:
    - the provisions of the applicable legislation
    - guidance issued by CIPFA, LASAAC and SOLACE
    - the applicable statutory provisions
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett

Paul Dossett, Key Audit Partner

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

London

22 December 2021

Fund account

2019/20		Note	2020/21
£m			£m
	Dealing with members, employers and others directly involved in the Fund		
177.0	Contributions	6	416.3
17.0	Transfers in from other pension funds	7	10.8
194.0	**Additions from dealings with members**		**427.1**
(287.1)	Benefits	8	(291.8)
(21.8)	Payments to and on account of leavers	9	(17.3)
(308.9)	**Withdrawals from dealing with members**		**(309.1)**
(114.9)	**Net (withdrawals)/additions from dealings with members**		**118.0**
(65.0)	Management expenses	10	(116.4)
(179.9)	**Net (withdrawals)/additions including fund management expenses**		**1.6**
	Returns on investments		
206.1	Investment income	11	143.8
1.4	Profit and losses on disposal of investments and changes in the value of investments	13	1,022.2
207.5	**Net return on investments**		**1,166.0**
27.6	**Net increase in the net assets available for benefits during the year**		**1,167.6**
8,410.1	**Opening net assets of the scheme**		**8,437.7**
8,437.7	**Closing net assets of the scheme**		**9,605.3**

* Contributions for the year ended 31 March 2021 include employer contributions of £178.4m paid up-front in respect of the years ending 31 March 2022 and 31 March 2023.

Net assets statement as at 31 March 2021

31 March 2020		Note	31 March 2021
£m			£m
8,320.6	Investment assets	13	9,490.9
108.8	Cash deposits	13	108.4
8,429.4	**Total net investments**		**9,599.3**
15.0	Current assets	19	12.6
(6.7)	Current liabilities	20	(6.6)
8,437.7	**Net assets of the fund available to fund benefits at the end of the reporting period**		**9,605.3**

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 (LCPF) as at 31 March 2021 and its income and expenditure for the year then ended

Notes to the financial statements

NOTE 1 - PENSION FUND OPERATIONS AND MEMBERSHIP

LCPF is part of the Local Government Pension Scheme and is administered by Lancashire County Council (LCC). The County Council is the reporting entity for this Pension Fund.

Contribution income of £416.3m together with transfers in of £10.8m funded the payment of £309.1m in respect of benefits and transfers out. The resulted in a net cash inflow from transactions with members for the year ended 31 March 2021.

The following description of the Fund is a summary only. For more detail, reference should be made to the LCPF Annual Report 2020/21 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

General

The scheme is governed by the Public Service Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme (Amendment) Regulations 2018
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by LCC to provide pensions and other benefits for pensionable employees, whether active, deferred or retired members, of LCC, 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 Pension Fund Committee, which reports directly to Full Council. The Head of Fund is designated as the officer responsible for the management of the Fund.

The Pension Fund Committee 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.

The Committee meets at least quarterly, or otherwise as necessary, with the Investment Panel in attendance and is responsible for fulfilling the role of Scheme Manager (which includes the administration of benefits and strategic management of Fund investments and liabilities), the establishment of policies for investment management, the monitoring and review of investment activity and Fund performance and the presentation of an Annual Report to Full Council on the state of the Fund and investment activities for the year.

The Investment Panel provides professional expert advice and makes recommendations to the Committee in relation to investment strategy. The Panel comprises the Head of Fund as Chair and two independent advisers.

Full details of the responsibilities of the Panel and Committee are published in the Investment Strategy Statement which is available from the Fund website at Lancashire Fund Information.

The investments of the Fund are managed by the Local Pensions Partnership Investment (LPPI) Limited, a joint venture owned by LCC as the administering authority and the London Pension Fund Authority (LPFA). Local Pensions Partnership Administration (LPPA) Limited manages the administration functions on behalf of the two partner authorities.

The Lancashire Local Pension Board (LLPB) assists LCC in its role as scheme manager and provides a scrutiny role to ensure effective and efficient governance and administration of the Fund. The Board comprises an independent chair together with representatives acting on behalf of employers and members. All members of the Board must be able to demonstrate the knowledge and skills set out in the terms of reference of the Board which are available to view on the Fund website at Lancashire Fund Information.

.

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 LCPF include:

- Scheduled bodies, which are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted bodies, which are other organisations that participate in the Fund under an admission agreement between the Fund and the relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership of the Fund, as at 31 March 2021 is detailed in the following table:

31 March 2020	Lancashire County Pension Fund	31 March 2021
313	Number of employers with active members[1]	313
140	Number of ceased employers (no active members but some outstanding liabilities)	139
	Number of active scheme members[2]	
25,614	County Council	25,594
28,340	Other employers	28,683
53,954	**Total**	**54,277**
	Number of pensioners	
25,497	County Council	26,093
25,674	Other employers	26,313
51,171	**Total**	**52,406**
	Number of deferred pensioners	
36,753	County Council	35,697
36,272	Other employers	35,419
73,025	**Total**	**71,116**
178,150	**Total membership**	**177,799**

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

[2] March 2020 membership numbers have been adjusted to transfer 2,985 pending leavers as at that date from active membership category to deferred membership category. An adjustment of 3,157 pending leavers has been made at 31 March 2021.

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 2021. Employer contributions are set based on triennial actuarial funding valuations. The contributions in 2020/21 are based on the valuation at 31 March 2019. The latest valuation was at 31 March 2019 for the three years commencing 1 April 2020.

Employer contribution rates for 2020/21 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. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

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 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2020/21 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 2020/21, 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 2021 but not yet adopted by the Code. There are no such accounting changes to be disclosed for 2020/21.

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 scheme 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 Local Government Pension Scheme (Amendment) Regulations 2018.

Individual transfers in or out are accounted for when received or paid, which is when the member liability is accepted or discharged.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in transfers in.

Investment income

Interest income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination. Income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Income from pooled funds

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

Net income from properties

Rental income from leases on properties owned by the Fund is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Property expenditure is recognised on an accruals basis and is deducted from rental income to report net income from properties.

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

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

Movement in the net market value of investments

Changes in the value of investments (including investment properties) are recognised as income in the Fund account and comprise all realised and unrealised profits or losses during the year.

Fund account – expense items

Benefits payable

Pensions and lump sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed on the net assets statement as current liabilities.

Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

Management expenses

The Fund discloses its pension fund management expenses on an accruals basis and in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses (2016)".

- Administrative expenses
- Oversight and governance costs
- Investment management expenses

Administrative expenses

Administrative expenses consist of the following:

- Expenses related to LGPS members and pensioners. These include all activities the pension scheme 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;
- Expenses related to interaction with scheme employers e.g. data collection and verification, contributions collection and reconciliation, the employer's help desk or other employer support, and communications with employers; and
- Associated project expenses.

All administrative expenses are accounted for on an accruals basis.

Oversight and governance costs

Oversight and governance expenses include the following costs:

- Investment advisory services (strategic allocation, manager monitoring etc.);
- Independent advisors to the pension fund;
- Operation and support of the pension fund committee (i.e. those charged with governance of the pension fund), local pensions board, or any other oversight body;
- Governance and voting services;
- Costs of compliance with statutory or non-statutory internal or external reporting (annual reports and accounts, etc.);
- Legal, actuarial and tax advisory services;
- Non-custodian accountancy and banking services; and
- Internal and external audit.

All administering authority staff costs associated with governance and oversight are charged direct to the Fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the Fund. All oversight and governance expenses are accounted for on an accruals basis.

Investment management expenses

Investment management expenses are defined as any expenses incurred in relation to the management of pension fund assets and financial instruments entered into in relation to the management of fund assets. This includes expenses directly invoiced by investment managers, custody fees and any fees payable to fund managers which are deducted from fund assets together with a recharge of costs incurred by LCC 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 market value of their mandate as at the end of the year is used for the inclusion in the Fund account. In 2020/21, 12.1m of fees is based on such estimates (2019/20: £8.3).

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 2021 by independent property valuers Avison Young in accordance with the Royal Institute of Chartered Surveyors' Valuation Global Standards 2017 (the Red Book).

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.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

The Fund's loans and receivables comprise of trade and other receivables and cash deposits and are recognised in the net asset statement at amortised cost.

Cash and cash equivalents

Cash comprises cash in hand and on demand deposits and includes amounts held by the Fund's external managers.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

Financial liabilities

The Fund recognises financial liabilities at fair value at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to a liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised in the Fund account as part of the change in value of investments.

Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards.

As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 24).

Additional voluntary contributions

LCPF provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The AVC providers to the Pension Fund during the year were Prudential and Utmost Life and Pensions. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the Pension Fund accounts in accordance with section 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed for information in note 18.

NOTE 4 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Pension Fund liability

The net pension fund liability is calculated every three years by the appointed actuary, Mercer, and reviewed by the Fund and actuary during the intervening period. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 24. This estimate is subject to significant variances based on changes to the underlying assumptions.

Unquoted private equity, long term credit and infrastructure investments

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

NOTE 5 - ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts. Estimates and assumptions are made taking into account historical experience, current trends and future expectations. The nature of estimation means that actual outcomes could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2021 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 statements totals £1,884.7m (2019/20: £1,958.6m). Note 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 £1,261.6m (2019/20: £1,098.3m excluding investment in loans secured on real assets). Note 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 £831.7m (2019/20: £799.6m). Note 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex assumptions relating to relating to future experience. The main assumptions would be the discount rate used relative to assumed inflation (essentially the assumed rate of return on pension fund assets), the rate at which salaries are projected to increase, changes in retirement ages and future mortality rates. A firm of consulting actuaries (Mercer) is engaged to provide the authority with expert advice about the assumptions to be applied. Areas of uncertainty highlighted by the actuary include Guaranteed Minimum Pension (GMP) equalisation, the impact of COVID19 and the court of appeal ruling on the Sergeant and McCloud cases. 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 £600m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £130m and a 1-year increase in assumed life expectancy would increase the liabilities by approximately £350m.
Direct property valuations	The valuation of directly held properties is carried out by independent valuers, Avison Young on an individual property basis rather than as a portfolio, by qualified surveyors and in accordance with the RICS Professional Standards, Global and UK, RICS Valuation – Professional Standards – 2017.	Investment properties held directly by the Fund are valued at £159.7m (2019/20: £110.2m). The market value of £159.7m at 31 March 2021 comprises property situated within the county boundary of Lancashire (£114.7m) and properties located in Wales (£7.2m) and Scotland (£37.8m).

NOTE 6 - CONTRIBUTIONS RECEIVABLE

2019/20 £m	By category	2020/21 £m
61.4	**Members**	**64.5**
	Employers:	
101.5	Normal contributions[1]	327.4
11.2	Deficit recovery contributions[1]	18.0
2.9	Augmentation contributions[2]	6.4
115.6	**Total employers contributions**	**351.8**
177.0	**Total contributions receivable**	**416.3**
	By type of employer	
58.3	County Council[1]	175.8
98.2	Scheduled bodies[1]	220.5
20.5	Admitted bodies	20.0
177.0		**416.3**

[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 contribution from the County Council and scheduled bodies for the year ended 31 March 2021 include £178.4m received in advance.

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

Within the employee contributions figure for 2020/21, £0.4m is voluntary and additional regular contributions (2019/20: £0.3m).

NOTE 7 - TRANSFERS IN FROM OTHER PENSION FUNDS

2019/20 £m		2020/21 £m
17.0	Individual transfers in from other schemes	10.8
17.0		**10.8**

NOTE 8 - BENEFITS PAYABLE

2019/20 £m	By category	2020/21 £m
239.3	Pensions	246.9
42.0	Commutation and lump sum retirement benefits	37.6
5.8	Lump sum death benefits	7.3
287.1	**Total benefits payable**	**291.8**
	By type of employer	
121.1	County Council	120.8
144.0	Scheduled bodies	147.0
22.0	Admitted bodies	24.0
287.1		**291.8**

NOTE 9 - PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2019/20 £m		2020/21 £m
1.3	Refunds to members leaving service	0.8
20.5	Individual transfers	16.5
21.8		**17.3**

NOTE 10 - MANAGEMENT EXPENSES

2019/20 £m		2020/21 £m
3.4	Fund administrative costs	4.0
60.4	Investment management expenses[1]	111.3
1.2	Oversight and governance costs[2]	1.1
65.0		**116.4**

[1] The movement in investment management expenses was predominantly due to the increase in the value of the Fund's assets

[2] Oversight and governance costs above include external audit fees which amounted to £39,300 (2019/20: £31,310). Additional fees of £9,500 were paid to the external auditor for IAS19 assurance work on behalf of Fund employers within the PSAA regime.

Investment management expenses

31st March 2021

	Total £m	Management Fees £m	Performance Related fees[2] £m	Transaction Costs[1] £m
Pooled Investments	108.7	49.6	55.9	3.2
Pooled property investments	1.9	1.9	-	0.0
Private Equity	0.0	0.0		
Property	0.7	0.2	0.5	
Cash Deposits	-			
	111.2	**51.6**	**56.4**	**3.2**
Custody Fees	0.1			
	111.3			

31st March 2020

	Total £m	Management Fees £m	Performance Related fees[2] £m	Transaction Costs[1] £m
Pooled Investments	58.3	38.5	17.5	2.3
Pooled property investments	1.1	1.1	0.0	(0.0)
Private Equity	0.0	0.0	(0.0)	0
Property	0.9	0.9	-	-
	60.3	**40.5**	**17.5**	**2.3**
Custody Fees	0.1			
	60.4			

[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

2019/20 £m		2020/21 £m
2.4	Fixed interest securities	0.4
179.5	Pooled investment vehicles	120.3
8.6	Pooled property investments	15.1
15.5[1]	Net rents from properties	8.1
0.1	Interest on cash deposits	(0.1)
206.1	**Total investment income**	**143.8**

[1] The reduction in rental income since last year is due to the transition of a significant number of directly held properties into the Local Pensions Partnership Real Estate Fund with effect from 1 October 2019. Income from the real estate fund is included within pooled investment income from the date of transition.

NOTE 12 - PROPERTY INCOME

2019/20 £m		2020/21 £m
22.1	Rental income	9.9
(6.6)	Direct operating expenses	(1.8)
15.5	**Net income**	**8.1**

H

NOTE 13 - RECONCILIATION OF MOVEMENTS IN INVESTMENTS AND DERIVATIVES

	Market value as at 1 April 2020	Purchases at cost	Sales proceeds	Change in value during the year [1]	Market value as at 31 March 2021
	£m	£m	£m	£m	£m
Fixed interest securities	142.5	210.2	(313.3)	5.1	44.5
Index linked securities	-	2,079.3	(2,079.3)	(0.0)	0.0
Pooled investment vehicles	6,913.5	508.3	(413.1)	1,048.0	8,056.7
Pooled property investments	1,130.1	59.6	(1.9)	(26.1)	1,161.8
Private equity	12.5	-	-	-	12.5
Direct property	110.2	54.3	-	(4.8)	159.7
	8,308.8	**2,911.8**	**(2,807.6)**	**1,022.2**	**9,435.1**
Cash deposits	108.8				108.4
Loan investments	3.0				55.0
Investment income due	8.8				0.8
Net investment assets	**8,429.4**				**9,599.3**

	Market value as at 1 April 2019	Purchases at cost	Sales proceeds	Change in market value 1	Market value as at 31 March 2020
	£m	£m	£m	£m	£m
Fixed interest securities	110.7	585.5	(546.3)	(7.4)	142.5
Index linked securities	283.6	-	-	(283.6)	-
Pooled investment vehicles	7,043.2	483.1	(522.4)	(90.4)	6,913.5
Pooled property investments	124.0	49.1	(14.1)	971.1	1,130.1
Private equity	-	12.5	-	-	12.5
Direct property	761.9	11.0	(23.6)	(639.1)	110.2
	8,323.4	**1,141.2**	**(1,106.4)**	**(49.4)**	**8,308.8**
Cash deposits	67.1				108.8
Loan investments	-				3.0
Investment income due	3.9				8.8
Net investment assets	**8,394.4**				**8,429.4**

1£1.4 m on the face of the Fund account includes the change in market value of investments disclosed above (£49.4m), plus profits and losses on disposals and changes in the market value of investments held within the pools. The change in value of direct property above includes £641.3m market value of properties transitioned to the LPPI Real Estate Fund during the year which is included as an increase in market value within pooled property investments above. The change in value of index linked securities (£283.6m) reflects the restructuring of the investment in shared ownership housing which is now reflected within pooled property investments.

Investments analysed by fund manager

31 March 2020 £m	31 March 2020 % of net investment assets		31 March 2021 £m	31 March 2021 % of net investment assets
Private equity investments				
750.0	8.9%	LPPI Private Equity Fund	773.8	8.1%
Private equity investments managed outside of LPPI Private Equity Fund				
15.1	0.2%	Trilantic Capital Partners	12.4	0.1%
12.5	0.1%	Local Pensions Partnership Limited	12.5	0.1%
777.6	**9.2%**	**Total private equity investments**	**798.7**	**8.3%**
Long term credit investments				
947.4	11.3%	LPPI Credit Investments	1,167.9	12.2%
Credit investments managed outside of LPPI Credit Investments Fund				
61.2	0.7%	CRC	48.3	0.5%
51.7	0.6%	Neuberger Berman	22.5	0.2%
26.7	0.3%	Pimco Bravo	14.5	0.2%
7.6	0.1%	EQT	5.6	0.1%
3.7	-	Hayfin	2.8	-
1,098.3	**13.0%**	**Total long term credit investments**	**1261.6**	**13.1%**
Fixed income investments				
332.8	3.9%	LPPI Fixed Income Fund	309.6	3.2%
Liquid credit investments managed outside of LPPI Fixed Income Fund				
254.3	3.0%	LPPI internal and LCC Treasury Management	208.0	2.2%
587.1	**6.9%**	**Total fixed income investments**	**517.6**	**5.4%**
Global equity investments				
3,454.7	41.0%	LPPI Global Equities Fund	4,506.5	46.9%
3,454.7	**41.0%**	**Total global equity investments**	**4506.5**	**46.9%**
Infrastructure investments				
958.1	11.4%	LPPI Global Infrastructure Fund	940.5	9.8%
Infrastructure investments managed outside of LPPI Global Infrastructure Fund				
108.3	1.3%	Arclight Energy	68.7	0.7%
65.7	0.8%	Icon Infrastructure Partners	59.8	0.6%
27.7	0.3%	Highstar Capital	17.0	0.2%
-	-	Pike Petroleum Holdings LLC	7.9	0.1%
-	-	Eastern Generation Holdings LLC	3.2	-

31 March 2020 £m	% of net investment assets		31 March 2021 £m	% of net investment assets
21.2	0.3%	Capital Dynamics Red Rose	1.5	-
222.9	2.7%		158.1	1.6%
1,181.0	**14.1%**	**Total infrastructure investments**	**1098.6**	**11.4%**
Diversifying strategy investments				
90.3	1.1%	LPPI Diversifying Strategies Fund	94.8	1.0%
90.3	**1.1%**	**Total diversifying strategies investments**	**94.8**	**1.0%**
Property investments				
Directly held properties				
110.2	1.3%	Knight Frank	159.7	1.7%
Pooled property funds				
Core property				
799.7	9.5%	LPPI Real Estate Fund	831.3	8.7%
Non-core property				
330.5	3.9%	HH No.1 Limited	330.5	3.4%
1240.4	**14.7%**	**Total property investments**	**1321.5**	**13.8%**
8,429.4	**100.0%**	**Net investment assets**	**9,599.3**	**100.0%**

H

The following individual investments represent over 5% of the net assets of the Fund.

31 March 2020 £m	% of total fund		31 March 2021 £m	% of total fund
3,454.7	41.0%	LPPI Global Equities Fund	4,506.5	46.9%
958.1	11.4%	LPPI Credit Investments	1,167.1	12.2%
947.4	11.3%	LPPI Global Infrastructure Fund	940.5	9.8%
799.7	9.5%	LPPI Real Estate Fund	831.3	8.7%
750.0	8.9%	LPPI Private Equity Fund	774.2	8.1%

Fixed interest securities

31 March 2020 £m		31 March 2021 £m
64.2	UK corporate bonds quoted	18.3
-	Overseas public sector	-
78.3	Overseas corporate bonds quoted	26.1
142.5		**44.4**

Pooled investment vehicles

31 March 2020 £m		31 March 2021 £m
	UK funds:	
323.8	Fixed income funds	309.6
150.4	Private equity	164.5
979.3	Infrastructure	942.0
951.4	Long term credit investments	1,170.7
1,130.1	Property funds	1,161.8
90.3	Diversifying strategies	94.8
	Overseas funds:	
139.6	Fixed income funds	85.3
614.7	Private equity	621.9
201.7	Infrastructure	156.6
7.6	Long term credit investments	5.6
3,454.7	Equity funds[1]	4,506.5
8,043.6		**9,219.3**

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

Direct property investments

31 March 2020 £m		31 March 2021 £m
96.0	UK – freehold	128.4
14.2	UK – long leasehold	31.3
110.2		**159.7**

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 2020 £m		31 March 2021 £m
761.9	**Opening balance**	**110.2**
	Additions:	
0.5	• Purchases	52.8
3.8	• New construction	1.3
6.7	• Subsequent expenditure	0.3
(23.6)	Disposals	-
(641.3)	Transition to LPPI Real Estate Fund	-
2.2	Net increase in market value	(4.8)
110.2	**Closing balance**	**159.7**

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.

Cash deposits

31 March 2020 £m		31 March 2021 £m
89.6	Sterling	69.1
19.2	Foreign currency	39.3
108.8		**108.4**

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). The portfolio features a number of vacant properties for which the future income depends on the terms agreed by tenants, and the investment manager is working with property managers to fill these voids. As at 31 March 2021, the Fund has the following future minimum lease payments due from tenants.

2019/20 £m		2020/21 £m
0.3	Leases expiring within one year	0.6
1.8	Leases expiring between one and five years	17.8
36.7	Leases expiring later than five years	62.9
38.8	**Total future minimum lease payments receivable under existing non-cancellable leases**	**81.3**

The increase in total future minimum lease payments is largely due to the acquisition of three properties in 2020/21 with long term leases in place with existing clients, as well as the reduced credit loss allowance.

The above disclosures have been reduced by a credit loss allowance of 2.5% (2019/20: 7.5%) per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This adjustment is based on experience of rents outstanding 28 days after the due date. The credit loss allowance has decreased since the previous year as a result of market conditions, the allowance last year was unusually high because of the effects of restrictions associated with the COVID-19 pandemic and the effect on tenants' businesses – for example, requests for rent cancellations or deferments.

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.

H

NOTE 14 - FINANCIAL INSTRUMENTS CLASSIFICATION

The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading. Directly held property is excluded from this note.

31 March 2021

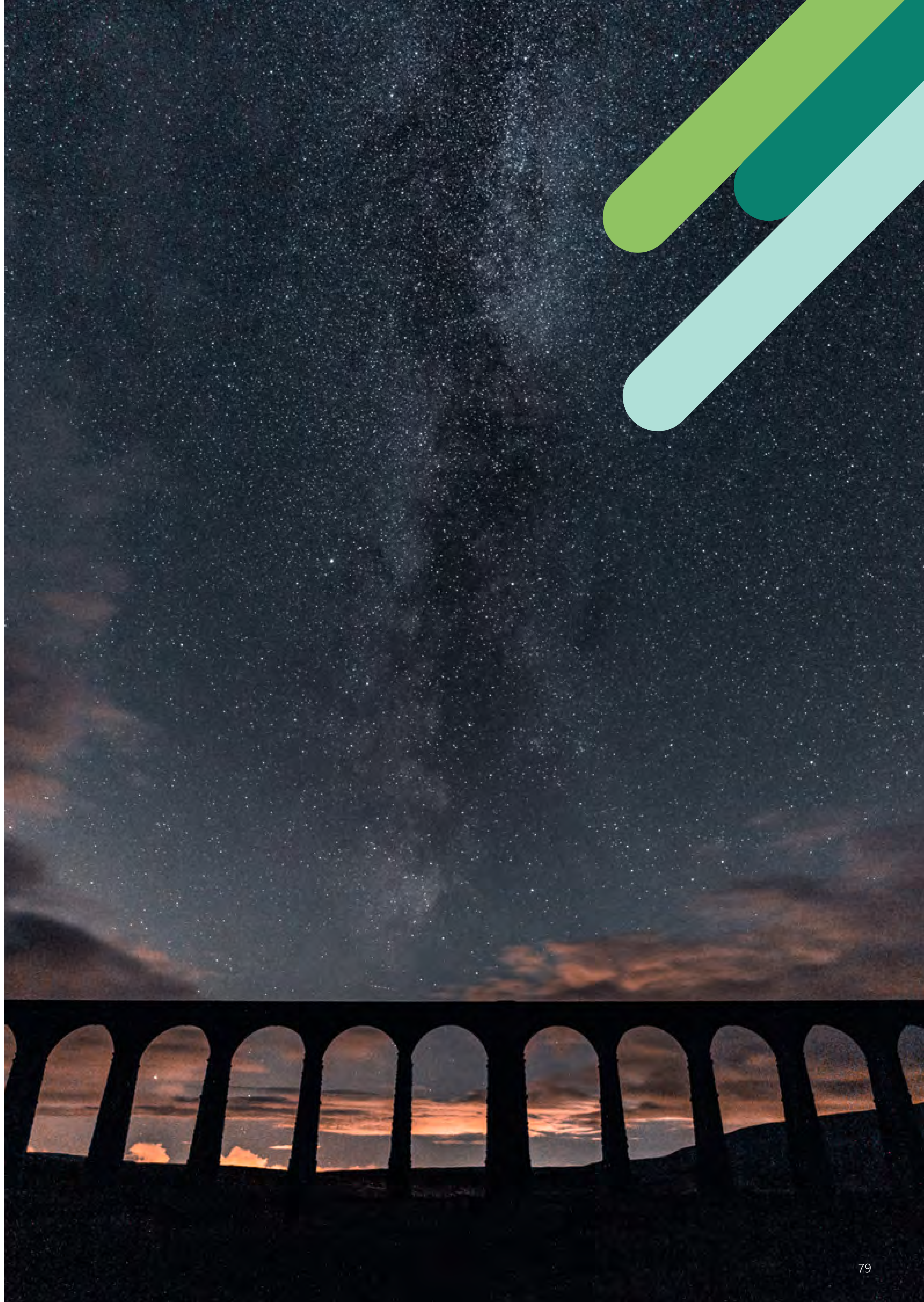
	Fair value through profit or loss £m	Loans and receivables at amortised cost £m	Financial liabilities at amortised cost £m
Financial assets			
Fixed interest securities	44.5		
Loan investments		55.0	
Pooled investment vehicles	8,056.7		
Pooled property investments	1,161.8		
Directly held private equity	12.5		
Cash deposits		108.4	
Investment accruals	0.8		
Debtors		12.6	
Total financial assets	**9,276.2**	**176.0**	
Financial liabilities			
Creditors			**6.6**
Total financial liabilities			**6.6**

31 March 2020

	Fair value through profit or loss £m	Loans and receivables at amortised cost £m	Financial liabilities at amortised cost £m
Financial assets			
Fixed interest securities	142.5		
Loan investments		3.0	
Pooled investment vehicles	6,913.5		
Pooled property investments	1,130.1		
Directly held private equity	12.5		
Cash deposits		108.8	
Investment accruals	8.8		
Debtors		15.0	
Total financial assets	**8,207.4**	**126.8**	
Financial liabilities			
Creditors			**6.7**
Total financial liabilities			**6.7**

NOTE 15 - NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

The net gain on financial assets at fair value through profit and loss was £1,022.2m (2019/20: £1.4m gain after adjusting for directly owned property)



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. Examples include quoted equity investments, including those held in the LPPI Global Equity Fund, unit trusts, UK pooled fixed income funds, overseas pooled fixed income funds, UK and overseas quoted fixed interest securities. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Level 2 investments are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments include overseas quoted fixed income investments, pooled UK fixed income investments, private equity, infrastructure and indirect overseas property investments, which are valued using various valuation techniques that require significant management judgement in determining appropriate assumptions, including earnings, public market comparatives and estimated future cash flows.

The values of the investment in private equity and infrastructure are based on valuations provided by the managers of the private equity and infrastructure funds in which LCPF 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 2021

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial assets at fair value through profit and loss	4,842.3	849.6	3,584.4	9,276.2
Loans and receivables	98.2	65.1		163.4
Non-financial assets at fair value through profit and loss (property holdings)		159.7		159.7
Net investment assets	**4,940.5**	**1,074.4**	**3,584.4**	**9,599.3**

31 March 2020

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial assets at fair value through profit and loss	3,786.5	949.8	3,471.1	8,207.4
Loans 7and receivables	35.5	76.3	-	111.8
Non-financial assets at fair value through profit and loss (property holdings)	-	110.2	-	110.2
Net investment assets	**3,822.0**	**1,136.3**	**3,471.1**	**8,429.4**

H

Basis of valuation

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled global equities	Level 1	Unadjusted quoted bid market prices.	Not required.	Not required.
Fixed income funds	Level 1	Unadjusted market values based on current yields.	Not required.	Not required.
Corporate and overseas government bonds	Level 2	Market approach – active 'over the counter' markets	Corroborative indicative quotes, interest rates, inflation.	Not required.
Direct property holdings	Level 2	Valuation performed by independent professional valuers Avison Young in accordance with Royal Institute of Chartered Surveyor's (RICS) Valuation Standards (9th edition).	Comparable recent market transactions on arm's length terms; general changes in property market prices; rental growth; vacant properties ;existing lease terms; nature of tenancies,	Not required.
Pooled property investments - core property	Level 2	Current open market value in accordance with RICS Appraisal and Valuation Standards.	Unobservable fund net asset value.	Ability to exit fund; market opinion; general market movements.
Pooled property investments - non-core property	Level 3	Value of equity holding in Real Estate Investment Trust.	Underlying investment valued at existing use valuation for social housing; discount rates; house price index; retail price index; staircasing rates (the rate of progressive tenant ownership % on a part-rent, part-buy ownership agreement).	Material events occurring between the date of the financial statements provided and the pension fund's own reporting date; changes to expected cash flows; differences between audited and unaudited accounts
Private equity, long term credit and infrastructure investments	Level 3	Annually at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines or equivalent.	Discount rates, cash flow projections.	Material events occurring between the date of the financial statements provided and the pension fund's own reporting date; changes to expected cash flows; differences between audited and unaudited accounts

Sensitivity of assets valued at level 3

Having consulted with the Fund's independent investment advisors, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2021.

Description of asset	Assessed valuation range[1] (+/-)	Value at 31 March 2021 £m	Value on increase £m	Value on decrease £m
Private equity funds	13.5%	798.8	906.2	691.3
Infrastructure funds	5.2%	1,098.6	1,155.5	1,041.7
Long term credit	5.2%	1,176.4	1,237.3	1,115.4
Fixed income funds	5.2%	85.3	89.7	80.9
Non-core property funds	2.0%	330.5	337.0	324.0
Diversifying strategies	5.2%	94.8	99.7	89.9
Level 3 investments		**3,584.4**		

[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 £m	Private equity funds £m	Infrastructure funds £m	Long term credit funds[1] £m	Property funds[1 2] £m	Diversifying strategies £m	Total level 3 investments £m
Market value 1 April 2020	**139.6**	**777.6**	**1,180.1**	**953.0**	**330.5**	**90.3**	**3,471.1**
Purchases during the year and derivative payments	0.1	102.0	20.6	180.0	0.0	0.0	302.7
Sales during the year and derivative receipts	(32.6)	(237.6)	(43.1)	(16.0)	0.0	(2.4)	(331.7)
Unrealised gains / (losses)	(30.2)	69.2	(68.5)	59.4	0.0	6.9	36.7
Realised gains	8.4	87.7	9.5	0.1	0.0	0.0	105.7
Market value 31 March 2021	**85.3**	**798.8**	**1,098.6**	**1,176.4**	**330.5**	**94.8**	**3,584.4**

H

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 2020/21 reporting period

Asset type	Potential market movements (+/-)
Total bonds (including index linked)	5.4%
Total equities	13.5%
Alternatives	5.2%
Total property	2.0%

The sensitivities are consistent with the assumption contained in the investment advisors' most recent review. This analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market of the Fund's investments increased/decreased in line with the above, the change in the net assets available to pay benefits in the market place would have been as follows (the prior year comparator is also shown):

[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.

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

Asset type	31 March 2020	Potential market movements (+/-)	Potential value on increase	Potential value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total equities	4,232.3	11.7%	4,728.8	3,735.8
Alternatives	2,702.3	5.1%	2,839.9	2,564.7
Total property	1,240.4	3.8%	1,287.6	1,193.2
Total bonds (including index linked)	145.6	6.3%	154.8	136.4
Total assets available to pay benefits	**8,308.8**		**9,011.1**	**7,630.1**

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.

Potential Movement in Equivalent Yield						
Asset type	Asset value as at 31 March 2021	-0.50%	+0.50%	+1.00%	+1.50%	+2.00%
	£m	£m	£m	£m	£m	£m
Direct Property	159.7	167.4	150.2	143.2	137.2	131.8

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

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 2020 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value

31 March 2020 £m	Asset type	31 March 2021 £m
108.8	Cash and cash equivalents	108.4
108.8	**Total**	**108.4**

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	
Asset type	31 March 2021 £m	1% increase £m	1% decrease £m
Cash and cash equivalents	108.4	1.1	(1.1)
Total change in assets available		**1.1**	**(1.1)**

		Impact of	
Asset type	31 March 2020 £m	1% increase £m	1% decrease £m
Cash and cash equivalents	108.8	1.1	(1.1)
Total change in assets available		**1.1**	**(1.1)**

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 2021 and as at the previous year end.

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 6.1%. A 6.1 % 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 (2019/20: 7.2%).

A 6.1% 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:

The following table summarises the Fund's currency exposure as at 31 March 2020 and as at the previous year end.

31 March 2020 £m	Currency exposure – asset type	31 March 2021 £m
4,068.5	Overseas equities	5,128.3
348.9	Overseas alternatives	247.6
78.3	Overseas bonds (including index linked)	26.2
4,495.7	**Total overseas assets**	**5,402.1**

Currency exposure - asset type	Asset value at 31 March 2021 £m	Potential market movement +/- 6.1% £m	Value on increase £m	Value on decrease £m
Overseas equities	5,128.3	311.7	5,440.1	4,816.7
Overseas alternatives	247.6	15.0	262.5	232.5
Overseas bonds (including index linked)	26.2	1.6	27.8	24.6
Total assets available to pay benefits	**5,402.1**	**328.3**	**5,730.4**	**5,073.8**

Currency exposure - asset type	Asset value at 31 March 2020 £m	Potential market movement +/- 7.2% £m	Value on increase £m	Value on decrease £m
Overseas equities	4,068.5	294.0	4,362.5	3,774.5
Overseas alternatives	348.9	25.2	374.1	323.7
Overseas bonds (including index linked)	78.3	5.7	84.0	72.6
Total assets available to pay benefits	**4,495.7**	**324.9**	**4,820.6**	**4,170.8**

H

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 2021 was £108.4m (31 March 2020: £108.8m) and was held with the following institutions:

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 £6.6m at 31 March 2021, all of which is due within one year.

31 March 2020 £m	Summary	Rating	31 March 2020 £m
	Bank deposit accounts		
33.1	Northern Trust	A2	72.0
75.7	Svenska Handelsbanken	AA2	-
0.0	Natwest	A1	36.0
	Cash float with property manager		
-	Barclays Bank Plc	A1	0.4
108.8	**Total**		**108.4**

NOTE 18 - ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

	Equitable Life Utmost Life and Pensions1 £m	Prudential £m	Total £m
Value at start of the year	0.6	29.0	29.6
Income (incl. contributions, bonuses, interest and transfers in)	-	6.5	6.5
Expenditure (incl. benefits, transfers out and change in market value)	-	(4.2)	(4.2)
Value at the end of the year	**0.6**	**31.3**	**31.9**

Members participating in AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year. A summary of the information provided by Utmost Life and Pensions and Prudential is shown below. (This summary has not been subject to Audit and the Pension Fund relies on the individual contributors to check deductions made on their behalf are accurately reflected in the statements provided by the AVC providers). The figures relate to the financial year 1 April 2019 to 31 March 2020 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.

NOTE 19 - CURRENT ASSETS

31 March 2020 £m		31 March 2021 £m
9.0	Contributions due – employers	7.0
5.2	Contributions due – members	5.4
0.8	Sundry debtors	0.2
15.0		**12.6**

NOTE 20 – CURRENT LIABILITIES

31 March 2020 £m		31 March 2021 £m
0.8	Unpaid benefits	0.5
5.9	Accrued expenses	6.1
6.7		**6.6**

NOTE 21 - CONTRACTUAL COMMITMENTS

As at 31 March 2021 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 £657.1m (2020: £409.3m). 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 £79.9m (2020: £93.7m). 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 (2020: £0m).

There are no outstanding commitments in relation to the Pooled real estate fund (2020: £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 LCC 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

LCPF is administered by LCC.

The Council incurred costs of £0.8m (2019/20: £0.6m) 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 £149.8m to the Fund in 2020/21. A prepayment of contributions for the 3-year period starting 1st April 2020 totalling £120.5m, of which, £40.1m relates to 2020/21. Total employer contributions from the Council in 2019/20 amounted to £33.2m. All monies owing to and due from the Fund were paid in year.

LCC is a shareholder in the Local Pensions Partnership (LPP), having an ownership in the company equal to that of LPFA. LPPI manages the investment and administration functions of the Fund and the Fund makes regular payments to LPP to cover investment management charges, scheme administration expenses, employer risk services and liability modelling. Payments made for the year to 31 March 2021 amount to £5.2m (2019/20: £5.4m).

The Fund has a private equity investment of £12.5m in the LPPL as at 31 March 2021.

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 2020 payroll, are included within current assets in note 19.

Pension Fund Committee, Pensions Board and Senior Officers.

The Pension Fund Committee, LLPB members and senior officers of the Pension Fund were asked to complete a related party declaration for 2020/21 regarding membership of, and transactions with such persons or their related parties. No related party transactions were identified during the year to 31 March 2021.

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

NOTE 23 - KEY MANAGEMENT PERSONNEL

The key management personnel of the Fund are the LCC Chief Executive and Director of Resources, the LCC Director of Finance and the Head of Fund.

Total remuneration payable to key management personnel is set out below:

2020/21

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

[1] The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work

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

2019/20

	Employment period	Salary[1] £	Employer Pension contributions[1] £	Total including pension contributions[1] £
Head of Fund	01/04/19 – 31/03/20	57,801	8,728	66,529
Director of Finance	01/04/19 – 31/03/20	2,148	305	2,453
Chief Executive and Director of Resources	01/04/19 – 31/03/20	4,326	-	4,326

[1] The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work.

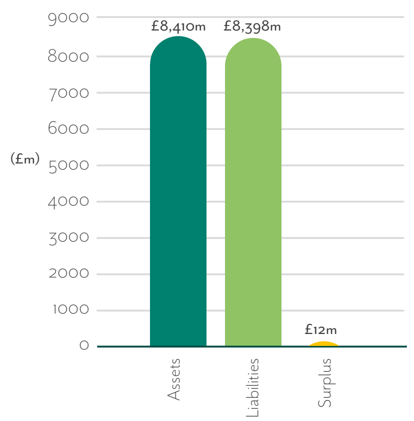
NOTE 24 - FUNDING ARRANGEMENTS

Accounts for the year ended 31 March 2021 - 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 LCPF was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023.

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



100% Funded

The valuation also showed that a primary contribution rate of 17.4% of pensionable pay per annum was required from employers. The primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

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

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

In practice, each individual employer's position is assessed separately, and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the FSS. Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Solvency Funding Target and the Primary rate of contribution were as follows:

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

The assets were assessed at market value.

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

The McCloud Judgment

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

Impact of Covid 19

The valuation results and employer contributions above were assessed as at 31 March 2019. In 2020 and 2021 we have so far seen significant volatility and uncertainty in markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk, which will need to be kept under review. We believe that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. Our view is that employer contributions should not be updated as a general rule but the Administering Authority is consulting on updates to the Funding Statretegy Statement which will allow the Fund to review contributions between valuations where there is a material change in employer covenant or liabilities, in line with the new regulations on contribution flexibilities introduced in September 2020. The position will be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2021 (the 31 March 2020 assumptions are included for comparison):

	31 March 2020	31 March 2021
Rate of return on investments (discount rate)	2.4% per annum	2.1% per annum
Rate of CPI Inflation / CARE Benefit revaluation	2.1% per annum	2.7% per annum
Rate of pay increases*	3.6% per annum	4.2% per annum
Rate of increases in pensions in payment (in excess of GMP) / Deferred revaluation	2.2% per annum	2.8% per annum

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2020.

During the year corporate bond yields decreased, resulting in a lower discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (2.1% p.a. vs 2.4%). In addition, the expected long-term rate of CPI inflation increased during the year, from 2.1% p.a. to 2.7%. Both of these factors served to increase the liabilities over the year. The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £11,052 million including the potential impact of the McCloud Judgment.

Interest over the year increased the liabilities by c£262 million and allowing for net benefits accrued/paid over the period also increased the liabilities by c£105 million (this includes any increase in liabilities arising as a result of early retirements). There was also an increase in liabilities of £1,707 million due to "actuarial losses" (i.e. the effects of the changes in the actuarial assumptions used, referred to above, offset to a small extent by the fact that the 2021 pension increase award was less than assumed).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £13,126 million.

GMP Indexation

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

Leanne Johnston	Mark Wilson
Fellow of the Institute and Faculty of Actuaries	Fellow of the Institute and Faculty of Actuaries
Mercer Limited	Mercer Limited
May 2021	May 2021

Lancashire Local Pension Board

Lancashire Local Pension Board – Annual Report 2020/21

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

After six years, the Board has established an effective way of using its members' expertise to add value to the Committee's work. We create an annual Work Plan to ensure that we cover all the activities we should and that our workflow is aligned with that of the Committee. The core of our work is to review the reports and compliance assurances which support the Fund's activities and comment on them to the Committee. If we believe something requires particular attention, we may make a formal recommendation which requires a response.

We are always aware that our role is to assist the Committee and a good relationship between the two bodies is absolutely essential. I meet with County Councillor Eddie Pope (Chair of the Committee) regularly and participated in as many Committee meetings during the year as I was able to. We also regularly welcome County Councillor Pope to meetings of the Board, and I can confidently assert that the two bodies work closely together.

This year has been extraordinary because of the various restrictions imposed as a result of the COVID-19 pandemic. At an operational level the Fund, and to a large extent the Local Pensions Partnership (LPP) staff who provide the bulk of services to the Fund, have worked from home. Our focus this year has therefore been on monitoring the maintenance of service levels to employers and members. I discuss this in more depth later on.

Membership of the Pension Board

The Board has nine members: four Employer representatives, four Scheme Member representatives and I act as the Independent Chair. Members serve a maximum eight-year term, except for the Chair whose period of office is four years. Apart from the Chair, none of the Board members are remunerated other than for expenses incurred in attending meetings or training.

During the year, there were two changes to the membership of the Board. County Councillor Matthew Salter replaced County Councillor Peter Britcliffe as one of Lancashire County Council (LCC) representatives and after the meeting in January 2021 Keith Wallbank, a Scheme Member representative, resigned. Following advertisement and interviews, this vacancy is to be filled by Kevin Ellard, who will attend his first meeting in July 2021 following formal approval of the appointment by full Council. I would like to thank Peter Britcliffe and Keith Ellard for their time on the Board.

The Board had to cancel its April 2020 meeting because County Council policies imposed under the pandemic restrictions did not at that time allow meetings either in person or by webinar. Instead reports for information that would have been discussed at the meeting, including our regular activities, matters considered by the Committee and an update on administration and investments during the pandemic, were circulated to all members by email.

All four meetings in the period covered by this report were held by webinar and we have in place a process for making decisions electronically where that is required. Like many other organisations, we have found that virtual meetings are not as satisfactory as face to face but it has been possible for us to fulfil our duties. They have, however, made it easier for Fund Officers or other presenters to attend our meetings to support the reports on the agenda. We hope to be able to return to in-person meetings in July 2021.

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 £8,649.15.

Attendance of Board members at meetings.

Each year the Board agrees a programme of four meetings, the first being in July followed by meetings in October, January and April so that each Board meeting follows a meeting of the Pension Fund Committee. 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	14/07/2020	13/10/2020	19/01/2021	20/04/2021
W Bourne	Independent Chair	✓	✓	✓	✓
County Councillor M Salter	Employer rep – LCC	✓	✓	✓	✓
T Pounder	Employer rep – LCC	✓	Apologies	✓	✓
S Thompson	Employer – Unitary, City, Borough, Police & Fire	✓	✓	✓	Apologies
C Gibson	Employer rep - Others	✓	✓	✓	✓
K Haigh	Scheme Member rep	✓	✓	✓	✓
Y Moult	Scheme Member rep	✓	✓	Apologies	✓
D Parker	Scheme Member rep	✓	✓	✓	✓
K Wallbank	Scheme Member rep	✓	✓	✓	Resigned

Changes to the membership of the Board

County Councillor M Salter replaced County Councillor P Britcliffe as an employer representative (Lancashire County Council) on the Board in June 2020. Subject to approval by full council Mr K Ellard will fill the vacancy for a scheme member representative on the Board following the resignation of Mr K Wallbank on the 20th January 2021

Training

The Board is under a legal obligation to ensure its members maintain their levels of knowledge and understanding through regular training. We conduct a gap 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 by webinar in conjunction with the Committee, with recordings being made available for those unable to attend. This appeared to increase participation levels considerably and in future the majority of Fund training is likely to be done in this way. Board members will still have opportunities to attend external training events during the year and are expected to complete the online training modules from The Pension Regulator's Public Service toolkit.

Internal training workshops

July 2020
Asset safety and cyber security.

September 2020
Feedback from the Investment Panel following review of the LCPF Funding Strategy Statement

November 2020
The new responsible investment Dashboard report for Pension Fund Committee.

January 2021
Update from Local Pensions Partnership Administration.

February 2021
Local Pensions Partnership Budget.

March 2021
Local Pensions Partnership Communications and the new LCPF website.

Note - The Board also received a presentation in advance of the meeting on the 13th October 2020 regarding internal audit assurance over LCPF.

The table below shows the number of internal/external training events which individual Board members have attended during the period 1st April 2020 to 31st March 2021.

Name	Internal Events	External Events
W Bourne	6	1
County Councillor M Salter	6	0
T Pounder	5	0
S Thompson	5	0
C Gibson	3	1
K Haigh	7	0
Y Moult	6	0
K Wallbank	3	0
D Parker	8	1

Note – the number of external events held during 2020 was significantly reduced due to the COVID-19 pandemic though some events were held remotely.

Further information about the Board, including minutes and public papers, can be viewed on the Lancashire Pension Fund website at the following link - lancashirecountypensionfund.org.uk

Activities

The year was dominated by the challenges presented to all pension funds by the COVID-19 pandemic. The Local Pension Partnership (LPP) responded admirably to the national imposition of working from home. While there was some impact in the initial months as processes were re-organised, their administration team were quick to adapt to the new working environment. The Board received regular updates at meetings and between them in the early days.

The separation of LPP's administration and investment functions into two units, Local Pensions Partnership Administration (LPPA) and Local Pensions Partnership Investments (LPPI), has led to some changes. The Board is supportive of the decision to create two more focused entities under the Local Pensions Partnership (LPP) and believes it will benefit the Fund through more efficient service provision on both sides. However, we will remain alert to the need to assure ourselves that the Fund receives value for money from the new arrangements.

Regardless of the consequences of the pandemic, 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 LPP as indicators or performance levels. I mentioned last year that we were looking for a full review of these and during the year LPPA developed considerably more detailed Key Performance Indicators which have improved our ability to monitor and comment on the data. This should help us understand how effectively the Fund is delivering its services to members and thereby assist the PFC in the crucial role of monitoring LPPA's performance properly.

Over the year, in our scrutinising role alongside the Committee, we reviewed the Fund's Responsible Investment Policy, compliance with the Stewardship Code and The Pension Regulator's Code of Practice, the Risk Framework, the Governance Statement, and the Admissions and Terminations policy. The wide range of expertise among Board members as well as their experience as users, either employers or members of the Fund, means the Board is well placed to provide useful and relevant feedback to the Committee.

We have spent significant time on the Internal Audit function. Our concern here, which I have mentioned in previous reports, is that the assurance statements we receive from LPP (in future LLPA and LPPI) depend on their internal control processes and functions operating correctly. We are not able to see the detail of LPP's own internal audit reports and the scope of the County Councils internal audit of the Fund's operations does not cover LPPA, where the bulk of the work is done. In the absence of any independent verification the Board can only place partial reliance on LPP's assurance statements. We therefore proposed the commissioning of an external report to provide us with independent assurance on LPP's internal controls. At the time of writing an initial update on progress is expected to be presented to the Board in April 2021.

One of the Board's formal objectives is to assist the Committee in ensuring the Fund is managed efficiently and effectively. As part of this we review changes to the risk register at every meeting and have offered some suggestions on the format so that it is able to provide timely pointers where the Committee should focus its attention. This is still a work in progress, but I believe it will, in due course, form another part of the continuous improvement in the Fund's governance.

A lot of regulatory change is expected in the next year. The Pensions Regulator is reviewing the Code of Practice 14 which the Local Government Pension Scheme falls under and has launched a consultation on its proposal to combine it with nine other codes covering pension funds. The Ministry for Housing, Communities and Local Government is also expected to publish new guidance on maintaining investment strategy statements, including further requirements on pooling in 2021. The recommendations made in the Scheme Advisory Board's Good Governance project are likely to be implemented in separate new statutory guidance. Finally, new legislation is expected to increase the requirements to disclose pension funds' exposure to climate change risks.

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.

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 2021, and the recommendations I made were relatively minor as reported to the Board in April 2021. I believe the Board operates effectively and efficiently and is able to fulfil its legal and regulatory requirements fully.

I would like once again to finish by thanking the officers at the County Council who support us in our duties, and in particular to thank Abbi Leech (Head of Fund) who left the Council towards the end of 2020 , Michelle King who took over as Interim Head of Fund and welcome Sean Greene who has recently been appointed to the role. As part of the annual review I speak individually to each Board member and I can record full agreement that in a year which was more challenging than most we have been ably and effectively supported by the whole team. I am again delighted to recognise that publicly in this report.

William Bourne

Independent Chair of the Lancashire Local Pension Board

June 2021

Actuarial Valuation

An actuarial valuation of the Fund is carried out every three years by the Fund's actuary Mercer. The most recent valuation carried out was at 31 March 2019 which determines contribution rates effective from 1 April 2020 to 31 March 2023.

The Funding objective is to achieve and then maintain assets equal to the Funding Target. The Funding Target is the present value of 100% of projective accrued liabilities. This is to comply with the requirements of the LGPS regulations to secure the solvency of the Fund and is in accordance with the Funding Strategy Statement (FSS). The methodology and assumptions by which the Funding Targets and contribution rates are calculated have also been determined in accordance with the FSS.

The FSS specifies an average period for achieving full funding of 13 years. The FSS sets out the circumstances in which this may vary from one employer to another Where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put into place which requires additional contributions to correct the shortfall.

The valuation (effective from 1 April 2020) revealed a funding level of 100% and an average employer's contribution rate of 17.4% plus a deficit contribution in 2020/21 of £3m.

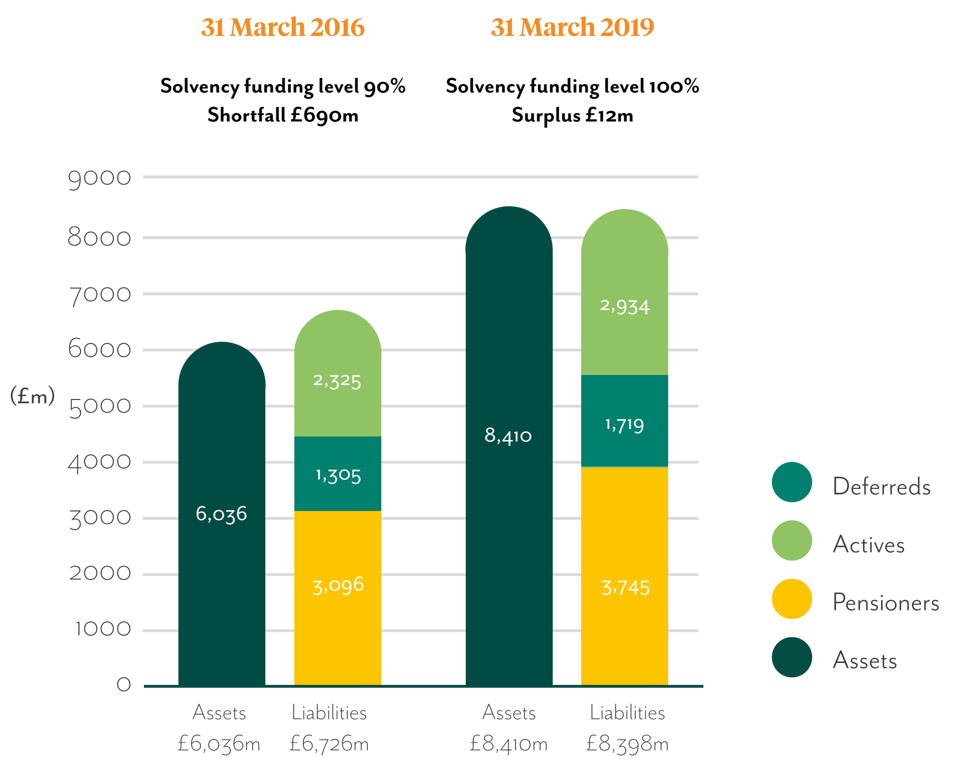
The chart below, taken from the certified actuarial valuation as at 31 March 2019, compares the assets and liabilities of the Fund at 31 March 2019. Figures are also shown for the last valuation as at 31 March 2016 for comparison.

The employer contributions for 2020/21 are based on the 2019 valuation and the recommended employer contributions for the period 1 April 2020 to 31 March 2023 are set out in the Schedule to the Rates and Adjustments in the actuarial valuation report.

The projected unit method of valuation was used for the valuation and is in common use for funding pension funds in the United Kingdom. The valuation results depend on financial and demographic assumptions and these are detailed in full in the Actuarial Valuation and at Appendix 1 of the Funding Strategy Statement. https://lancashirecountypensionfund.org.uk/publications/

The actuarial valuation report as at 31 March 2019 has been included as Appendix 8 to this Annual Report.

Solvency Funding Level



K

Contacts

Fund website
www.lancashirecountypensionfund.org.uk

Fund accounts
Lancashire County Council
pensionsfinance@lancashire.gov.uk

Benefits and other administrative issues
Local Pensions Partnership Administration Limited
Your Pension Service
PO Box 1381

Preston PR2 0WP
Phone: 0300 323 0260
www.localpensionspartnership.org.uk/Contact-us

Investment management
Local Pensions Partnership Investments Limited
Norwest Court
Guildhall Street
Preston PR1 3NU

Phone: 0300 323 0260

info@localpensionspartnership.org.uk

Local Pensions Partnership Investments Limited
2nd Floor
169 Union Street
London SE1 0LL

Phone: 020 7369 6000

info@localpensionspartnership.org.uk

Custodian
Northern Trust
50 Bank Street
Canary Wharf
London E14 5NT

www.ntrs.com

Independent advisors
Aoifinn Devitt
88 Lower Marsh
London SE1 7AB

Eric Lambert

elconsultancy@btinternet.com

Fund Actuary
Mercer
No 4 St Paul's Square
Old Hall Street
Liverpool L3 9SJ

www.uk.mercer.com

External auditor
Grant Thornton UK LLP
Royal Liver Building
Liverpool L3 1PS

www.grantthornton.co.uk

Legal advisors
Commercial & Procurement Team
Legal & Democratic Services
Lancashire County Council

www.lancashire.gov.uk

Bankers
Lloyds Bank plc
94 Fishergate
Preston PR1 2AD

National Westminster Bank
35 Fishergate
Preston PR1 2AD

Svenska Handelsbanken
Winckley Chambers
30 Winckley Square
Preston PR1 3JJ

AVC providers
Prudential
Laurence Pountney Hill
London EC4R 0HH

Utmost Life and Pensions
Walton Street
Aylesbury
Buckinghamshire HP21 7QW

L

Glossary

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.

Active management

Approach to investment management which aims to outperform a particular market index or benchmark through asset allocation and/or stock selection decisions.

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, is able to apply to the administering authority to join the scheme (e.g. a contractor providing services to the council or another scheduled body). Upon acceptance, an admission agreement is prepared admitting the organisation and allowing its employees to join.

Alternative investments

Investments considered outside of the traditional asset classes of stocks, bonds, cash or property.

Asset allocation

Distribution of investments across asset categories, such as cash, equities and bonds. Asset allocation affects both risk and return and is a central concept in financial planning and investment management.

Assumed pensionable pay

Where an employee loses pay due to sickness or reduced pay family related leave, the pay actually received is substituted with "assumed pensionable pay" when calculating "career average" benefits and employer contributions. Assumed pensionable pay is the average of pay in the three months prior to the month in which the reduced pay occurs.

Auditor

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

Auto enrolment

UK employers have to automatically enrol their staff into a workplace pension if they meet the criteria. The law on workplace pensions has now changed and every employer must comply.

Benchmark

These are investment performance standards that we expect our investment managers to achieve and against which we measure their investment return.

Bid price

The price a buyer pays for a stock.

Bonds

Loans, with a fixed rate of interest, made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date.

Career average revalued earnings (CARE) scheme.

With effect from 1 April 2014, the benefits accrued by members of the LGPS will be in the form of CARE benefits. Every year a member accrues a pension benefit equivalent to 1/49th of their pensionable pay in that year. The pension accrued will increase in line with the annual change in the consumer prices index over the period to retirement.

Cash and cash equivalents

Short term (less than 3 months), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collateral

An asset (cash or securities) posted from one counterparty to another, and held as a guarantee against the value of a specified portfolio of trades or other transactions.

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.

L

Glossary

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.

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 this may involve investing in Gilts – debt issued by government, where risk is perceived to be minimal but where returns are very low; at the other end of the spectrum are loans to heavily indebted companies or even companies who have credit difficulties, where there are higher levels of risk but where significantly enhanced returns are available.

Currency forward

An agreement between two counterparties to buy/sell a specified quantity of the underlying currency at a specified future date. Contracts are settled in cash on the expiration date.

Current assets and liabilities

Current assets are cash, cash equivalents and items that can be readily converted into cash. Current liabilities are items that are due for payment immediately or in the short term.

Custody / custodian

Safekeeping of securities by a financial institution. The custodian keeps a register of holdings and will collect income and distribute monies according to client instructions.

Debtors

Amounts owed to the Pension Fund which had not been paid by the date of the net assets statement.

Deficit

The extent to which the Fund's past service liabilities exceed the value of the Fund's assets.

Defined benefit

An employer sponsored retirement plan where employee benefits are sorted out based on a formula using factors such as salary history and duration of employment. Public sector pension schemes, including the LGPS are defined benefit.

Discount rate

The rate of interest used to convert a future cash amount to a present day value. It is a measure of the 'time value' of money.

Diversifying Strategies

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

Emerging markets

Developing economies in Latin America, Africa, Asia and the Middle East as well as areas of Europe and the Far East. Investment returns within these markets tend to be more volatile than those in more established markets.

Equities

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

ESG (environmental, social and corporate governance)

Responsible Investors understand that ESG characteristics are financially material to investment decision-making if they are likely to have an impact on a company and its performance within the period of their ownership. Long term investors such as pension funds which aim to hold assets for an extended period of time need to assess the impact of a variety of potential influences, some of which are systemic risks which are not possible to predict with certainty (such as climate change).

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.

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.

Index/Indices

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

Index-linked securities

Investments in stock where the interest payments and the final redemption proceeds are linked to the retail price index. Such stocks provide protection against inflation.

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.

Investment management expenses

All expenses relating to managing the Fund's investments.

Investment strategy

Investor's long-term distribution of assets among various asset classes taking into consideration, goals of the Fund, attitude to risk and timescale.

Liabilities

Financial liabilities are debts owed to creditors for outstanding payments due to be paid. Pension liabilities are the pension benefits and payments that are due to be paid when someone retires.

LPP – Local Pensions Partnership

The Local Pensions Partnership (LPP) is a collaboration between two successful LGPS funds – Lancashire County Pension Fund and London Pensions Fund Authority, with the goals of creating:

- A best-in-class, end-to-end pensions services organisation for public sector funds; LPP currently provide pensions administration services to 13 funds, including LGPS, fire and police schemes.
- An FCA-regulated structure for asset pooling.
- An organisation focused on managing assets and liabilities (risk) together in order to improve long-term fund performance, stabilise contributions and reduce deficits.
- A partnership which is open to other LGPS and public sector funds to join as owner shareholders or as investors only in LPP's pool.

Market value

The price at which an investment can be bought or sold at a given date.

Myners review

Review carried out by Paul Myners on behalf of the Chancellor of the UK government. The review published in March 2001, investigated the challenges facing institutional investment decision making.

Over the counter (OTC)

A security traded in some context other than on a formal exchange. The phrase "over the counter" can be used to refer to stocks that trade via a dealer network as opposed to on a centralised exchange. It also refers to debt securities and other financial instruments such as derivatives, which are traded through a dealer network.

Past service liability

The value, in present day terms, of the benefits accrued by members up to the valuation date. Calculated on the basis of a set of assumptions agreed between the administering authority and the actuary.

Pension boards

The role of each board is to help ensure each scheme complies with governance and administration requirements. They may have additional duties, if scheme or other regulations so specify.
Pension boards need to have an equal number of employer representatives and member representatives. They may also have other types of members, such as independent experts. All pension board members have a duty to act in accordance with scheme regulations and other governing documents.

Pooled investment vehicles

Funds which manage the investments of more than one investor on a collective basis. Each investor is allocated units which are revalued at regular intervals. Income from these investments is normally returned to the pooled fund and increases the value of the units.

Private equity

Shares in un-quoted companies.

Property

All buildings and land that the Fund owns, including pooled property funds.

Quantitative easing

The introduction of new money into the money supply by a central bank. The central bank increases the money supply and buys government bonds.

Related party

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

Responsible investment

An approach to investment which recognises that the consideration of environmental, social and governance 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.

Stock lending

The act of loaning securities to another investor in return for a fee. When a security is loaned the ownership is also transferred to the borrower.

Transfer values

The value of a pension scheme members benefits available to buy benefits in another scheme.

Triennial actuarial valuation

Every three years the actuary formally reviews the assets and liabilities of the Lancashire LGPS scheme and produces a report on the scheme's financial position.

Venture capital

Investment in a company that is at a relatively early stage of development and is not listed on a stock exchange.

50:50 scheme

In the LGPS, active members are given an option to accrue a lower benefit in return for paying a lower level of contribution.

Appendices

1

Appendix 1

Scheme employers with active members at 31 March 2021

Appendix 1

Scheme employers with active members at 31 March 2021

	Contributions Received		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit recovery
(£'000)			
Total Active Employers	**327,904**	**64,435**	**17,961**
County Council	**148,997**	**25,969**	**-**
Lancashire C.C excl schools	120,398	16,288	-
Lancashire C.C Schools	25,581	8,638	-
Archbishop Temple	90	33	-
Ashton Community Science College	143	52	-
Baines High School	119	40	-
Balshaws CE High School	106	37	-
Barrowford Primary School	74	24	-
Brownedge St Marys	112	39	-
Cardinal Allen	143	51	-
Delph Side	54	18	-
Haslingden High School	242	85	-
Hillside Specialist School	137	47	-
Hollins Technology College	156	54	-
Hutton Church of England Grammar School	104	36	-
John Cross	24	8	-
Lea Endowed CE Primary	26	9	-
Leyland St James CE Primary	41	14	-
Moor Park High	116	42	-
Morecambe Road School	157	53	-
Mount Carmel	147	53	-
New Longton All Saints CE PS	34	12	-
Ormskirk School	161	56	-
Peel Park	145	48	-
Rhyddings School Accrington	104	38	-
St Andrews CE Primary School	79	27	-
St Richards RC Primary School	37	13	-
The Loyne Specialist School	195	66	-
Walton Le Dale	106	38	-

	Contributions Received		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit recovery
(£'000)			
West End Primary School	38	13	-
Westgate Primary School	128	42	-
Scheduled Bodies (173)	**164,893**	**32,780**	**17,332**
Blackburn With Darwen B.C.	33,121	4,334	5,175
Audley County Infant	1	25	-
Avondale County Primary	1	33	-
Brookhouse Primary School	-	11	-
Holy Trinity CE Primary	-	14	-
Longshaw County Infant	-	20	-
Longshaw County Junior	-	24	-
St Barnabas & St Pauls CEP	-	31	-
St James CE Primary School	-	20	-
St Michael with St John CE Primary School	-	18	-
Turncroft Nursery	3	9	-
Blackpool B.C exc Schools	31,112	4,111	2,477
Blackpool B.C Schools	-	449	-
Burnley B.C	1,080	408	293
Chorley Borough Council	1,330	546	1,299
Fylde Borough Council	3,071	409	423
Hyndburn B.C.	1,462	457	-
Lancaster City Council	8,234	1,183	225
Pendle B C	2,824	327	1,789
Preston City Council	7,890	953	494
Ribble Valley B.C	865	327	-
Rossendale B.C	2,075	279	520
South Ribble B.C	3,508	542	217
West Lancashire B.C	6,756	888	389
Wyre B.C	3,407	480	-
Edge Hill University	4,165	1,700	379
University of Central Lancashire	6,245	2,584	210
Lancaster & Morecambe College	546	184	9

Employer Name	Contributions Received		
	Employer (£'000)	Employee (£'000)	Deficit recovery
(£'000)			
Blackpool & The Fylde College	1,786	721	-
Preston College	721	277	19
Runshaw College	944	324	-
Blackburn College	983	393	-
Burnley College	750	308	-
Nelson and Colne College	1,168	425	76
Myerscough College	1,028	354	79
Blackpool Sixth Form College	270	123	-
Cardinal Newman College	378	158	123
Blackburn St Mary's	164	64	-
QEGS Blackburn Academy (FS)	191	63	-
Lancashire Fire and Rescue Service	625	365	-
Penwortham Town Council	17	8	-
Blackpool Coastal Housing	681	307	-
Pilling Parish Council	9	2	-
Kirkland Parish Council	1	0	-
Catterall Parish Council	6	1	-
Garstang Town Council	9	2	0
United Learning (Accrington Academy)	176	72	-
ANWET (Darwen Aldridge Comm)	362	151	-
Fulwood Academy	70	41	-
St Annes on Sea Town Council	17	5	4
Active Lancashire Limited	104	55	-
Lancaster Girls GS (Academy)	125	47	31
Lancaster RGS (Academy)	244	76	81
Clitheroe Royal GS (Academy)	185	54	52
Hodgson Academy	186	60	53
FCAT (Hambleton Primary Academy)	31	11	14
Ripley St Thomas C E (Academy)	300	95	66
St Michael's CE High (Academy)	130	41	16
ATCT (Bowland High Academy Trust)	120	38	38
St Wilfrid's C of E Academy	182	58	98
Lostock Hall Academy Trust	90	28	32
St Christopher's CE (Academy)	240	114	132
Bishop Rawstorne High Academy	98	29	37
Belthorn Primary Academy	54	16	11
Garstang Community Academy	125	34	37
Parbold Douglas CE Academy	38	11	14
FCAT (Westcliff Prim Academy)	43	14	18
All Saints CE Primary School (Academy)	48	15	28
Tarleton Academy	198	73	47
FCAT (Montgomery HS Academy)	162	50	86
Parklands High School Academy	172	59	45
Penwortham Priory Academy	131	44	20
Albany Academy	151	46	37
Norbreck Primary Academy	93	30	26
Waterloo Primary Academy	165	57	33
Hawes Side Academy	108	33	29
The Lancashire Colleges Ltd	16	6	-
Academy at Worden	76	28	13
Wensley Fold CE Primary Academy	100	32	50
Star Academies	557	291	49
Bacup Rawtenstall GS (Academy)	154	52	40
ATCT (Roseacre Primary Academy)	80	27	38
Star Academies (Islam Boys HS)	42	17	7
Thames Primary Academy	132	42	43
Maharishi School (Free School)	53	15	3
Pendle Educ Trust-Colne Primet	113	34	9
Pendle Education Trust - Walter St	102	33	18
Moorside Community Academy	75	27	14
Fylde Coast Academy Trust	89	37	11
Blackpool MAT (Devonshire Academy)	123	37	49
Blackpool MAT (Park Academy)	171	68	80
Blackpool MAT (Anchorsholme Academy)	116	33	53
FCAT (Unity Academy)	225	75	114
Langdale Free School	12	5	1
Star Academies (Olive Blackburn)	60	27	4
Star Academies (Olive London)	77	36	4
Educ Partner Tr (The Heights)	74	27	38
Preesall Town Council	6	1	1
BFET (South Shore Academy)	134	51	72
Darwen Town Council	1	0	0
Habergham Eaves Parish Council	0	0	0
Old Laund Booth Parish Council	1	0	0
Police & Crime Commissioner	116	64	-
Blackpool MAT (Revoe)	106	36	68
Cidari Educ (St Georges)	111	35	59
ATCT (Witton Park Academy Trust)	153	50	69
Cidari Educ (Lukes & Philips)	38	13	38
Cidari Educ Ltd (St James)	54	17	28
Cidari Educ Ltd (St Barnabas)	28	10	26
Cidari Educ Ltd (St Aidans)	39	13	29
Blessed Edward MAT (St Marys)	187	62	69
Blessed Edward MAT (St Cuth)	53	16	35
FCAT (Aspire Academy)	154	42	67
Blessed Edward MAT (Christ)	43	13	17
ANWET (Darwen Vale Academy)	120	39	100
Star Academies Eden GS Waltham	48	22	3
Star Acadmies Eden GS Coventry	53	22	7
Star Acadmies Eden BS Bolton FS	56	21	8
Lancashire Chief Constable	25,035	4,039	-
BFET (Marton Primary Academy)	73	23	36
Educ Partner Tr (Burnley High FS)	50	21	2
Cliviger Parish Council	1	0	-
Star Acadmies Islam Girls HS	74	28	30
Cidari Education Trust	55	33	10
Cidari Edu Ltd(Baines Endowed)	116	37	60
Cidari Ed Ltd(Marsden St John)	39	12	10
ANWET (Sudell PS Academy)	42	11	27
Blackpool Housing Company Ltd	130	56	21
Pendle Edu Trust (Castercliff)	65	21	31
Educ Partner Tr (Coal Clough)	127	44	15
Star Acadmies (Eden BS Preston)	23	10	2
Star Academies (Eden GS Slough)	63	28	8
Star Academies (Eden BS Birming)	69	27	8
FCAT (BPool Gateway Academy)	70	23	11
Eden School	34	14	3
Whittle le Woods Parish Coun	2	2	0
Educ Partner Tr (Pleckgate HS)	172	52	100
Freckleton Parish Council	1	0	-
PET (West Craven)	97	31	12
Star Academies Highfield Humanities	134	42	44
Pendle Education Trust	34	18	-
Education Partnership Trust	64	36	-
Blessed Edward Trust	15	7	-
Star Academies Olive Bolton	31	14	-
Star Academies Olive Preston	50	20	-
Star Acadmies Olive Birmingham	65	26	-
Clayton-Le-Woods Parish Council	5	2	-
FCAT (Mereside)	88	25	50
Tor View SLC	307	110	57
FCAT (Westminster Primary Academy)	90	28	20
Mosaic Academy Trust	98	35	18
Cidari (Newchurch PSM)	13	3	2
Star Academies - Eden Girls Manchester	48	21	-
Cidari Educ (St Silas)	53	16	13
Bay Learning Tr (Morecambe Bay Academy)	210	74	-
Star Academies (The Valley Leadership Academy)	67	23	-
Star Academies (Eden Boys LA Birmingham East)	26	9	-
Learning Together Trust (Adlington PS)	29	8	4
Blackpool Waste Services	19	10	-
Nelson Town Council	8	4	-
Bay Learning Tr (Central Lancaster HS)	105	36	-
Star Academies (Eden Girls LA Birm)	39	16	-

	Contributions Received		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit recovery
(£'000)			
Star Academies (Eden Boys LA Bradford)	23	10	-
Educ Partner Tr (The Heights Burnley)	60	22	-
Romero (St Mary's RC)	47	16	-
Champion Educ Tr (Blackburn Central HS)	158	65	27
Champion Educ Tr (Crosshill Specialist Sch)	42	17	9
Romero Catholic Academy Trust (St John the Baptis	60	21	-
Romero CAT (St Augustines)	55	18	-
Romero CAT (All Saints RC HS)	87	31	-
Romero CAT (Blessed Trinity RC)	203	71	-
Endeavour Learning Trust (Northbrook PS)	23	8	-
Champion Educ Tr (Lotus School)	9	3	-
Cidari Educ (St Pauls CE PS)	5	2	-
Cockerham Parish Council	0	0	-
Nether Wyresdale Parish Council	1	0	-
United Learning (The Hyndburn Academy)	91	30	15
Pendle Education Trust (Casterton Primary Academy)	70	23	10
Bay Learning Tr (Carnforth High School)	117	37	22
Star Academies (Bay Leadership Academies)	166	51	27
FCAT (Armfield Academy)	86	32	-
Endeavour LT (Burscough Priory Academy)	57	17	14
United Learning (Marsden Heights CC)	33	-	-
Star Academies - Eden Boys Manchester	38	16	-
ADMITTED (126)	**14,012**	**5,686**	**629**
UCST (AKS Arnold)	25	11	4
Lancaster University	5,081	2,062	-
Lancashire County Branch Unison	12	4	-
NW Inshore Fisheries & Conserv	121	41	-
UCST (AKS Lytham)	35	12	-

	Contributions Received		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit recovery
(£'000)			
University of Cumbria	2,258	907	302
Whitworth Town Council	7	2	2
Kirkham Grammar School (Ind)	94	24	1
Caritas Care Limited	273	89	41
Community Council of Lancs	23	8	-
Progress Housing Group	247	109	-
Preston Care and Repair	5	2	-
Pendle Leisure Trust Ltd	292	127	-
Together Housing Assoc Ltd	1,937	754	-
Leisure in Hyndburn	154	58	26
Adventure Hyndburn	44	14	21
Blackpool Zoo (Grant Leisure)	17	15	-
Rossendale Leisure Trust	-	20	-
Marketing Lancashire Ltd	36	37	-
Liberata UK Ltd (Pendle)	38	59	-
West Lancs Community Leisure	78	39	-
South Ribble Community Leisure	123	44	88
Community Gateway Assoc Ltd	236	105	-
Bulloughs (Our Lady)	0	0	-
Chorley Community Housing Ltd	100	49	-
NSL Ltd.(Lancaster)	1	1	-
Capita(Rossendale BC Transfer)	13	8	-
Consultant Caterers Ltd	7	4	-
Alternative Futures Group Ltd	-	5	-
Creative Support Ltd	-	10	-
Community and Business Partn	47	18	-
I Care (Home)	-	2	-
Fylde Coast YMCA (Fylde TUPE)	-	1	-
Cofely FM Ltd (Lend Lease)	6	10	-
Creative Support Ltd (Midway)	17	7	-
Mellor's (Bishop Rawstorne)	8	2	1
Andron (formerly Solar)	-	1	-
Cofely FM Ltd (Pleckgate)	2	2	-
Liberata UK Ltd (Burnley)	201	66	-
Essential Fleet Services Ltd	-	6	-
Elite Cleaning and Environment	3	1	-
Eric Wright FM - Site Supervisors Highfield HC	10	3	-
Mellors (Little Hoole)	2	1	-

	Contributions Received		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit recovery
(£'000)			
Mellors (Holy Cross)	9	3	-
Cofely FM Ltd (Blake/Cross)	-	1	-
Service Alliance Ltd (Altham)	1	0	-
Lancashire Care Foundation	-	2	-
Burnley Leisure	270	107	-
CG Cleaning (Kennington Road)	2	1	0
Compass Contract Services (UK) Ltd	28	7	-
Service Alliance (St Wilfrid)	2	1	-
Blackpool, Fylde and Wyre CU	7	3	-
QEGS Blackburn Ltd	5	2	-
Service Alliance (Whalley PS)	1	0	-
RCCN (Whitefield)	1	0	-
FCC Environment	23	8	-
County Councils Network	17	21	5
Urbaser Ltd	62	15	2
Service Alliance (ClithPendle)	1	1	-
I Care	17	7	-
Ind Living Fund (Blackpool BC)	8	2	0
Elite CES (Fulwood&Cadley)	1	0	-
Elite CES Ltd(Moor Nook School)	4	1	0
Elite CES Ltd (Carr Hill)	2	1	-
Local Pensions Partnership	106	50	6
Premiserv (St Peters)	1	0	-
5AM Contract Cleaning (Blackpool Coastal)	3	1	-
RCCN (Burscough)	2	1	-
Elite CES (Hambleton)	3	1	0
Elite CES Ltd (St Annes)	1	0	-
Bulloughs (BFET Marton)	3	0	-
Mellors (Delph Side)	2	1	-
Mellors (Lostock Hall Academy)	5	1	1
Maxim (Lancaster Girls Grammar)	2	0	-
Maxim (Newton Bluecoat)	0	0	-
Maxim (St John with St Michael)	1	0	-
Capita (Property & Infrastructure)	13	7	-
Maxim (St Georges CE PS)	1	0	-
Compass CS Ltd (Highfield)	11	2	-

	Contributions Received		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit recovery
(£'000)			
Greenwich Leisure Limited (Preston City)	55	17	-
Clarets in the Community Ltd	4	1	-
Compass Contract Services (Hodgson Academy)	5	2	-
Mellors (Parklands High School)	8	2	-
Noonan (Hyndburn CCTV)	3	1	-
Mellors (St Michaels CE Academy Trust)	13	3	-
Compass CS (Mer/Mon/Uni)	38	9	-
Mellors (Tarleton Community PS)	3	1	-
Andron (Longridge High School)	2	1	-
Maxim (Bolton le Sands Primary School)	1	0	-
Maxim (Kelbrook Primary School)	3	1	-
Maxim (St Augustines)	2	1	-
Laneshaw Bridge Primary School	40	12	8
Andron (Cidari - St Georges School)	4	1	-
Blacko Primary School	19	5	4
Colne Park High School	154	49	32
Lord Street Primary School	85	27	19
The Pennine Trust	16	6	-
Orian Solutions Ltd (Parklands High School)	1	0	-
Wolseley UK	4	1	-
Local Pensions Partnership Inv.	127	85	39
CG Cleaning Ltd (Burnley St Peters)	4	1	-
CG Cleaning Ltd (Moorside PS Lancaster)	2	1	-
CG Cleaning Ltd (St Wulstans & St Edmunds)	6	2	-
Bulloughs (Balshaw HS)	4	1	-
Mellors (Cidari - Multi Academy)	23	6	-
Mellors (Cidari - St Silas)	5	1	-
Orian Solutions Ltd (Layton PS)	1	0	-
Maxim FM (St James PS Clitheroe)	2	1	-

Employer Name	Contributions Received Employer (£'000)	Employee (£'000)	Deficit recovery
(£'000)			
Lancashire Care NHS Foundation Trust (EIS)	22	7	-
Aspens Services Ltd (AE - Sudell Primary School)	4	1	-
Progress Housing Association	453	142	-
Aspens Services Ltd - (AE - DACA/DAES)	24	8	-
Aspens Services Ltd - (AE - Darwen Vale HS)	6	2	-
Maxim (Deepdale PS)	2	1	-
Bulloughs Cleaning Services Ltd- (AE - Sudell Prim	2	0	-
Local Pensions Partnership Admin	623	284	29
Tenon FM Ltd (Clayton Brook PS)	7	2	-
Mellor's (Bank Methodist PS)	0	0	-
Midshire Services Ltd (Southlands HS)	24	6	-
Contour Housing	-	-1	-
00152: Blackpool Airport Ltd	-2	-0	-
00175: Ribble Valley Homes Ltd	-1	-1	-
CG Cleaning Ltd (Mary Magdalens CE PS)	4	1	-
Safenet Domestic Abuse and Support Services	12	4	-
CG Cleaning Ltd (St Johns PS Poulton-le-fylde)	1	0	-
Veolia ES (UK) Ltd (Wyre BC)	30	7	-

* Up-front contribution payments for future service and deficit funding contributions were made by a number of employers within the Fund to cover amounts due for the 3 years to 31 March 2023. Accounting practice requires that these contributions be recognised on receipt. Where applicable, prepayments are included in the employer contribution and deficit amounts above.

Scheme Employers where contributions have been received during 2020/21 but they had no Active Scheme Members as at 31 March 2021

Employer Name	Contributions Received Employer (£'000)	Employee (£'000)	Deficit recovery
(£'000)			
Galloways Society for Blind	2	0	-
Bootstrap Enterprises Ltd1	-547	0	-
Mellor's (Hambleton Primary S)	0	0	-
Compass CS (Preston)	13	4	-
Maxim (Acorns PS)	1	0	-
Maxim (Kingsfold Primary School)	1	0	-
Maxim (Lancaster Royal Grammar)	11	3	0
Maxim (Ribblesdale Nursery)	1	0	-
Mellors (Queens Drive)	1	0	0
Morecambe Town Council	0	0	-

1Payment of surplus to Bootstrap

Appendix 2

Lancashire County Pension Fund
Governance Policy Statement – Updated January 2021

Appendix 2

Lancashire County Pension Fund
Governance Policy Statement – Updated January 2021

Introduction

1. This is the Governance Policy Statement of Lancashire County Pension Fund, administered by Lancashire County Council, the administering authority. All Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Statement under regulation 55 of the LGPS Regulations 2013.

2. This statement has been prepared by the administering authority in consultation with appropriate interested persons.

Purpose of the Governance Policy Statement

3. The regulations regarding governance policy statements require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain, publish and keep under review a written statement setting out:

(a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;

(b) if the authority does so — (i) the terms, structure and operational procedures of the delegation, (ii) the frequency of any committee or sub-committee meetings, (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights; (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4)

4. Certain functions set out in the statement are not specific to the Pension Fund but are the wider responsibility of the County Council as an employing authority and are included within the statement for completeness.

Governance of the Lancashire County Pension Fund

5. Under the cabinet structure in local government, management of the pension fund is a non-executive function and this is reflected in the council's constitution. The Pension Fund Committee reports directly to Full Council. The Head of Fund is designated as the officer responsible for the management of the Pension Fund.

The Pension Fund Committee
(Non-executive committee)

Composition and role:

1. The Pension Fund Committee ("the Committee") comprises twelve County Councillors and seven voting co-optees representing the following organisations:
   a. One co-optee representing the Further and Higher Education sector in Lancashire;
   b. One co-optee from Blackburn with Darwen Council;
   c. One co-optee from Blackpool Council;
   d. Two co-optees representing Trade Unions; and
   e. Two co-optees representing the Lancashire Borough and City Councils

2. The role of the Committee is to:
   a. Fulfil the role of Scheme Manager, as set out in regulations, of the Lancashire County Pension Fund ("the Fund" or "LCPF");
   b. Establish policies in relation to investment management, which shall include meeting with the Investment Panel to consider future Investment policy for the Fund;
   c. Monitor and review investment activity and the performance of the Fund; and
   d. Present an annual report to the Full Council on the state of the Fund and on the investment activities during the preceding year.

3. The Committee shall meet at least quarterly, or otherwise as necessary, with the Investment Panel in attendance.

4. Meetings of the Committee shall be open to the public, but the public may be excluded where information of an exempt or confidential nature is being discussed – see Access to Information Procedure Rules set out at Appendix 'H' to the County Council's Constitution.

General:

5. To exercise Lancashire County Council's responsibility for the management of the Fund, including the administration of benefits and strategic management of Fund assets and liabilities.

6. To determine which pension related functions and responsibilities should be exercised under a Scheme of Delegation to the Head of the LCPF, the Council's s.151 Officer and the Director of Corporate Services.

7. To review governance arrangements and the efficient and effective use of external advisors to ensure good decision-making.

8. To appoint a minimum of two suitable persons to an Investment Panel through a sub committee convened for that purpose.

9. To establish sub-committees and panels as necessary to undertake any part of the Committee's functions.

10. To receive an annual report from the Lancashire Local Pensions Board on the nature and effect of its activities.

Policies (other than Investment, Administration and Funding – see below):

11. To approve the following key policy documents:
   a. A rolling 3 Year Strategic Plan for the Fund;
   b. The Statement of Investment Principles
   c. Governance Policy Statement;
   d. Governance Compliance Statement;
   e. Pension Fund Annual Report;
   f. Communication Policy statement;
   g. Internal Dispute Resolution Procedure;
   h. Death Grant Procedure;
   i. Bulk Transfer Payment Policy;
   j. Commutation policy (small pensions);
   k. Transfer policy;
   l. Abatement policy; and
   m. Any other discretionary policies as required under LGPS regulations

Investment:

12. To determine the strategic asset allocation policy, giving due recognition to the options made available by the Local Pensions Partnership Ltd (LPPL).

13. To monitor the performance of the Fund's investments and ensure that best practice is being adopted and value for money is being delivered

14. To submit an annual report to the Full Council on the performance and state of the Fund and on the investment activities during the year.

15. To approve and review on a regular basis an overall Investment Strategy and subsidiary Strategies for such asset classes as the Investment Panel consider appropriate.

16. To have overall responsibility for investment policy.

17. To approve the Annual Administration Report.

18. To approve the Pensions Administration Strategy Statement.

19. To monitor the performance of the pensions administration function.

20. To authorise the payment of any statutory pensions, gratuities, grants, etc. under the provisions of the Superannuation and Pensions Acts and Regulations and any Local Acts.

21. To approve applications for early payment of preserved pension benefits on compassionate grounds.

22. To approve payments under the County of Lancashire Act 1984.

23. To determine the actual injury allowance payable on each individual qualifying case of injury or disease, both retrospective and for the future.

24. To review annually the actual amounts of injury allowances payable under the Local Government Superannuation Regulations, as amended, to employees who have sustained injuries or contracted diseases, as a result of anything they were required to do in carrying out their work and to make any changes appropriate to reflect changes in the relevant financial circumstances of the payee.

Funding:

25. To approve the Funding Strategy Statement which shall include the Fund's policy in respect of:
   a. the Funding Target;
   b. the collection of employee contributions;
   c. the collection of employer contributions;
   d. the collection of additional employer contributions; and
   e. Admissions and Terminations.

26. To approve Scheme Funding Advice

27. To review ongoing funding updates for potential cash contribution implications

Procurement:

28. To approve the procurement process, tender award criteria and evaluation methodology in advance of any tender being invited for the appointment of external support, including:
   a. an external corporate governance adviser;
   b. an external Fund custodian;
   c. external performance measurement advisers;
   d. the Fund Actuary; and
   e. the Fund's AVC Provider

Training:

29. To approve the annual Training Plan for members of the Pension Fund Committee and actively participate in training opportunities.

Local Pensions Partnership Ltd (LPPL):

LPPL was formed in partnership between the County Council and the London Pension Funds Authority (LPFA) to carry out certain pension functions such as investment activity and administration on behalf of the two partner authorities. The relationship between the County Council and LPFA is governed by a number of agreements one of which (the Shareholders Agreement dated [8th April 2016) reserves certain key matters for the determination of the County Council and LPFA rather than LPPL (the "Reserved Matters"). References to delegated powers relating to LPPL address the Reserved Matters. Unless stipulated, any reference to the "Agreement" is a reference to the Shareholders Agreement dated 8th April 2016.

Appendix 2

Lancashire County Pension Fund
Governance Policy Statement – Updated January 2021

Incorporation or winding up of subsidiaries:

30. To approve, with the exception to the formation of vehicles which are necessary for any transactional, operational or tax efficiency reasons in the sole opinion of the Board, any incorporation of any new subsidiary of LPPL or any of its Group Companies or any liquidation or winding up of LLP or any of its Group Companies. Any acquisition of any shares in any company, whether through subscription or transfer, such that the company concerned becomes a Subsidiary of LPPL or any Group Company.

Merger/acquisition of any business undertaking:

31. To approve the amalgamation or merger with any company, association, partnership or legal entity or the acquisition of any business undertaking of any other person.

Financial and Business:

32. To approve any Strategic Plan for LPPL or make any material changes to any Strategic Plan after its approval.
33. To approve any extension of the activities of LPPL outside the scope of the Business or close down any business operation.
34. To receive the annual accounts of LPPL.
35. To approve the establishment, provision or amendment of any pension scheme.
36. To give or take any loans, borrowing or credit (other than normal trade credit in the ordinary course of business) in excess of £1,000,000 or cause the aggregate indebtedness of LPPL to exceed £5m.

Shares, shareholder loans and constitutional:

37. To pay or declare any dividend (other than as expressly provided for in the Shareholder agreement) or other distribution to the Shareholders or redeem or buy any Shares or otherwise reorganise the share capital of LPPL.
38. To admit any person whether by subscription or transfer as a member of LPPL save as provided for in the Shareholder Agreement.
39. To approve any name change of LPPL

Control, management, directors and employees:

40. To approve the remuneration policy of LPPL Non-Executive Directors.
41. To approve the appointment or removal of any statutory director of LPPL otherwise than in accordance with the Shareholder Agreement and the Articles of LPPL.
42. To enter into or vary any agreement for the provision of consultancy, management or other services by any person which will, or is likely to result in, LPPL being managed otherwise than by its directors or controlled otherwise than by its shareholders.
43. To approve the move of the central management and control of LPPL or LPPL's tax residence outside of the UK.

Contract with related parties

44. To enter into or vary any contracts or arrangements with any of the Shareholders or Directors or any person with whom any Shareholder or Director is connected (whether as director, consultant, shareholder or otherwise) save as anticipated in the various agreements between the County Council, LPFA and LPPL entered into on the 8th April 2016.
45. To approve the commencement or the taking of steps to commence any insolvency proceedings under any law relating to insolvency anywhere in the world unless LPPL is at the relevant time unable to pay its debts as they fall due or the value of its assets is less than its liabilities, including its contingent and prospective liabilities and the directors reasonably consider (taking into account their fiduciary duties) that it ought to be wound up or it ought to enter into administration.
46. To enter into any partnership, joint venture or profit sharing arrangement with any person or create any share option scheme.
47. To enter into or make any material variation to any agreement not in the ordinary course of the Business and/or which is not on an arm's length basis.
48. To approve the sale, lease (as lessor), licence (as licensor), transfer or otherwise dispose of any of its material assets.
49. To enter into any contract which cannot be terminated within 48 months and under which the liability for such termination could exceed £1 million.

Pension Fund Committee – Scheme of Delegation Arrangements

1. Matters reserved to Full Council

Local Pensions Partnership Ltd (LPPL):

Changes to the Articles or any Share rights impacting on any pre-approval matter(s)

1. Approval to alter any of the provisions of the LPPL Articles (including the articles of the LPPL subsidiary companies) or alter any of the rights attaching to the Shares (including where any such alterations directly or indirectly impacts on a Reserved Matter) unless such amendment is of a purely administrative nature.

Dilution on Shareholding/Issue of Shares and Share Options

2. Approval to reduce or cancel any share capital of LPPL, purchase its own shares, hold any shares in treasury, allot or agree to allot, whether actually or contingently, any of the share capital of LPPL or any security of LPPL convertible into share capital, grant any options or other rights to subscribe for or to convert any security into shares of LPPL or alter the classification of any part of the share capital of LPPL save as the power to do so without prior Shareholder approval is specifically provided for in the Agreement.

Creation of any Holdco of LPPL

3. To approve the formation of any holding company of LPPL.

Change of Company status

4. To approve a change of status of LPPL from a limited company to a public limited company or from a company limited by shares to any other form of legal entity.

2. Matters reserved to the Employment Committee

Local Pensions Partnership Ltd (LPPL):

Approval of LPPL's Remuneration Policy

1. To approve the remuneration policy of the LPPL directors and staff, other than for LPPL Non-Executive Directors

Changes to Directors' Remuneration Policy

2. 2. To approve the payment of any fees, remuneration or other sums to or in respect of the services of any director or vary any such fees or remuneration other than in accordance with an agreed remuneration policy approved by both LCC and LPFA. For the avoidance of doubt this will not apply to the payment or reimbursement of reasonable expenses properly incurred by any statutory director in the course of carrying out his duties in relation to LPPL nor to any payment under any indemnity by LPPL to which the statutory director is entitled under the Articles or under any relevant law.

Proposed redundancies of any Group employees

3. To approve any proposed programme of redundancies within LPPL or rationalisation of a group of employees

Proposed re-location of any LPPL employees

4. To approve any proposed programme of relocation of a group of employees outside Lancashire who were previously employees of LCC.

Chief Executive

5. To approve the appointment or removal of the Chief Executive of LPPL or any subsidiary company.

3. Matters reserved to Officers

The following functions have been delegated to the Head of the Lancashire County Pension Fund (LCPF), the Director of Corporate Services, and the Council's s.151 Officer as indicated below:

The Head of the LCPF, the Director of Corporate Services, and Council's s.151 Officer may allocate or re-allocate responsibility for exercising powers (delegated to them by Full Council or the Pension Fund Committee) to other officers on their behalf in the interests of effective corporate management as he/she thinks fit.

Records of all such authorisations must be retained and a copy sent to Democratic Services for retention. The 'other' officer(s) to whom a power has been re-allocated cannot further delegate that power to another officer.

Any decisions taken under the Scheme of Delegation must be recorded on the electronic decision recording system.

Matters reserved to the Director of Corporate Services

Agreements

1. To enter into or vary any agreement to do any of the things reserved to the Pension Fund Committee and to officers under the Scheme of Delegation arrangements

Local Pensions Partnership Ltd (LPPL): Guarantees and Indemnities

2. To give any guarantee, suretyship or indemnity outside the ordinary course of business to secure the liabilities of any person or assume the obligations of any person.

Disputes and proceedings

3. To commence, settle or defend any claim, proceedings or other litigation brought by or against LPPL, except in relation to debt collection [not exceeding £2m,] in the ordinary course of the Business.

Matters reserved to the Council's S.151 Officer

As the officer designated under s.151 of the Local Government Act 1972 to be responsible for the proper administration of the financial affairs of the County Council, for this purpose including the Lancashire County Pension Fund.

Accounts and Records

1. To maintain all necessary accounts and records in relation to the Pension Fund save as otherwise discharged in accordance with arrangements determined by the Pension Fund Committee

Local Pensions Partnership Ltd (LPPL):

Shares, shareholder loans and constitutional:

2. Save as provided for in the Shareholders Agreement, to approve an increase in the

Appendix 2

Lancashire County Pension Fund
Governance Policy Statement – Updated January 2021

amount of any Shareholder Loans or the variation of the terms of any Shareholder Loans.

3. To approve the repurchase, repayment, redemption or cancellation of any Shareholder Loan other than in accordance with the terms of any Loan Agreement, Loan Notes or the terms of the Shareholders Agreement.

4. To enter into any agreement with a Shareholder for the provision of additional funds or financial support from that Shareholder which differ from the terms on which the other Shareholder is providing equivalent finance or support.

Matters reserved to the Head of the Lancashire County Pension Fund

As the officer responsible for the management of the Lancashire County Pension Fund:

1. To set the appropriate funding target for the Fund.
2. To place any monies not allocated to investments on short term deposit in accordance with arrangements approved by the Pension Fund Committee.
3. In consultation with the Investment Panel, to monitor and review the performance of investments made by LPPL and to report to each meeting of the Pension Fund Committee on the exercise of this delegation.
4. To arrange and authorise the provision of appropriate and necessary training for members of the Pension Fund Committee including the attendance at conferences and other similar pension fund related events by members of the Pension Fund Committee.
5. To accept for admission into the Lancashire County Pension Fund employees of authorities and bodies as prescribed in Regulations including transferee and community admissions which are considered as 'exceptional circumstances', subject to an approved Admission Agreement, and subject to any necessary indemnities as appropriate.
6. To prepare and submit the following to Pension Fund Committee:
   a. A rolling 3 Year Strategic Plan for the Fund;
   b. Statement of Investment Principles (to include policy on the management of cash balances)
   c. Governance Policy Statement
   d. Governance Compliance Statement.
   e. Pension Fund Annual Report, including the Annual Administration Report.
   f. The Funding Strategy Statement to include the Fund's policy in respect of:
   g. the Funding Target;
   h. the collection of employee contributions;
   i. the collection of employer contributions;
   j. the collection of additional employer contributions; and
   k. Admissions and Terminations.
   l. Pensions Administration strategy statement;
   m. Communication Policy statement;
   n. Internal Dispute Resolution Procedure;
   o. Death Grant Procedure;
   p. Bulk Transfer Payment Policy;
   q. Commutation policy (small pensions);
   r. Transfer policy; and
   s. Abatement policy
7. To carry out the administrative functions of the administering authority relating to the Local Government Pension Scheme.
8. To approve the payment of death grants in accordance with the agreed Death Grant Procedures.
9. To appoint any required external support (subject to the role of the Pension Fund Committee and the Investment Panel), their terms of office and remit.
10. To deal with stage 2 appeals under the Internal Dispute Resolution Procedure.
11. To authorise the payment of any statutory pensions, gratuities, grants, etc. under the provisions of the Superannuation and Pensions Acts and Regulations and any Local Acts.
12. To approve applications for early payment of preserved pension benefits on compassionate grounds.
13. To approve payments under the County of Lancashire Act 1984
14. To determine the actual injury allowance payable on each individual qualifying case of injury or disease, both retrospective and for the future.
15. To review annually the actual amounts of injury allowances payable under the Local Government Superannuation Regulations, as amended, to employees who have sustained injuries or contracted diseases, as a result of anything they were required to do in carrying out their work and to make any changes appropriate to reflect changes in the relevant financial circumstances of the payee.
16. To provide support to the Local Pension Board to enable it to fulfil its role and responsibilities as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013.

Local Pensions Partnership Ltd (LPPL):

To approve the following:

17. The appointment or removal of the auditors of LPPL.
18. The alteration of LPPL's accounting reference date.
19. Any significant change to any of LPPL's accounting or reporting practices.
20. The creation of any Encumbrance over the whole or part of the undertaking or assets of LPPL.
21. Any item or series of items of capital expenditure including finance leases but excluding operating leases of more than £5,000,000.
22. The entering into or variation of any operating lease either as lessor or lessee, of any plant, property or equipment of a duration exceeding 10 years or involving aggregate premium and annual rental payments in excess of £5m.
23. The factor or discount any book debts of LPPL.
24. The making of any agreement or reach any settlement with any revenue authorities or any other taxing authority, or make any claim, disclaimer, election or consent of a material nature for tax purposes in relation to LPPL, its business, assets or undertaking
25. Any change to the bankers of LPPL.
26. Any change to the registered office of LPPL.

Pension Fund Investment Panel

The Investment Panel ("the Panel") provides expert professional advice to the Pension Fund Committee in relation to investment strategy. The Panel also supports the Head of Fund with the specialist advice required by the Pension Fund Committee.

The Panel will:

- review the Fund's long term investment strategy and where necessary make recommendations to the Pension Fund Committee;
- advise on strategic and/or tactical asset allocations proposed by LPPL;
- Restrict and control the range of asset allocations used by LPPL as set out in the Statement of Investment Principles;
- consider appropriate risk management strategies to include the matching of pension liabilities with suitable investments, possibly involving derivatives, and where necessary make recommendations to the Pension Fund Committee;
- consider foreign exchange hedging strategies relating to the equity and/or other asset allocations and where necessary make recommendations to the Pension Fund Committee;
- monitor and review the investment activity; and
- Review and report on the performance of the Fund and where necessary make recommendations to the Pension Fund Committee.

The Panel does not exercise any delegated powers but instead will provide advice to the Head of the Fund who will either exercise his/her delegated powers or make recommendations to the Pension Fund Committee taking into account the advice and views from the Panel.

The membership of the Panel comprises:

(a) Head of Fund (as Chair); and

(b) Not less than two independent advisers appointed in accordance with arrangements determined by the Pension Fund Committee

The Panel may operate through sub groups to undertake particular tasks, but will formulate recommendations to the Head of Fund and/or the Pension Fund Committee through meetings of the full Panel.

They may securing of specialist advice within allocated budgets.

The Panel will meet at least quarterly, or otherwise as necessary

One member of the Panel will attend LPPL investor's forum on a 6 monthly basis.

Pension Board of the Lancashire County Pension Fund

1. Role and remit of the Board.

a) To assist Lancashire County Council as the Administering Authority in its role as Scheme Manager (as delegated to the Pension Fund Committee):

   i. to secure compliance with the Local Government Pension Scheme (LGPS) regulations and any other legislation relating to the governance and administration of the LGPS;
   ii. to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
   iii. in such other matters as the LGPS regulations may specify.

b) To ensure the effective and efficient governance and administration of the LGPS for the Lancashire County Pension Fund (the Fund).

c) To provide the Pension Fund Committee with such information as it requires to ensure that any member of the Board or person to be appointed to the Board does not have a conflict of interest.

d) To review and scrutinise governance processes and procedures to ensure that the Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

e) To meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than four times in any year.

f) To review the key policy documents for the Fund to ensure they are fit for purpose.

g) The Board must assist the Pension Fund Committee with such other matters as the scheme regulations may specify.

Appendix 2

Lancashire County Pension Fund
Governance Policy Statement – Updated January 2021

This role involves but is not limited to assisting with, the oversight of and commenting on:

i. the development of improved customer services.

ii. the monitoring of administration and governance against key performance targets and indicators.

iii. the effectiveness of processes for the appointment of advisors and suppliers to the County Council.

iv. a review of the Lancashire County Pension Fund Risk Register as it relates to the Scheme Manager function of the Authority.

v. the development of improved management, administration and governance structures and policies.

vi. a review of the outcome of actuarial reporting and valuations.

vii. any other area within the core function (i.e. ensuring effective and efficient governance of the Scheme) that the Board deems appropriate.

h) To review the outcome of internal and external audit reports in relation to the Fund.

i) To make such recommendations to the Pension Fund Committee and/or Full Council as it considers appropriate in relation to any matter that the Board considers may improve the performance of the Fund.

j) To submit to the Pension Fund Committee in March each year a proposed annual work plan for the forthcoming financial year.

k) To carry out any activities relating to the efficient governance and administration of the Fund which the Pension Fund Committee or Full Council may request the Board to undertake.

2. Membership and Appointment Process

The Board shall consist of 9 members and be constituted as follows:

4 employer representatives, of whom:

i. 2 shall be nominated by Lancashire County Council, where these are councillors or officers they shall meet the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority;

ii. 1 shall be nominated by the Unitary, City, and Borough Councils and the Police and Fire bodies which are employers within the Lancashire County Pension Fund; and

iii. 1 shall be nominated following consultation with the other employers within the Fund.

4 scheme member representatives drawn from the membership of the Fund.

1 independent member selected by the Pension Fund Committee who shall not be a member of the Lancashire County Pension Fund and who shall be appointed as Chair of the Board.

Members in the above categories will only be appointed to the Board by the full Council if they meet the knowledge and understanding requirements set out in the relevant regulations and guidance, and as set out in Section 5 below.

Process

a) Two employer representatives shall be nominated by Lancashire County Council. The nomination of a county councillor or officer shall comply with the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority.

b) One employer representative to be drawn from the Unitary, City, and Borough Councils and the Police and Fire bodies which are employers within the Fund.

c) One employer representative to be drawn from all other employers within the Fund.

d) Four scheme member representatives to be drawn from the membership of the Fund.

Employers within the Fund shall be notified of any vacancies arising under categories b) and c) above. Any nominations shall be submitted to the county council's Director of Corporate Services.

A vacancy arising under category d) shall be brought to the attention of employer and member representative bodies to enable the vacancy to be advertised as widely as possible. This will include details of the vacancy being published on websites as appropriate. Scheme members shall submit expressions of interest to the county council's Director of Corporate Services.

All nominations and expressions of interest submitted under categories b), c) and d) would go through an initial sifting process by the Head of the Pension Fund in consultation with the Chair of the Lancashire Local Pension Board. Nominations and expressions of interest would be considered against the role profile and having regard to equal opportunities legislation. In the event that more than one suitable candidate is identified, there will be a formal interview process involving the Chair and two other members of the Board. The interview process would test the ability of the individual to meet the requirements of the role and any recommended appointment would be made on merit.

Once a suitable representative has been identified they would need to be formally appointed to the Board by the Full Council.

e) One independent member selected and appointed by the county council as the Administering Authority.

This person shall not be a member of the Fund. Such appointment will only be made following an openly advertised competition for the role. Interviews will be arranged and conducted as necessary by the Head of the Pension Fund who shall make a recommendation to the Pension Fund Committee for consideration who will then refer the matter to the Full Council for a decision as appropriate.

3. Term of office and removal of members of the Board

a) The Independent Chair of the Pension Board shall be appointed by the Full Council for an initial 2 years with an option for the appointment to be extended for an additional 2 years.

b) Other members of the Board will serve for an initial four year term with an option to extend for a further 4 years, subject to the approval of the Full Council. Other than as a result of retirement at the expiry of this period the term of office of a member of the Board will come to an end:

i. For employer representatives who are councillors if they

- cease to hold office as a councillor,
- are appointed to serve on the Pension Fund Committee,
- are replaced in accordance with the change of membership procedure adopted by the County Council, or
- are removed by a resolution of the Full Council.

ii. For employer representatives who are not councillors when they cease to be employed by the employing body where they were employed on appointment;

iii. For a scheme member or employer representative if they are appointed to a role with responsibility for the management or administration of the Fund.

iv. For scheme member representatives if they cease to be a member of the Fund. v) Where there is a conflict of interest which cannot be managed in accordance with the Conflict of Interests Policy.

v. Where an individual fails to attend meetings, undertake training or otherwise comply with the requirements of being a member of the Pension Board.

c) Each Board member should endeavor to and is expected to attend all Board meetings during the year. Given the nature of the Board as a supervisory body and the need for appropriate knowledge and skills and the clear avoidance of conflicts of interest substitute members are not permitted.

d) Other than by ceasing to be eligible as set out above, a Board member (including the independent member) may only be removed from office during a term of appointment by the consent of the Full Council

4. Code of Conduct and Conflict of Interests Policy for Board Members, Officers and Advisors

The role of the Pension Board requires the highest standards of conduct and therefore the "seven principles of public life" will be applied to all Board members and embodied in their Code of Conduct as approved by the Board and published on the Local Pension Fund Website.

5. Knowledge and Understanding

a) A member of the Board must be conversant with:

i. The legislation and associated guidance of the LGPS.

ii. Any document recording policy about the administration of the LGPS which is for the time being adopted by the Fund.

b) A member of the Board must have knowledge and understanding of:

i. The law relating to pensions, and

ii. Any other matters which are prescribed in regulations.

c) It is for individual Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board. In line with this requirement Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. A record of the training Board members have undertaken will be presented to the Board on an annual basis

d) Board members will undertake a personal training needs analysis and regularly review their skills, competencies and knowledge to identify gaps or weaknesses.

e) Board members will comply with the Training Policy approved by the Pension Fund Committee.

6. Role of the Chair

a) To ensure that the Board delivers its purpose as set out in these Terms of Reference.

b) To ensure that Board meetings are productive and effective and that all members of the Board have an opportunity to contribute to discussions.

c) To seek to ensure that the Board reach consensus when making decisions and to put decisions to a vote when it cannot be reached.

d) To facilitate the Annual Review of the effectiveness of the operation of the Board over the previous year and draft a report on the findings for inclusion in the Annual Report of the Fund.

Appendix 2

Lancashire County Pension Fund
Governance Policy Statement – Updated January 2021

7. Quorum

a) For the Board to be quorate the Chair and at least 2 employer representatives and 2 scheme member representatives must be present.

b) In the event that the Board is inquorate the meeting may continue but any decisions will be non binding until they can be ratified by the Board.

8. Decision making

Employer/members representatives on the Board will have an individual voting right but it is expected the Board will, as far as possible, reach a consensus. Under Regulation 106(7) of the LGPS Regulations 2013 the Chair is explicitly excluded from having the right to vote.

Written resolution procedure - Should the Board need to take a decision between scheduled meetings then all Employer/Scheme Member representatives on the Board shall be consulted by email on the proposal and asked to indicate whether or not they support the recommendation. The Chair will receive a copy of the written resolution for their information. The decision of the Board will then be based on a simple majority of the responses received and will be reported to the subsequent Board meeting.

9. Board Meetings – Notice, Minutes and Reporting

a) The Director of Corporate Services shall give notice to all Board members of every meeting of the Board, and shall ensure that papers are published on the Lancashire County Pension Fund Website at least 5 working days prior to each meeting.

b) The Director of Corporate Services shall ensure that a formal record of Board proceedings is maintained. Subsequent to each meeting the Chair will be askedto approve the minutes for publication and circulation to all members of the Board.

c) The Board in considering items of business at its ordinary meetings shall in relation to each item consider whether it wishes to make a recommendation to the Pension Fund Committee with the response of the Committee being reported to the subsequent Board meeting.

d) The Pension Board shall produce an Annual Report on the nature and effect of its activities for consideration by the Pension Fund Committee. The contents of this Annual Report will be subject to consideration and agreement at a meeting of the Board, but should include, inter alia:

i. Details of the attendance of members at Board meetings;

ii. Details of the training and development activities provided for members of the Board and attendance at such activities;

iii. Details of any recommendations made by the Board to the Pension Fund Committee and the response of the Committee to those recommendations.

iv. Details of the costs incurred in the operation of the Board.

v. A statement by the Chair on the findings of the Annual Review of the effectiveness of the Board.

If approved by the Committee the Annual Report of the Board will be incorporated into the Annual Report of the Fund and submitted to the full Council for approval.

e) If considered appropriate the Board may establish Sub Groups to look in detail at specific issues and report back to the Board.

10. Publication of Pension Board information

Scheme members and other interested parties will want to know that the Fund is being efficiently and effectively managed. They will also want to be confident that the Board is properly constituted, trained and competent in order to comply with scheme regulations, the governance and administration of the scheme and requirements of the Pension Regulator.

The Board will ensure that up to date information is posted on the Lancashire County Pension Fund website showing

- The names, contact details and other relevant information about the Pension Board members;
- The responsibilities of the Pension Board as a whole;
- The full Terms of Reference and policies of the Pension Board and how they operate;
- Any specific roles and responsibilities of individual Pension Board members.

The Pension Fund Committee will also consider requests for additional information to be published or made available to individual scheme members to encourage scheme member engagement and promote a culture of openness and transparency.

11. Budget

a) The Board is to be provided with adequate resources to fulfil its role. In doing so the budget for the Board shall be met from the Lancashire County Pension Fund.

b) The Pension Fund Committee shall approve an annual budget for the Board which will be managed by and at the discretion of the Head of Fund.

12. Reimbursement of Travel and Subsistence Expenses and Renumeration.

a) All Board members shall, on the production of relevant receipts be reimbursed for travel and subsistence expenses they have actually and necessarily incurred in the conduct of their duties as a member of the Board, including attendance at relevant training and development activities.

b) Board members shall be reimbursed a mileage allowance for use of their own car at the rate proscribed by HM Revenues and Customs from time to time as adopted by Lancashire County Council.

c) Where members of the Board are in employment their employer will be able to reclaim from the Lancashire County Pension Fund a sum equivalent to salary, employers' national insurance contributions and employers' pension contributions, in respect of time spent by the individual in fulfilling their duties as a member of the Board, including attendance at relevant training and development activities. Where any applicable sums and contributions are claimed by an employer, costs must actually have been incurred by the employer and evidence must be provided with any claim.

Members of the Board may be able to reclaim from the Lancashire County Pension Fund a sum in financial loss commensurate to time spent by the individual in fulfilling their duties as a member of the Board, including attendance at relevant training and development activities, except where such sums are recoverable under any other paragraph of these terms of reference. Where any applicable sums are claimed by an individual evidence must be provided with the claim. The Head of Fund will have absolute discretion to determine the final sum reimbursed based on what is deemed sufficiently evidenced, reasonable and proportionate, to be assessed on a case by case basis.

d) In accordance with the decision of the Full Council on 28 February 2019, the Chair of the Board shall receive a fixed annual allowance of £12,500 (in addition to travel and subsistence expenses) to be inflated in April each year by the Consumer Price Index for the previous September. The payment of the annual allowance will be split 50:50 between the Lancashire County Pension Fund and the London Pensions Fund Authority.

13. Advisers to the Board

a) The Board may be supported in its role and responsibilities through the appointment of advisers, in addition to the County Council's officers and the Fund's various advisers and shall, subject to any applicable regulation and legislation from time to time in force, consult with such advisers to the Board and on such terms as it shall see fit to help better perform its duties.

b) The Board shall ensure that the performance of any advisers so appointed is reviewed on a regular basis

14. Reporting Breaches

Any breach brought to the attention of the Board, whether potential or actual, shall be dealt with in accordance with the procedure set out in a separate policy.

Compliance with Good Practice in Engagement and Representation

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.

Training sessions have been held for the Pension Fund Committee, usually immediately before or after Committee meetings, together with monthly workshops. The sessions cover all aspects of funding, investments, Scheme management and administration and are facilitated by an appropriate Officer, Investment Manager or Fund Actuary. In addition members are encouraged to attend appropriate external courses and conferences and report back to the Committee their learning from these events.

Under section 102 of the Local Government Act 1972, it is for the appointing council to decide upon the number of members of a committee and their terms of office. They may include committee members who are not members of the appointing council and such members may be given voting rights by virtue of section 13 of the Local Government and Housing Act 1989.

On this basis, it is open to pension committees to include representatives from district councils, scheme members and other lay representatives, with or without voting rights, provided that they are eligible to be committee members (eligibility rules are set out in section 15 of the Local Government and Housing Act 1989). Membership of the Lancashire Pension Fund Committee is set out on page 2 of this statement DCLG is committed to ensure that all LGPS committees operate

Appendix 2

Lancashire County Pension Fund
Governance Policy Statement – Updated January 2021

consistently at best practice standards. Therefore, in addition to the regulatory requirement to produce this Governance Policy Statement, the LGPS regulations 1997 were further amended on 30 June 2007 to require administering authorities to report the extent of compliance to a set of best practice principles to be published by DCLG, and where an authority has chosen not to comply, to state the reasons why. The Fund's statement is set out at Appendix I.

Lancashire County Council is committed to the widest inclusion of all stakeholders in respect of consultation and communication outside of the formal governance arrangements. The arrangements include;

With Employing Authorities

The ratio of contributors from the various employing authorities in the Lancashire

County Pension Fund may be analysed as follows

Scheduled bodies 86%

Admitted Bodies 14%

Lancashire County Council hosts an annual Employer Forum targeted at the Chief Officers of all employing authorities. At this forum Chief Officers are briefed on current funding, fund performance and actuarial matters including the latest valuation. Any other topical pension fund matters are also raised at this forum. In December of actuarial valuation years, a forum is held between the Fund Actuary and the Fund Employers to discuss the outcome of the actuarial valuation and the reasons for proposed contribution changes and how they will be applied.

All employing authorities are kept abreast of events, such as proposed changes in the regulations and their implications, and they are encouraged to get in touch if they have questions.

In addition to the briefings outlined above, Lancashire County Council holds an annual Practitioners Conference. The opportunity is taken at these meetings to brief attendees on the investment side of the scheme as well as practical administration issues. Communication is covered in detail in the Fund's Communication Strategy Statement. Lancashire County Council also provides an employer training service to ensure that Fund employers, particularly payroll and HR staff are aware and conversant with their obligations as employing authorities and have a sound understanding of LGPS regulation and administration.

With Employees

Lancashire County Council provides all members of the scheme with an annual Pensions Newsletter, which includes a summary of the Annual Report and financial summary of the scheme. Lancashire County Council's intranet and internet web site includes the following fund documents;

- Full Annual Report
- Statement of Investment Principles
- Funding Strategy Statement

In addition various documents are available on Lancashire County Council's intranet and internet site including, the LGPS Guide, latest news updates, and other information relating to the Scheme and Fund. Lancashire County Council maintains a working relationship with the unions. The County Council's Joint Negotiating and Consultative Forum may discuss pension issues at its meetings, and invites Pensions and/ or HR representatives to discuss current issues. Trades Unions are consultees of the Government in their own right in the same way as employers and LGPS Administering Authorities. In addition to the above the LGPS Administration Regulations 2008 includes regulation 65, which sets out the provision for Administering Authorities to prepare a written statement of 'its Pensions

Appendix 'A'
Lancashire County Pension Fund Governance Compliance Statement:

Principle		Compliance
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	(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1) These include: (i) employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members) (iii) independent professional observers (iv) expert advisers (on an ad hoc basis)	Partial (see Notes 1 and 2)
C. Selection and Role of Lay Members	(a) 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 time.)	√
D. Voting	(a) 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.	√
	(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.	√
F. Meetings - Frequency	(a) that an administering authority's main committee or committees meet at least quarterly.	√
	(b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	√
	(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.	√
G. Access	(a) 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	(a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	√
I. Publicity	(a) 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

1) Unitary Councils, District Councils and Further and Higher Education employers, are represented. Other admitted bodies only represent 9% 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 Local Pension Board.

2) Guidance envisaged that an independent professional observer could be invited to participate in governance arrangements to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels which would improve the public perception that high standards of governance are a reality and not just an aspiration. This role is currently performed by the Fund's independent advisers and officers and it is not apparent what added value such an appointment would bring.

3

Appendix 3

Lancashire Annual Administration Report

Appendix 3 is an extract of the Annual Administration Report

3

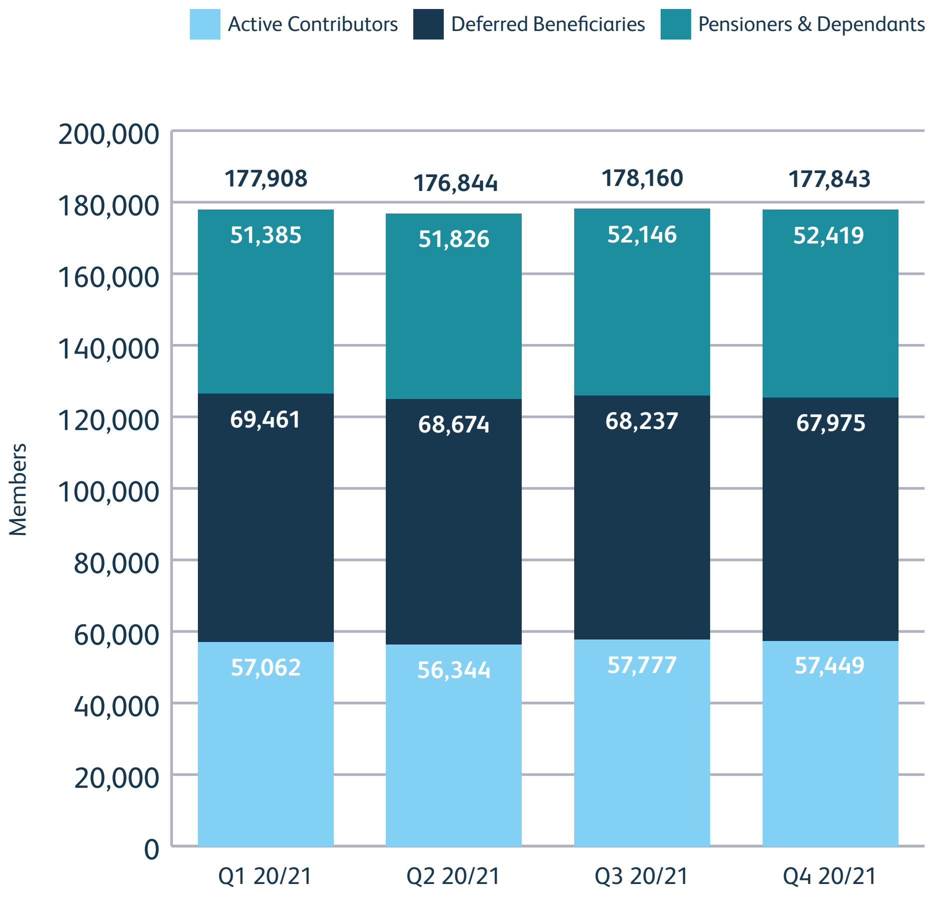
Annual Plan 2020/21

	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21
Annual Benefit Statement and Newsletter to Deferred Members		✓										
Pension Increases		✓										
P60s and Newsletter to Pensioners		✓										
Annual Benefit Statement and Newsletter to Active Members					✓							
Pension Saving Statements							✓					
HMRC Scheme Returns							✓					
IAS19 data											✓	

3

Fund Membership

ANNUAL TOTAL FUND MEMBERSHIP



Membership numbers in this chart differ slightly to membership numbers within the Annual Report, Sections D and H, due to timing of reporting. In addition, in previous Administration Annual Reports, members in respect of whom LPPA were expecting a leaver form were assumed to have left the scheme and were classed as deferred members. However, from 2021, such members are classed as active members until the leaver form is received. This accounts for the higher active and lower deferred numbers compared to the previous Administration Annual Report. This approach has not been applied for membership number detailed in Sections D and H of this Annual Report.

3

Casework Performance Against SLA

ANNUAL PERFORMANCE STANDARD

Target: 95%

	SLA target (working days)	Total Processed	Performance
New starters	10	732	100%
Transfer In	10	1,469	100%
Transfer Out	10	1,871	99.8%
Estimate – Individual	10	3,807	99.7%
Deferred Benefits	15	5,163	99.7%
Deaths	5	3,913	98.1%
Retirements (immediate)	10	1,850	99.2%
Retirements (deferred)	10	2,465	99.8%
Refunds	10	3,297	99.8%
Estimates – Employer	10	1,169	99.0%
Correspondence	10	5,118	99.1%
Aggregation	30	7,138	99.6%
Other *(see Definitions – page 3)*		6,145	99.1%

The figures in this chart are reflective of the number of processes completed within the pensions administration system which require a separate process and not reflective of the number of members they have been completed on behalf of.

3

Casework Performance Against SLA

ONGOING CASEWORK AT THE END OF THE REPORTING YEAR

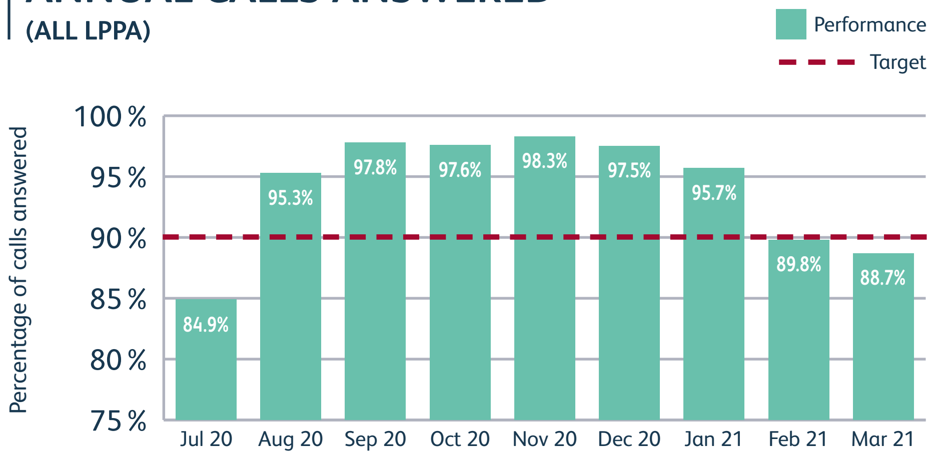
	Brought Forward at 01/04/20	Completed	Received	Outstanding as of 31/03/21
New Starters	74	732	715	57
Transfer In	449	1,469	1,673	653
Transfer Out	282	1,871	1,848	259
Estimate - Individual	346	3,807	3,543	82
Deferred Benefits	695	5,163	5,336	868
Deaths	660	3,913	4,082	829
Retirements (Immediate)	423	1,850	1,972	545
Retirements (Deferred)	519	2,465	2,962	1,016
Refunds	754	3,297	2,664	121
Estimates - Employer	53	1,169	1,177	61
Correspondence	594	5,118	4,669	145
Aggregation	4,324	7,138	3,570	756
Other *(see Definitions – page 3)*	1,263	6,145	7,126	2,244
TOTALS	10,436	44,137	41,337	7,636

3 Helpdesk Performance - Calls

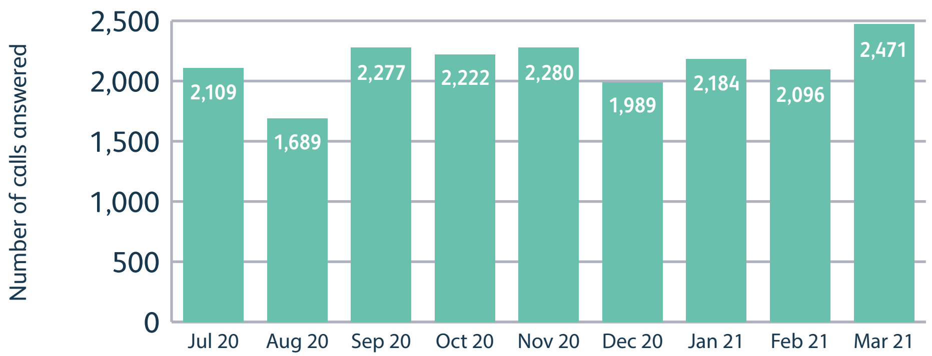
The Helpdesk deals with all call and e-mail enquiries from both members and employers for all funds that LPPA provide administration services for. The call data could not be collected between April and June due to the change in the way LPPA had to work during lockdown. LPPA implemented remote working and maintained an operational contact team but lost the management information temporarily.

ANNUAL AVERAGE WAIT TIME

ANNUAL CALLS ANSWERED
(ALL LPPA)

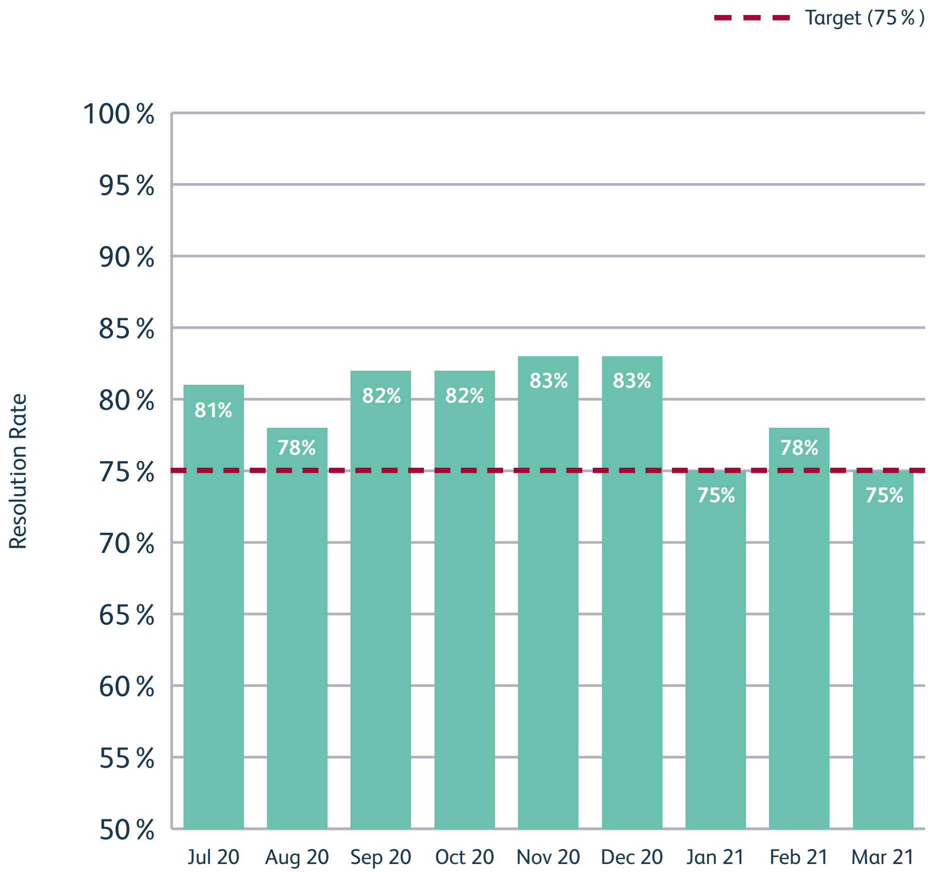


ANNUAL CALL VOLUMES



Helpdesk Performance - Calls

ANNUAL RESOLUTION RATE*

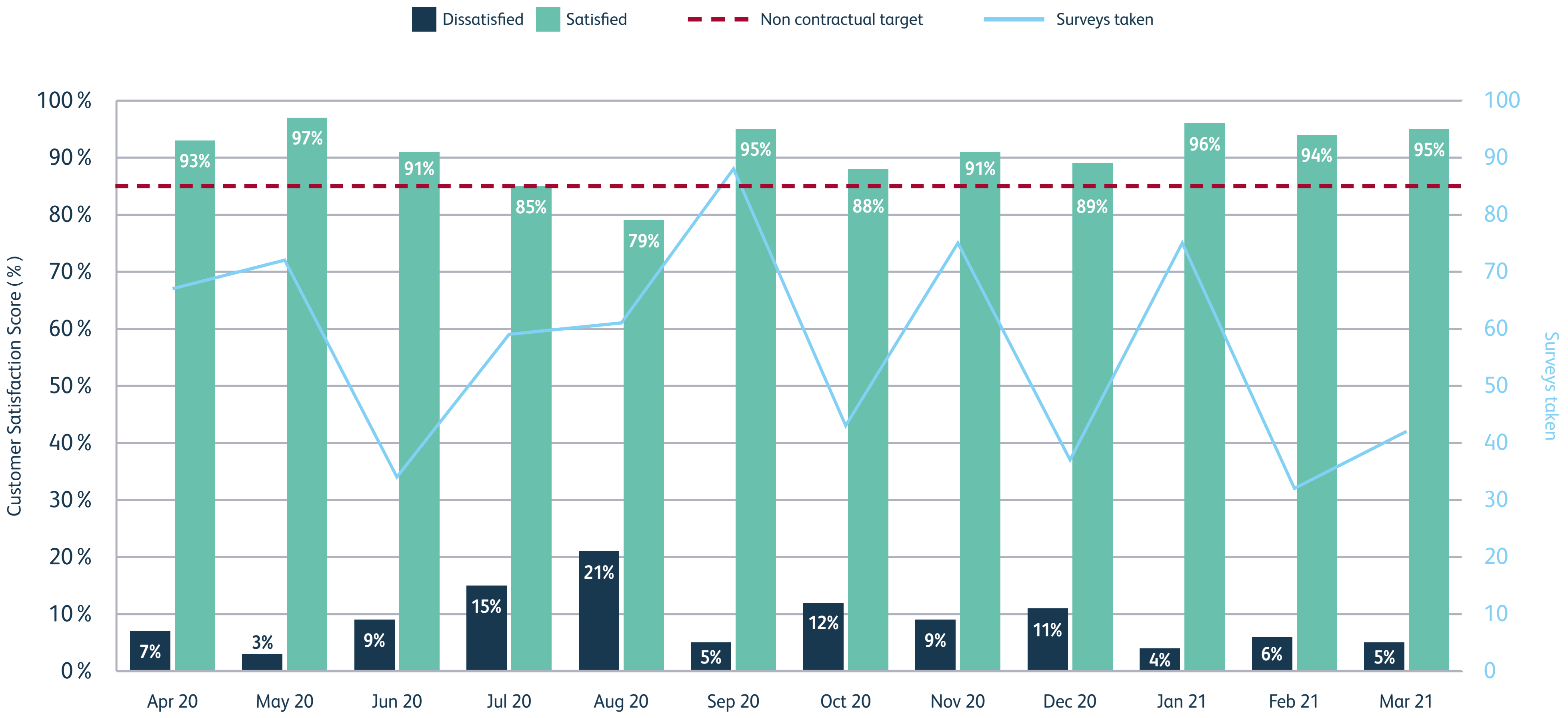


**Queries not resolved at first point of contact had a subsequent case setup. Our operations team then respond within agreed contractual time-scales.*

3

Customer Satisfaction Scores

ANNUAL RETIREMENTS



3

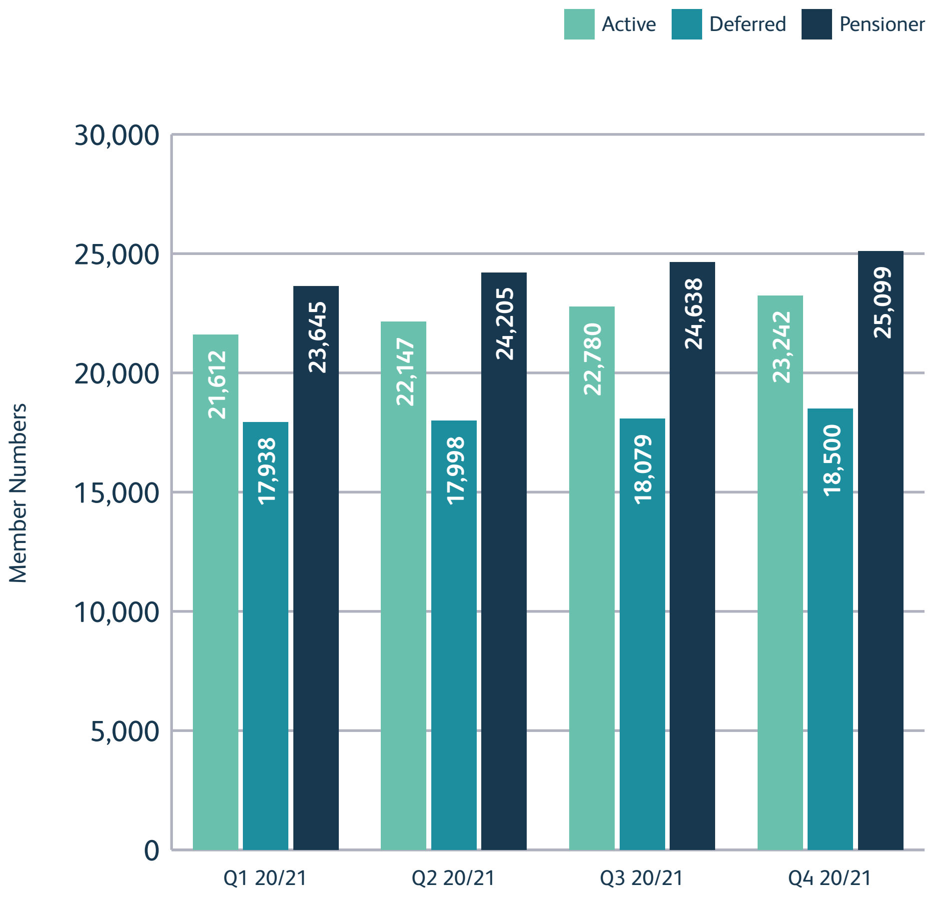
My Pension Online

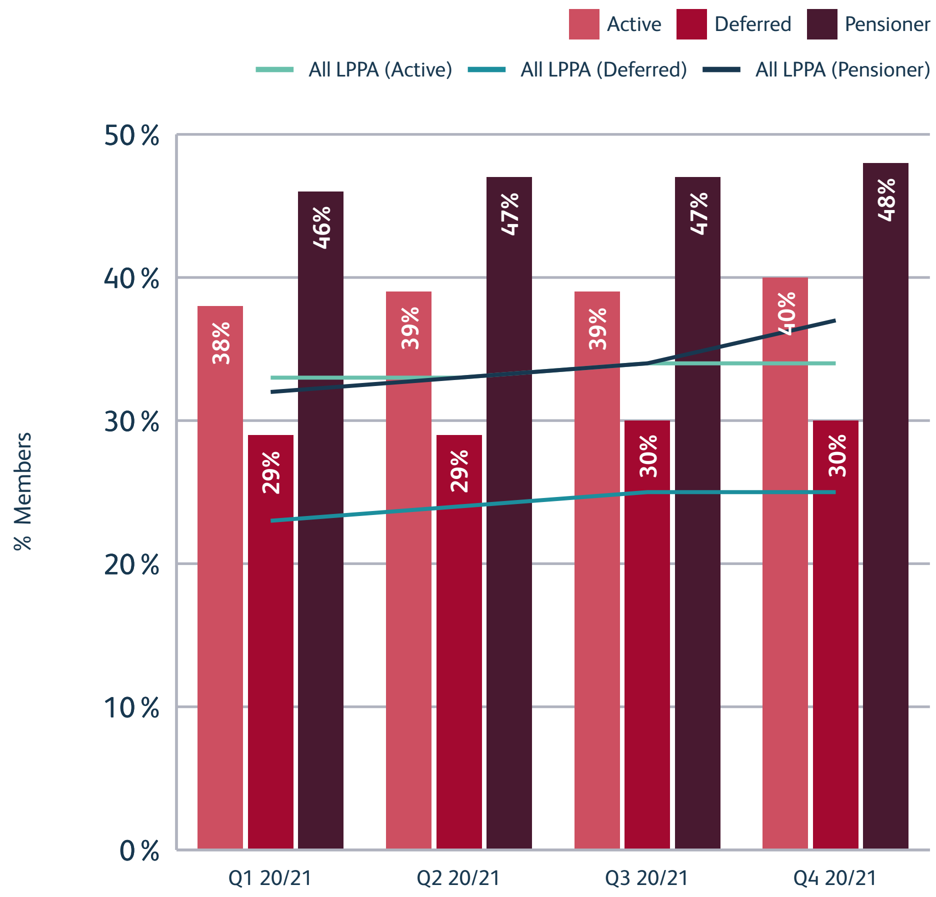
My Pension Online is the online portal which allows members to manage their pension online.

Via MPO members can:

- Securely update changes to their contact and bank details
- Run pension forecasts to assist with retirement planning
- View annual benefit statements and other correspondence
- View nominated beneficiaries
- Access relevant forms and guides
- See how their pension is growing
- Contact LPP

ANNUAL MEMBERS REGISTERED





ANNUAL ENGAGEMENT COMMUNICATIONS OVERVIEW

- More than 30 virtual visits were carried out with Employers in need of one to one support.
- Over 300 Employers attended training from the 13 sessions offered. The topics included leaver essentials, ill health and absence and assumed pensionable pay to name a few.
- The team delivered retirement essentials sessions to over 85 Members via retirement courses hosted by third party providers.
- Fifty seven members attended scheme essentials presentations.

4

Appendix 4

Communication Policy Statement
Updated April 2021

4

Appendix 4

Communication Policy Statement
Updated April 2021

Introduction

Every Local Government Pension Scheme (LGPS) administering authority must prepare, publish and maintain a new policy statement on communication strategy. The details of this legal requirement are contained in Regulation 61 of the Local Government Pension Scheme Regulations 2013.

The communications policy statement must set out the administering authority's policy concerning communications with members, representatives of members, prospective members and scheme employers.

The policy statement must set out (a) the policies on the provision of information and publicity about the Scheme to members, representatives of members, and scheme employers; (b) the format, frequency and method of distributing such information or publicity; and (c) the promotion of the Scheme to prospective members and their employing authorities.

Since the formation of the Local Pensions Partnership (LPP) in April 2016, many Lancashire County Pension Fund (LCPF) communications are now issued on its behalf by LPP. LPP adheres to these standards when issuing any communications on behalf of LCPF.

Our Policy

The LCPF communication policy aims to ensure that all communications are:

Clear

We strive to avoid jargon and technical terms whenever possible. Our communications should be consistent across all platforms including web, email, direct correspondence, telephone and face-to-face.

Accurate and timely

We always aim to deliver a proactive service that provides accurate information in a timely fashion. We have already moved towards more electronic communications and online self-service to help deliver information in an effective and timely manner and will look to increase this in the future.

Open to feedback

We encourage all scheme members, employers and other audiences to feedback on our work and help us improve our services.

Targeted

We aim to ensure that all communications are relevant and appropriate for the audience.

Accessible

We meet accessibility needs wherever possible. We aim to reach as many people as possible, regardless of their situation. We follow the Government's 'digital by default' aims, and in 2017 we began the move to more electronic communications. However, we recognise this may not be the best medium for all our audiences and will accommodate those who decide to opt out of e-communications.

Communications for Scheme Members

Whilst the easiest way for members to stay updated on the fund is via our online services, members can find information across several platforms:

My Pension Online – Member Self Service

www.lppapensions.co.uk/members/members-log-in/

- Annual Benefit Statements (ABS)
- Scheme Newsletters to My Pensions Online
- P60s
- Nomination details
- Monthly pay advice

Website (www.lppapensions.co.uk)

- Personal pension details via the My Pensions Online
- Guides to the scheme and its administration

Via post

- Annual Benefit Statements (ABS)
- Annual Scheme Newsletters
- Pensioners pay advice
- P60s
- Scheme publications and literature

Information for Prospective Members

www.lppapensions.co.uk

Our websites offer information on joining the LGPS, scheme benefits as well as guidance on opting out of the scheme.

Forums & Events

LCPF are always pleased to meet their members face to face; members are encouraged to engage with our staff with regular "pension surgeries" being held across the County.

Communications for Scheme Employers

Like our members, employers are encouraged to use our online facilities and attend our face to face events to maximise our service value. There are various channels of communication which LCPF will utilize for our employers, such as:

EPIC – Employer Portal

- Employers can access the Employer Portal at

www.lppapensions.co.uk/employers/

- Offers secure data transmission and online form processing

Newsletters, guides and bulletins

- Quarterly newsletter to update on scheme changes and new initiatives
- Regular employer bulletins and e-mail alerts
- Provision of news and employer guides via the website

www.lppapensions.co.uk

Annual Employer Forum and Practitioners conference

The LCPF Annual Employer events are an opportunity for employers to learn about Scheme changes as well as relevant information from across the sector and the wider pensions industry. Attendees can learn more about new LCPF initiatives and ask questions of both LCPF and LPP senior management.

Employer Training

Employer training is on an ongoing basis, and focused on employers who need support (identified through low performing KPI's linked to processes).

Pension Administration Strategy Statement

The Pension Fund is committed to providing a high quality pension service to both members and scheme employers and to ensure that the Pension Fund is effectively governed. The aim of the Administration Strategy is to set out the roles and responsibilities of the Pension Fund and its scheme employers in administering the Scheme. It seeks to promote good working relationships and improve efficiency between the Pension Fund and its scheme employers.

The efficient and effective delivery of the benefits of the Scheme is dependent on sound administrative procedures being in place between a number of interested parties, including the Pension Fund and scheme employers. The Administration Strategy sets out the quality and performance standards expected of the Pension Fund and its scheme employers

Specifically the Administration Strategy will seek to facilitate best practices and efficient customer service in respect of the following:-

- Procedures for liaison and communication with scheme employers;
- The establishment of performance levels which the administering authority and scheme employers are expected to achieve;
- Procedures to ensure compliance with statutory requirements in connection with the administration of the scheme;
- Procedures for improving the methods of passing information between the administering authority and scheme employers.

https://lancashirecountypensionfund.org.uk/media/1076/pension-administration-strategy-statement-rev-mar-21.pdf

Appendix 4

Local Government Pension Scheme - Communication Policy Statement

Communication Programme

The Fund will regularly review the format, frequency and method of communication.

The following programme is currently in use.

Information	Stakeholder*	Format	Frequency	Method of distribution
Actuarial Valuation	All Stakeholders	Presentation, formal report,	Triennial with annual updates	Email, mail, internet and face to face briefings
Fund Policy and Statements	All Stakeholders	Website	As amended	Mail/email/internet
Annual Benefit Statements	Members	Online self service	Annual	Online/email alert/Post on request
Customer Satisfaction Survey	All Stakeholders	Website / online / telephone	Ongoing	Email / internet telephone
Member Guides	Members	Website	On or before employment. On request	Via employer HR/payroll departments/mail/intranet
Employer Updates	Employer	Website, online	As requested	Email/internet
Pensioner payslips/P60s	Member	Online self-service, paper	Annually	Email/Internet/Post on request
Employer Guide	Employer	Website	As amended	Email/internet
Employer Training	Employer	Presentation	6 monthly rolling program	Face to face – In house Employer locations
Factsheets	All members	Website/Paper	On request	Email/internet/mail
Individual Member Information	All Stakeholders	Online, self-service, paper	As required	Email/mail
Employer Information Pack	Employer	Paper/website	On admission	Mail / email / internet
Newsletters	Members	Website	Annual	Online/Post on request
Scheme change and legislative change	All Stakeholders	Presentation / website / paper	As required and on request	Face to face / internet / paper
Fund Report and Accounts	All Stakeholders	Paper/website	Annually	Mail / email / Internet
Service Level Standards	All Stakeholders	Website	As amended	Internet / intranet
Query	All Stakeholders	Telephone / email / online	Mon-Fri (Telephone)	Telephone / email / online

Rights to Information and Data Protection

Rights to Information

Nothing within this Policy Statement affects your rights to access or receive information under the Freedom of Information Act or the disclosure requirements of the Local Government Pension Scheme.

Data Protection

Since May 25th, 2018, LCPF has complied with EU General Data Protection Regulation (GDPR) and is therefore required to protect all personal information for which we are responsible, we have a legal obligation to process member's data under the Local Government Pension Scheme 2013 regulations. LCPF may only pass your details to named third parties under strictly controlled conditions and for very specific purposes. Members who wish to access their personal data can do so by contacting DPA@localpensionspartnership.org.uk

Review of Policy

LCPF undertakes to comply with the principal Local Government Pension Scheme Regulations including relevant overriding legislation and will continue to monitor the effective application of this policy. The policy will be subject to revision in the light of any significant changes to the LGPS, overriding legislation or the Authority's structures or procedures. The LCPF regularly reviews its communications channels to ensure these remain relevant and effective at reaching members, prospective members, scheme employers and the wider pensions landscape and associated clients.

5

Appendix 5

Lancashire County Pension Fund Pension Administration Strategy Statement

September 2018

5

Appendix 5

Lancashire County Pension Fund Pension Administration Strategy Statement

September 2018

Introduction

This is the Pension Administration Strategy Statement (Administration Strategy) of the Lancashire County Pension Fund (the Pension Fund) in relation to the Local Government Pension Scheme (the Scheme), which is administered by Lancashire County Council (the County Council).

Aims

The Pension Fund is committed to providing a high quality pension service to both members and scheme employers and to ensure that the Pension Fund is effectively governed. The aim of this Administration Strategy is to set out the roles and responsibilities of the Pension Fund and its scheme employers in administering the Scheme. It seeks to promote good working relationships and improve efficiency between the Pension Fund and its scheme employers.

The efficient and effective delivery of the benefits of the Scheme is dependent on sound administrative procedures being in place between a number of interested parties, including the Pension Fund and scheme employers. The Administration Strategy sets out the quality and performance standards expected of the Pension Fund and its scheme employers, and provides details about the monitoring of performance levels and the action(s) that might be taken where persistent failure occurs.

Specifically the Administration Strategy will seek to facilitate best practices and efficient customer service in respect of the following:-

- Procedures for liaison and communication with scheme employers;
- The establishment of performance levels which the administering authority and scheme employers are expected to achieve;
- Procedures to ensure compliance with statutory requirements in connection with the administration of the scheme;
- Procedures for improving the methods of passing information between the administering authority and scheme employers.

Implementation

The Administration Strategy is kept under review and revised to keep abreast of changes in Scheme regulations and Pension Fund policies and procedures.

Changes to the Administration Strategy will be made following consultation with employers who, along with the Secretary of State, will receive a copy of the revised statement.

Regulatory basis

The Scheme is a statutory scheme, established by an Act of Parliament. The following principal regulations governing the Scheme are shown below:

- The Local Government Pension Scheme Regulations 2013 [SI 2013/2356] (as amended)
- The Local Government Pension Scheme (Transitional provisions, savings and amendment) Regulations 2014 [SI 2014/525] (as amended)

This legislation may be accessed at http://www.lgpsregs.org/index.php/regs-legislation

Specifically regulation 59 of the Local Government Pension Scheme Regulations 2013 enables a Local Government Pension Scheme Fund to prepare a document ("the pension administration strategy") as one of the tools which can help in delivering a high quality administration service to its scheme members and other interested parties.

In addition, regulation 70 of the Local Government Pension Scheme Regulations 2013 allows a fund to recover additional costs from a scheme employer where, in its opinion, those costs are directly related to the poor performance of that scheme employer. Where this situation arises the fund is required to give written notice to the scheme employer, setting out the reasons for believing that additional costs should be recovered, the amount of the additional costs, together with the basis on which the additional amount has been calculated.

Scheme Administration

Responsibility

The County Council is responsible for administering the Lancashire County Pension Fund.

The County Council delegates its functions in respect of the Scheme to its Pension Fund Committee who further delegates the administration of the Scheme to the Local Pensions Partnership under the terms of a Service Level Agreement.

The Pension Fund Committee, in conjunction with the Local Pension Board, are responsible for the monitoring and review of this Administration Strategy.

Objectives

The Pension Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members.

As such the key objectives will be to ensure that:

- the Pension Fund and scheme employers understand their responsibilities under the Scheme and the processes in place to meet those responsibilities;
- the Pension Fund and scheme employers are compliant with the scheme rules and the Pension Regulator's code of practice;
- accurate records are maintained and data and documents are submitted in a timely and secure manner;
- lines of communication between the Pension Fund and scheme employers are maintained and enhanced to maximize employer engagement;

Appendix 5

Lancashire County Pension Fund
Pension Administration Strategy Statement
September 2018

- in house and external training continues to be developed and rolled out;
- service standards are maintained, improved and regularly monitored.

Performance Standards

The Local Government Pension Scheme prescribes that certain decisions be taken by either the Pension Fund or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Pension Fund has agreed levels of performance between itself and scheme employers which are set out in this Administration Strategy.

Internal quality standards

The Pension Fund and scheme employers will ensure that all functions and tasks are carried out to agreed quality standards.

In this respect the standards to be met are:

- compliance with all requirements set out in the Employers' Guide, as amended from time to time
- information required by the Pension Fund to be provided in the standard specified format/form
- communications to be in a plain language/plain English
- information provided must be authorised by an appropriate officer
- actions carried out, or information provided, must be within the timescales set out in this Administration Strategy.

Timeliness

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the Scheme.

The Scheme itself sets out a number of requirements for the Pension Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependents, other pension arrangements or other regulatory bodies. The following sections on responsibilities set out the locally agreed timescales for these requirements.

Pension Fund Responsibilties

This section outlines the key responsibilities of the Pension Fund and the performance standards scheme employers and scheme members should expect. It is focused on the key activities which scheme employers and scheme members are involved in and should not be viewed as a complete list of all activities.

Pension Fund Administration

This details the functions which relate to the whole Pension Fund, rather than individual scheme members' benefits.

Function/Task	Performance Target
Publish and keep under review the Pension Fund's Administration Strategy.	Within one month of any changes that have been consulted on with scheme employers.
Publish and keep up to date scheme guidance	30 working days from any revision.
Publish and keep up to date all forms required for completion by scheme members, prospective scheme members or scheme employers.	30 working days from any revision.
Host a meeting for all scheme employers.	Annually for administrators and separately for Finance Directors/Chief executives.
Organise training sessions for scheme employers.	As matter of course for all new employers in the form of induction training. Upon request from scheme employers, or as required, up to a maximum of 10 days for each employer per annum. Attendance in excess of 10 days will be provided at a daily rate to be determined on request.
Notify scheme employers and scheme members of changes to the scheme rules.	Within one month of the change(s) coming into effect.
Notify a scheme employer of issues relating to the scheme employer's poor performance.	Within a maximum of 30 working days of a performance issue becoming apparent.
Notify a scheme employer of decisions to recover additional costs associated with the scheme employer's poor performance (including any interest that may be due).	Within a maximum of 30 working days of a scheme employer's failure to improve performance, as agreed.
Issue annual benefit statements to active and deferred members as at 31 March each year.	By the following 31 August
Issue formal valuation results (including individual employer details).	No later than 31 March following the valuation date
Carry out interim valuation exercises on cessation of admission agreements or a scheme employer ceasing participation in the Pension Fund.	Upon each cessation or occasion where a scheme employer ceases participation of the Pension Fund.
Undertake a risk assessment for all new admitted bodies in the Pension Fund	To be completed before the admitted body can be admitted to the Pension Fund.

5

Appendix 5

Lancashire County Pension Fund
Pension Administration Strategy Statement
September 2018

Function/Task	Performance Target
Publish, and keep under review, the Pension Fund's Governance Policy and Compliance Statement.	A review will be undertaken by 30 September following the year end as part of the Pension Fund's Annual Report and Accounts, any subsequent revisions to be published within 30 days of the policy being agreed by the Pensions Committee.
Publish and keep under review the Pension Fund's Funding Strategy Statement.	To be reviewed at each triennial valuation, following consultation with scheme employers and the Pension Fund's actuary. Revised statement to be published at the same time as the final valuation report is issued.
Publish the Pension Fund's Annual Report and Accounts and any report from the auditor.	By 30 November following the year end or following the issue of the auditor's opinion.
Publish, and keep under review, the Pension Fund's Communication Strategy Statement.	The statement will be published within 30 days of any material change to the policy.
Publish, and keep under review, all discretionary areas where a policy decision is required by the administering authority.	All discretionary areas will be reviewed where policy or regulatory issues need to be addressed, any subsequent revisions to be published within 30 days of the policy being agreed by the Pensions Committee.
Publish, and keep under review, the Pension Fund's Investment Strategy Statement.	The statement will be reviewed tri-annually unless policy or regulatory issues need to be addressed sooner, any subsequent revisions to be published within 30 days of the policy being agreed by the Pensions Committee.
Appoint stage 2 "appointed person" for the purposes of the pension dispute process and notify all scheme employers of the appointment.	Within 30 working days following the resignation of the current "appointed person".
Process all stage 2 pension dispute applications.	Within 2 months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required, subject to the statutory requirements of the dispute procedure.

Scheme Administration

This details the functions which relate to scheme member benefits from the Scheme.

Function/Task	Performance Target
Calculate transfer values in within 10 working days of receipt of necessary documentation	95%
Provide information on request in respect of Pension Sharing on Divorce within legislative timescales. (A charge to the member will be levied in line with pension sharing on divorce legislation)	100%
Implement Pension Sharing Orders within legislative timescales	100%
Provide a statement of deferred benefit entitlement on leaving service within 10 working days of date of leaving or receipt of notification, whichever is later.	95%
Provide annual statement of benefit entitlement to active and deferred members within legislative timescales	100%
Respond to requests for estimates of benefits within 10 working days following receipt of request	95%
Calculate and pay refunds within 10 days of receipt of notification.	95%
Calculation and payment of retirement benefits, deferred benefits and death in service lump sums in accordance with LGPS rules, members' options and statutory limits. The service includes the recalculation and payment of benefits as a result of amended data received by the Pension Service. Within 10 working days of receipt of required documentation or date of entitlement to benefit; whichever is later.	95%
Calculate and pay transfer value out within 10 working days of receipt of necessary documentation	95%
Calls to the Pensions Helpdesk answered	95%
Respond to general queries/correspondence within 10 working days of receipt of query/correspondence	95%
Make payment of pensions on due date	100%
Produce on line P60s for pensioners within statutory deadlines	100%
Implement annual pension increases by payment due date	100%
Implement change in pensioner circumstance by payment due date including the calculation and quoting of benefits on the death of pensioners and administering the recovery of overpayments	95%
Undertake annual reviews to establish continuing entitlements to pension for all eligible children	100%
Amend personal records within 10 working days of receipt of required documentation	95%
Calculation of additional membership for transfer values within 10 working days of receipt of required documentation	95%
Action agreed transfer values out within 10 working days of receipt of required documentation	95%

5

Appendix 5

Lancashire County Pension Fund
Pension Administration Strategy Statement
September 2018

Scheme Employer Responsibilties

This section outlines the responsibilities of all scheme employers in the Pension Fund and the performance standards scheme employers are expected to meet to enable the Pension Fund to deliver an efficient, quality and value for money service.

All information must be provided in the format and frequency prescribed by the Pension Fund within the prescribed timescales. Information and guidance is provided in the Employers' Guide and the Guide and forms are accessible from the Pension Fund's website.

Pension Fund Administration

This details the functions which relate to the whole Pension Fund, rather than individual scheme members' benefits.

Function/Task	Performance Target
Confirm a nominated representative to receive information from the Pension Fund and to take responsibility for disseminating it within the organisation.	Prior to an employer joining fund or within 10 days of a change to nominated representative.
Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the Scheme (including providing a copy of the policy decision(s) to the Pension Fund).	Within 30 working days of policy being agreed by the employer.
Respond to queries from the Fund's administrator.	Within 10 working days from receipt of enquiry.
Attend induction training provided on admission to the Pension Fund, and other training relating to the administration of the Fund as and when this is offered	Within 30 days of admission, or as agreed for an established scheme employer.
Pay over employer and employee contributions to the Pension Fund	Cleared funds to be received by 19th calendar day of month after deduction. Contribution payments must be made by direct debit. Where exceptional circumstances are identified then payment can be made by BACS with an associated £50 plus vat charge per monthly submission.
Provide schedule of payments in the format stipulated by the Fund.	By the 19th calendar day of month after deduction.
Implement changes to employer contribution rates as instructed by the Fund.	At date specified on the actuarial advice received by the Fund.
Provide monthly data as specified by the Fund in the format and frequency stipulated.	Submitted by the 6th of the month following the month it relates
Notify the Pension Fund if contracting out services which will involve a TUPE transfer of staff to another organisation.	Within 10 days of a decision to tender so that information can be provided to assist in the decision, prior to the release of the tender.
Work with the Pension Fund to arrange for an admission agreement and surety arrangements to be put in place when contracting out a service and assist in ensuring it is complied with.	Agreement to be in place by the time the service is contracted out.
Notify the Pension Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Pension Fund.	As soon as the decision is made, so that the Fund can instruct the actuary to carry out calculations if applicable.
Provide new/prospective scheme members with relevant Scheme information (or refer them to the Fund website).	Within 10 working days of commencement of employment or change in contractual conditions.
Make additional fund payments/pensions strain amounts in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employers consent.	Within 30 days of receipt of invoice from the Pension Fund.
Make payment of additional costs to the Pension Fund associated with the poor performance of the scheme employer.	Within 30 working days of receipt of invoice from the Pension Fund.

Scheme Administration

This section details the functions which relate to scheme member benefits from the Scheme.

Function/Task	Performance Target
Use online forms and monthly data collection portal for all relevant scheme administration tasks	Within 15 days of employer being set up, trained and with access to use the relevant systems.
Confirm a nominated representative to act as administrator on the Pension Fund website for the online submission of forms and monthly data	Within a maximum of 15 days of implementation of the relevant systems.
Notify the Pension Fund of each new employee admitted to the pension scheme and ensure that the employee completes their element of the process.	Via next monthly data collection portal following admission of new employee.
Arrange for the correct deduction of employee contributions from a scheme member's pensionable pay on becoming a scheme member.	Immediately on joining the scheme, opting in or change in circumstances.
Ensure correct employee contribution rate is applied	Immediately upon commencing scheme membership and in line with the employer's policy and as a minimum in each April payroll thereafter.
Arrange for reassessment of employee contribution rate in line with employer's policy and notify the employee of the change in rate.	Review as per policy and notification within 10 working days of change in rate.
Ensure correct deduction of pension contributions during any period of child related leave, trade dispute or other forms of leave or absence from duty.	Immediately, following receipt of election from scheme member to make the necessary pension contributions.
Commence deduction of additional pension contributions or amend such deductions, as appropriate.	Month following election to pay contributions or notification received from the Pension Fund.
Cease deduction of additional pension contributions.	Immediately following receipt of election from scheme member.
Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s).	Commence deduction of AVCs in month following the month of election. Pay over contributions to the AVC provider(s) by the 19th of the month following the month of election.
Refund any employee contributions deducted in error.	Month following the month that the deduction error is detected.
Cease deduction of employee contributions where a scheme member opts to leave the Scheme.	Month following month of election, or such later date specified by the scheme member.
Refund employee contributions via payroll where the member has opted out within 3 months	Month following month of election to opt out.
Provide the Pension Fund with details of all contractual changes to scheme members working hours.	Via the monthly data collection portal
Notify the Pension Fund of changes in employees' circumstances	Via monthly data collection portal
Provide the Pension Fund with details of any breaks in membership (e.g trade disputes, maternity, paternity) and any APC contracts taken out to cover the break in service.	Via monthly data collection portal. Any forms not facilitated under the portal should be submitted within 10 working days of effective date of action (e.g "return from absence" notification).
Notify the Pension Fund when a scheme member leaves employment including an accurate assessment of actual pensionable pay and final pay (for scheme members in the scheme prior to 1 April 2014).	Via monthly data collection portal. In addition forms relating to the assessment of actual and final pensionable pay should be submitted through the employer portal immediately following the availability of accurate pay details.

Appendix 5

Lancashire County Pension Fund
Pension Administration Strategy Statement
September 2018

Function/Task	Performance Target
Notify the Pension Fund when a scheme member is due to retire including an accurate assessment of actual pensionable pay and final pay (for scheme members in the scheme prior to 1 April 2014) and authorisation of reason for retirement.	Submitted online within 5 working days before retirement date of the employer becoming aware of the death.
Notify the Pension Fund of the death of a scheme member.	Submitted online and as soon as practicable, but within 5 working days.
Appoint an independent registered medical practitioner (IRMP) qualified in occupational health medicine, in order to consider all ill health retirement applications and agree appointment with the Pension Fund	Within one month of commencing participation in the scheme or date of resignation of existing medical adviser.
Carry out an 18 month review of scheme members who retired on grounds of ill health (Tier 3)	18 months after date of retirement
Notify the Pension Fund of outcome of Tier 3 ill health review.	Immediately following decision by IRMP
Appoint person for stage 1 of the pension dispute process and provide full details to the Pension Fund	Within a maximum of 30 working days of joining the Pension Fund or following the resignation of the current "appointed person".
Enrol and notify the Pension Fund of a scheme member's election to move into the 50:50 scheme	From the next pay period following receipt of the members election form.
Enrol a "50:50 scheme member" back into the full scheme and notify the Pension Fund.	In line with an employer's re-enrolment date for Auto enrolment purposes.
Comply with auto-enrolment from the prescribed staging date, as required under Pensions Regulations and advise the Pension Fund of the date.	From the employers staging date.

Monitoring Performance And Compliance

Ensuring compliance with the Scheme regulations and this Administration Strategy is the responsibility of the Pension Fund and scheme employers. This section describes the ways in which performance and compliance will be monitored.

Audit

The Fund is subject to an annual external audit of its financial accounts. In addition the Fund is subject to internal audits of its processes and internal controls. Both the Administering Authority and scheme employers are expected to comply with requests for information from internal and external audit in a timely manner.

Performance monitoring

The Pension Fund monitors performance against agreed Service Levels. Administration performance and the performance of scheme employers against the standards set out in this document are incorporated into appropriate reporting schedules.

Annual Report on the strategy

The Scheme regulations require the Pension Fund to undertake a formal review of performance against the Administration Strategy on an annual basis. Such report to be incorporated within the Fund Annual Report and Accounts.

Policy On Charging Employers For Poor Performance

The Scheme regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the Scheme incurred as a result of the poor level of performance of that scheme employer. Where a fund wishes to recover any such additional costs they must give written notice stating:

· The reasons in their opinion that the scheme employer's poor performance contributed to the additional cost

· The amount of the additional cost incurred

· The basis on how the additional cost was calculated

· The provisions of the Administration Strategy relevant to the decision to give notice.

Circumstances where costs might be recovered

It is the policy of the Pension Fund to recover additional costs incurred in the administration of the Scheme as a direct result of the poor performance of any scheme employer.

In the case of scheme employers that have been admitted to the Scheme as the result of an "outsourced" contract (formerly known as Transferee Admission Bodies (TAB)), the originating employer will retain overall responsibility for ensuring that the scheme employer complies with the requirements of the Pension Fund. This includes the payment of charges levied against the TAB.

Scheme employers that have outsourced their payroll will be responsible for the third party providers' performance in relation to the tasks set out in this Administration Strategy. This requires that scheme employers will be responsible for payment of any charges levied for underperformance by that third party provider.

The circumstances where such additional costs will be recovered from the scheme employer are:

· failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this Administration Strategy (either as a result of timeliness of delivery or quality of information)

· failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this Administration Strategy

· failure to deduct and pay over correct employee and employer contributions to the Pension Fund within the stated timescales

· instances where the performance of the scheme employer results in fines being levied against the Fund by the Pension Regulator, Pensions Ombudsman or other regulatory body.

Approach to be taken by the Pension Fund

The Fund will seek, at the earliest opportunity, to work closely with scheme employers in identifying any areas of poor performance, provide the necessary training and put in place appropriate processes to improve the level of service delivery in the future.

The deadline for the payment of contributions and submissions of data are outlined in this Administration Strategy. For every instance of late payment of contributions or late or non-submission of a monthly data, scheme employers will receive written notice of the area(s) of poor performance and notice that charges will be levied in accordance with the charging scale set out in this document. An invoice will then be issued to the scheme employer.

For other instances of poor performance, the process for engagement with scheme employers will be:

1. Write to the scheme employer, setting out area(s) of poor performance and offer training.
2. If no improvement is seen within one month, or following training no improvement is seen, or no response is received to the initial letter, the scheme employer will be contacted by representatives of the Pension Fund to discuss the area(s) of poor performance and to agree an action plan to resolve them. In cases where the scheme employer has been admitted to the fund via an Admission Agreement, then where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.
3. If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out the area(s) of poor performance that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.
4. An invoice will then be issued to the scheme employer clearly setting out the calculations of any loss resulting to the Pension Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scale set out in this document.

Appendix 5

Lancashire County Pension Fund
Pension Administration Strategy Statement
September 2018

Charging scales for administration

The table below sets out the charges which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. This reflects the additional administration involved in securing payment of sums due to the Pension Fund and submission of required data and information.

Continuous Improvement

The Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members. This can only be achieved through continuously reviewing and improving the service.

Consultation And Review Process

In preparing this Administration Strategy the Fund must consult with all scheme employers with active contributors in the Pension Fund. The strategy will be reviewed where there are significant changes to the Scheme regulations or Pension Fund policies. Scheme employers will be consulted before any changes are made to this document

Item	Charge
Failure to remit monthly payment of employee and employer contributions by the 19th of the month following deduction.	Interest in line with the scheme regulations*
Late or non-provision of monthly schedule of contributions paid, or the poor quality of information submitted which cannot be reconciled. The deadline for receipt of an accurate schedule would be 12th of the month following deduction of contributions (or previous working day if the 12th were to fall on a weekend).	£50 per occasion
Underpayment of employee or employer contributions which were due by the 19th of the month following deduction.	Interest in line with the scheme regulations*
Late or non-provision of monthly data collection files, or the poor quality of information submitted which cannot be reconciled. The deadline for receipt of an accurate schedule would be 6th of the month following deduction of contributions. Where this cannot be reconciled within the month and/or relates to an employer who is persistently late then the charges identified will be levied.	£250 plus £100 for every month the information is late
Late or non-provision of starter information Via next monthly data collection portal following admission of new employee.	£50 for every month the information is late or not received via the next monthly data collection portal following admission of new employee.
Late or non-provision of leaver information	In respect of leavers £50 for every case where the information is more than 1 month late from date of leaving or not received via the next monthly data collection portal. In respect of retirements information received later than within 5 working days before retirement date would be deemed late.
Fines or additional costs incurred by the Pension Fund in relation to a specific scheme employers' poor performance	Full cost of fines or additional charges

* Interest will be charged in accordance with regulation 44 of the LGPS Administration regulations, which states interest should be charged at Bank of England Base Rate plus one percent.

6

Appendix 6

Communication Policy Statement
Updated April 2021

6

Appendix 6

Funding Strategy Statement
Lancashire County Pension Fund - March 2020

Executive Summary

Ensuring that the Lancashire County Pension Fund (the "Fund") has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority (Lancashire County Council). The Funding Strategy adopted by the Lancashire County Pension Fund will therefore be critical in achieving this.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy that will identify how each Fund employer's pension liabilities are to be met going forward.

The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Lancashire County Pension Fund.

It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.

Given this, and in accordance with governing legislation, all interested parties connected with the Lancashire County Pension Fund have been consulted and given opportunity to comment prior to this FSS being finalised and adopted. This statement takes into consideration all comments and feedback received.

The Fund's Objective

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members' accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund's investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.

Solvency And Long Term Cost Efficiency

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Local Government Pension Scheme (the "LGPS") so far as relating to the Fund.

Deficit Recovery Plan And Contributions

The solvency level of the Fund is 100% at the valuation date. However, for many employers in the Fund the funding level will be less than 100% - i.e. their assets within the Fund are less than their liabilities. In these cases, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall. (In a similar manner, where an employer is in surplus it may in certain circumstances be appropriate to reduce the overall contributions payable to reflect this, by way of a "surplus offset".)

Deficit contributions paid to the Fund by each employer will normally be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may, in certain circumstances at the discretion of the Administering Authority, also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period.

The target recovery period for the Fund as a whole is 13 years at this valuation which is 3 years shorter than the target recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce by 3 years at this valuation.

Where there is an increase in contributions required at this valuation, in certain circumstances the employer will be able to step-up their contributions, with the pattern and period to be decided by the Administering Authority.

In exceptional circumstances the Fund may depart from the above principles for an employer or a particular group of employers. Any such exceptions would be determined by the Head of the Fund and reported to the Committee.

McCloud

The Government has confirmed that a remedy is required for the LGPS in relation to the McCloud judgment. Therefore, the Fund has considered its policy in relation to costs that could emerge from the McCloud judgment in line with the guidance from the Scheme Advisory Board in conjunction with the Actuary. Whilst the remedy is not known and may not be known for some time, for the purpose of this valuation:

- The Fund has included a margin within its assumptions (a small reduction has been made to the discount rate assumptions) to provide a general allowance in respect of the potential costs of the McCloud judgment

- When considering the appropriate contribution provision for individual employers, the estimated costs of the judgment have been calculated and notified to the employers, highlighting that the final costs may be significantly different. (These figures are calculated on the assumption that the judgment would have the effect of removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. Under this assumption the underpin therefore would apply to all active members as at 1 April 2012.)

Employers will be able to choose to include the estimated costs in the second bullet above over 2020/23 in their certified contributions. Alternatively, they will need to consider whether to make allowance within their budgets and note that backdated contributions could be payable if the remedy is known before the next valuation.

Actuarial Assumptions

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the "Secondary" rate) are set out in an Appendix to this FSS.

The discount rate in excess of CPI inflation (the "real discount rate") has been derived based on the expected return on the Fund's assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 1.4% per annum and for determining the future service ("Primary") contribution rates is 2.15% per annum.

Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Head of the Fund and reported to the Committee. Employers may also choose to fund using a discount rate in line with the Fund's termination policy (see below) if they so choose.

The demographic assumptions are based on the Fund Actuary's bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant.

Employer Asset Shares

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer's asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. In addition the asset share maybe restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

6

Appendix 6

Funding Strategy Statement
Lancashire County Pension Fund - March 2020

Fund Policies

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund's practice and policies in a number of key areas:

1. Covenant assessment and monitoring

An employer's financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers' covenants will be assessed and monitored objectively in a proportionate manner, and an employer's ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

After the valuation, the Fund will continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer.

2. Admitting employers to the Fund

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is set out in an Appendix to this statement. Examples of new employers include:

· Mandatory Scheme Employers - for example new academies (see later section)

· Designated bodies - those that are permitted to join if they pass a resolution for example Town and Parish Councils.

· Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

Different types of employers will pose different risks to the Fund, as such a key objective for the Fund is to only admit employers where the risk to the Fund is mitigated as far as possible.

Certain employers may be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

3. Termination policy for employers exiting the Fund

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

Where there is a guarantor who would subsume the liabilities of the exiting employer, then the standard ongoing funding assumptions are used to assess the termination liabilities. Where there is no guarantor, the Fund's policy is that a discount rate linked to corporate bond yields and a more prudent life expectancy assumption are used.

The Fund's policies on the payment of termination debts and exit credits is covered in section 5 below.4. Insurance arrangements

4. Insurance arrangements

For certain employers, the Fund will insure ill health retirement costs via an internal captive insurance arrangement which pools these risks for eligible employers. The captive arrangement will be operated as per the objectives set out in Appendix C.

5. Investment options

The Fund intends to implement a choice of "investment" pots to offer to employers, which will exhibit lower investment risk than the current whole fund strategy.

If an employer is deemed to have a weaker covenant than others in the Fund, is planning to exit the Fund or would like to target a lower risk strategy, the Administering Authority has the discretion to move that employer (following discussions with the employer to discuss their options) into another strategy to protect the employer and/or the Fund as a whole. The current overall Fund investment strategy (as set out in the Investment Strategy Statement) will then be known as the "return seeking" investment strategy.

The investment strategy for each of the investment pots will be reviewed, following each actuarial valuation, as a minimum. The discount rate assumption used for employers' liabilities who fall into each category is linked directly to the relevant pot's underlying assets allowing for the underlying level of risk associated.

1. Introduction

The Local Government Pension Scheme Regulations 2013 (as amended) ("the 2013 Regulations") and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") (collectively; "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

• After consultation with all relevant interested parties involved with the Lancashire County Pension Fund (the "Fund"), the Administering Authority will prepare and publish their funding strategy;

• In preparing the FSS, the Administering Authority must have regard to:

  – the guidance issued by CIPFA for this purpose; and

  – the Investment Strategy Statement (ISS) for the Fund published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);

• The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

Benefits

The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings ("CARE") benefits earned thereafter. There is also a "50:50 Scheme Option", where members can elect to accrue 50% of the full Fund benefits in relation to the member only and pay 50% of the normal member contribution.

Employer Contributions

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the "primary" and "secondary" rate of the employer's contribution).

Primary Rate

The "Primary rate" for an employer is the contribution rate required to meet the cost of the future accrual of benefits, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

Secondary Rate

The "Secondary rate" is an adjustment to the Primary rate to arrive at the total rate of contribution each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following the actuarial valuation.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be the calculated weighted average based on the whole fund payroll in respect of percentage rates and the total amount in respect of cash adjustments.

Appendix 6

Funding Strategy Statement
Lancashire County Pension Fund - March 2020

2. Purpose Of Fss In Policy Terms

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3. Aims And Purpose Of The Fund

The aims of the fund are to:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

The purpose of the fund is to:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

4. Responsibilities Of The Key Parties

The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (and, in particular the Pension Fund Committee), the individual employers and the Fund Actuary, and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

Key Parties To The Fss

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a Fund employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the Fund Actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits, early retirement pension strain, and
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.

5. Solvency Funding Target

Securing the "solvency" and "long term cost efficiency" is a regulatory requirement. To meet these requirements the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer's total contribution rate would ultimately revert to its Primary rate of contribution.

Solvency and Long Term Efficiency

Each employer's contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund's liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the LGPS so far as relating to the Fund.

Determination of the solvency funding target and deficit recovery plan

The principal method and assumptions to be used in the calculation of the funding target are set out in Appendix A. The Employer Deficit Recovery Plans are set out in Appendix B.

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful, potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2020 at the latest.

Appendix 6

Funding Strategy Statement
Lancashire County Pension Fund - March 2020

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2019 actuarial valuation:

- The Fund does not believe it appropriate for offsets to total contributions in respect of any surplus to be allowed where the employer has a deficit on their termination assumptions, unless there is compelling reason to do so.
- Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Head of Fund and reported to the Committee. Employers may also choose to fund using a discount rate in line with the Fund's termination policy if they so choose.
- The target deficit recovery/surplus offset period for the Fund as a whole will reduce by three years, to 13 years at the 2019 valuation, so as to maintain same "end point". For individual employers who are open to new members, subject to consideration of affordability, as a general rule the recovery/offset period will reduce by 3 years for employers at this valuation when compared to the preceding valuation, subject to a minimum of 13 years. This is to target full solvency over a similar time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Recovery Plan in Appendix B).
- Individual employer contributions will be expressed and certified as two separate elements:
  - **the Primary rate:** a percentage of pensionable payroll in respect of the cost of the future accrual of benefits
  - **the Secondary rate:** a schedule of percentages of pensionable payroll or lump sum monetary amounts over 2020/23 in respect of an employer's surplus or deficit

For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2023 based on the results of the 2022 actuarial valuation.

- Where increases in employer contributions are required from 1 April 2020, following completion of the 2019 actuarial valuation, if the Administering Authority agrees then the increase from the rates of contribution payable in the year 2019/20 may be implemented in steps, over a period agreed by the Administering Authority.
- For those employers who are to be included in the ill-health captive arrangement, the contributions payable over the period 1 April 2020 to 31 March 2023 will be adjusted accordingly to reflect the premium charged to provide continued protection against the risks of excessive ill-health retirement costs emerging. Further details are provided in Appendix C of these adjustments.
- In exceptional circumstances the Fund may depart from the above principles for an employer or a particular group of employers. Any such exceptions would be determined by the Head of the Fund and reported to the Committee. As a particular example, in the event that it appeared that an employer was likely to end its participation in the Fund without its liabilities being passed on to a successor employer, and without the employer providing sufficient security against its closure position, then the Fund might decide to set a funding plan such that the employer's closure position were expected to be met by the time of its exit from the Fund.
- In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

Funding for non-ill health early retirement costs

Employers are required to meet all costs of early retirement pension strain by immediate capital payments into the Fund, or in certain circumstances by agreement with the Fund, through instalments over a period to be determined by the Administering Authority..

Funding for ill health retirement costs

Should a member retire on ill health grounds, this will normally result in a funding strain for that employer (i.e. increased liability). The size of any funding strain will depend on how the cost of that ill health retirement compares with the expected cost built in the actuarial assumptions for that employer. The actual cost will also depend on the level of any benefit enhancements awarded (which depend on the circumstances of the ill health retirement) and also how early the benefits are brought into payment. The treatment of any ill-health retirement strain cost emerging will vary depending on the type of employer:

- For those employers who participate in the ill-health captive arrangement, any ill-health retirement strain cost emerging will be met by a contribution from the captive fund as part of the subsequent actuarial valuation (or termination assessment if sooner). No additional contributions will be due immediately from the employer although an adjustment to the "premium" payable may emerge following the subsequent actuarial valuation, depending on the overall experience of the captive fund.
- For those employers who do not participate in the ill-health captive arrangement, the "primary rate" payable over 2020/23 may include an allowance for ill-health retirement costs (alongside those for voluntary early retirements) depending on the employer's profile. Where ill-health retirement strain costs exceed an employer's allowance over the inter-valuation period (or should an employer not have an allowance within their "primary rate"), the excess strain costs will be included in the employer's deficit (and subsequent deficit contributions) at the 2022 valuation.

Terminations

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

Where there is a guarantor who would subsume the liabilities of the exiting employer, then the standard ongoing funding assumptions are used to assess the termination liabilities. Where there is no guarantor, the Fund's policy is that a discount rate linked to corporate bond yields and a more prudent life expectancy assumption are used. Where deemed appropriate the assessment will include an allowance for the potential impact of the McCloud judgement.

The Fund's policy on termination payments and exit credits is:

- Where there is no Fund guarantor any deficit will be recovered from the outgoing employer in the first instance, and then any bond or security in place where applicable. Any surplus on the termination assumptions will be returned to the employer as an exit credit. The remaining assets and liabilities are then "orphaned", and so become the responsibility of the remaining Fund employers.
- Where there is a guarantor who would subsume the assets and liabilities of the outgoing employer, and there is no "risk-sharing" arrangement (meaning the outgoing employer is responsible for their final position in the Fund), any deficit will be recovered from the outgoing employer in the first instance, and then any bond or security where applicable. Any surplus will be returned to the employer as an exit credit. The remaining assets and liabilities are then the responsibility of the guarantor. (Depending on circumstances, the Fund may demand immediate payment of any unrecovered termination amount from the guarantor).
- In full risk sharing cases, the assets, liabilities and any deficit or surplus will be subsumed by the guarantor (this will be adjusted as appropriate in any cases where there is a partial risk sharing arrangement).

In the event of a surplus the Administering Authority will have regard to the provisions of The Local Government Pension Scheme (Amendment) Regulations 2020 in determining the amount of any exit credit payable, and any such amount determined will be paid to the exiting employer within 6 months of cessation or such longer period as may be agreed in the individual case. The Fund's Termination Policy will be updated to set out how the Fund will exercise its discretion in this area, and the relevant sections of that policy document will be deemed to be part of this FSS.

In the event of parties unreasonably seeking to crystallise the exit credit on termination, the Fund will consider its overall policy and seek to recover termination deficits as opposed to allowing them to be subsumed with no impact on contribution requirements until the next assessment of the contribution requirements for the guarantor. Equally where a guarantor decides not to underwrite the residual liabilities, the Fund will challenge this (and seek to recover any related costs from the guarantor). Should the guarantor be successful, the basis of assessment on termination will assume the liabilities are orphaned and thus the "corporate bond" approach will apply.

Any exit payments due should be paid within 30 days, although instalment plans may be considered by the Administering Authority on a case by case basis. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it.

Any exit credits (surplus assets over liabilities) will be paid from the Fund to the exiting employer within 6 months of cessation or such longer period as may be agreed in the individual case.

This is subject to the exiting employer providing sufficient notice to the Fund of their intent to exit; any delays in notification will impact on the payment date. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it based on the advice of the Actuary.

Appendix 6

Funding Strategy Statement
Lancashire County Pension Fund - March 2020

6. Link To Investment Policy And The Investment Strategy Statement (Iss)

The results of the 2019 valuation show the liabilities to be 100% covered by the current assets, with funding deficits and surpluses relating to individual employers being removed by future deficit contributions / surplus offsets.

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which aims to match the liabilities and represents the minimum risk investment position. Such a portfolio would consist mainly of a mixture of long-term index-linked and fixed interest gilts. Investment of the Fund's assets in line with the minimum risk portfolio would seek to minimise fluctuations in the Fund's ongoing funding level between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 63%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

Investment Options

The Fund intends to implement a choice of "investment" pots to offer to employers, which will exhibit lower investment risk than the current whole fund strategy.

If an employer is deemed to have a weaker covenant than others in the Fund, is planning to exit the Fund or would like to target a lower risk strategy, the Administering Authority has the discretion to move that employer (typically following discussions with the employer) into another strategy to protect the employer and/or the Fund as a whole. The current overall Fund investment strategy (as set out in the Investment Strategy Statement) will then be known as the "return seeking" investment strategy.

The investment strategy for each of the investment pots will be reviewed, following each actuarial valuation, as a minimum. The discount rate assumption used for employers' liabilities who fall into each category is linked directly to the relevant pot's underlying assets allowing for the underlying level of risk associated.

The current strategy is:

Asset Class	Benchmark Weight %	Range %
Global Equities	42.5	40-50
Private Equity	5.0	0-10
Property	15.0	10-20
Infrastructure	15.0	10-20
Fixed Income	2.5	0-5
Alternative Credit	19.0	10-25
Total Return	0.0	0-5
Cash	1.0	0-5
Total	100.0	

The investment strategy and return expectations set out above equate to an overall best estimate average expected return of 3.03% per annum in excess of CPI inflation as at 31 March 2019. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations.

7. Identification of risks and counter-measures

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term.

Financial

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future under performance arising as a result of participating in the larger asset pooling vehicle.

Any increase in employer contribution rates (as a result of these risks), may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored.

Demographic

The demographic risks are as follows:-

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to minimise the number of ill-health retirements.** Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

Insurance of certain benefits

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

Regulatory

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to Fund,
- Changes to national pension requirements and/or HMRC Rules

Membership of the LGPS is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

Governance

The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond
- Changes in the Committee membership.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored, but in most cases the employer, rather than the Fund as a whole, bears the risk.

6

Appendix 6

Appendix A - Actuarial Method and Assumptions

8. Monitoring and review

The Administering Authority has taken advice from the actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Fund membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations but it is unlikely that this power will be invoked other than in exceptional circumstances.

Cost management and the mccloud judgement

The cost management process was set up by HM Treasury, with an additional strand set up by the Scheme Advisory Board (for the LGPS). The aim of this was to control costs for employers and taxpayers via adjustments to benefits and/or employee contributions.

As part of this, it was agreed that employers should bear the costs/risks of external factors such as the discount rate, investment returns and inflation changes, whereas employees should bear part of the costs/risks of other factors such as wage growth, life expectancy changes, ill health retirement experience and commutation of pension.

The outcomes of the cost management process were expected to be implemented from 1 April 2019, based on data from the 2016 valuations for the LGPS. This has now been put on hold due to age discrimination cases brought in respect of the firefighters and judges schemes ("McCloud"), relating to protections provided when the public sector schemes were changed (which was on 1 April 2014 for the LGPS and 1 April 2015 for other Schemes).

It is not known how these cases will affect the LGPS or the cost management process at this time. The Scheme Advisory Board issued guidance which sets out how the McCloud case should be allowed for within the 2019 valuation.

However, the Government has now confirmed that a remedy is required for the LGPS in relation to the McCloud judgment. Therefore, the Fund has considered its policy in relation to costs that could emerge from the McCloud judgment in line with the guidance from the Scheme Advisory Board in conjunction with the Actuary. Whilst the remedy is not known and may not be known for some time, for the purpose of this valuation:

- The Fund has included a margin within its assumptions (a small reduction has been made to the discount rate assumptions) to provide a general allowance in respect of the potential costs of the McCloud judgement

- When considering the appropriate contribution provision for individual employers, the estimated costs of the judgment have been calculated and notified to the employers, highlighting that the final costs may be significantly different. (These figures are calculated on the assumption that the judgment would have the effect of removing the current age criteria applied to the underpin implemented in 2014 for the LGPS. Under this assumption the underpin therefore would apply to all active members as at 1 April 2012.)

Employers will be able to choose to include the estimated costs (highlighted in the second bullet above) over the period 2020/23 in their certified contributions. Alternatively, they will need to consider whether to make allowance within their budgets and note that any shortfall in contributions could be payable if the remedy is known before the next valuation and would likely be built into future contribution requirements.

Method

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

Financial Assumptions – Solvency Funding Target

Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets base on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 1.4% per annum above CPI inflation i.e. a real return of 1.4% per annum, equating to a total discount rate of 3.8% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.

For any employers who are funding on a corporate or government bond basis the discount rate used will be linked directly to the yields available on relevant assets of an appropriate duration.

Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Fund's accrued liabilities, but subject to the following two adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index

The overall reduction to RPI inflation at the valuation date is 1.0% per annum..

Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases.

Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

Demographic assumptions

Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the Fund. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a level of longevity 'improvement' year on year in the future in line with the CMI projections with a long-term rate of improvement of 1.75% per annum.

The mortality before retirement has also been adjusted based on LGPS wide experience.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption have been modified from the

Appendix 6

last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

Expenses

Expenses are met out of the Fund, in accordance with the Regulations. This is allowed for by adding 0.6% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

Method and assumptions used in calculating the cost of future accrual (or primary rate)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the "Primary Rate" (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the future service rate should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are based on an overall assumed real discount rate of 2.15% per annum above the long term average assumption for consumer price inflation of 2.4% per annum.

Employer asset shares

The Fund is a multi-employer Pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

Appendix A - Actuarial Method and Assumptions

Summary of key whole fund assumptions used for calculating funding target and cost of future accrual (the "primary rate") for the 2019 actuarial valuation

Long-term yields	
Market implied RPI inflation	3.4% p.a.
Solvency Funding Target financial assumptions	
Investment return/Discount Rate	3.8% p.a.
CPI price inflation	2.4% p.a.
Long Term Salary increases	3.9% p.a.
Pension increases/indexation of CARE benefits	2.4% p.a.
Future service accrual financial assumptions	
Investment return/Discount Rate	4.55% p.a.
CPI price inflation	2.4% p.a.
Long Term Salary increases	3.9% p.a.
Pension increases/indexation of CARE benefits	2.4% p.a.

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

	Base Table	Improvements	Adjustment (M / F)
Current pensioners:			
Normal health	S3PA	CMI_2018 [1.75%]	103% / 91%
Ill-health	S3PA	CMI_2018 [1.75%]	125% / 129%
Dependants	S3PMA / S3DFA	CMI_2018 [1.75%]	132% / 110%
Future dependants	S3PMA / S3DFA	CMI_2018 [1.75%]	137% / 92%
Current active / deferred:			
Active normal health	S3PA	CMI_2018 [1.75%]	110% / 94%
Active ill-health	S3PA	CMI_2018 [1.75%]	126% / 144%
Deferred	S3PA	CMI_2018 [1.75%]	133% / 109%
Future dependants	S3PMA / S3DFA	CMI_2018 [1.75%]	138% / 117%

Other demographic assumptions are set out in the Actuary's formal report.

Appendix 6

Appendix B – employer deficit recovery plans

As the assets of the Fund are not equal to the liabilities for the majority of employers at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall, or adjustments made to run off the surplus (where appropriate).

Deficit contributions paid to the Fund by each employer will normally be expressed as £s amounts and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund. Any surplus offsets will normally be expressed as a percentage adjustment to the primary rate.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers in deficit will be free to select a shorter deficit recovery period and higher contributions if they wish, including, at the discretion of the Administering Authority, the option of prepaying the deficit contributions in one lump sum, either on an annual basis or as a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of the recovery periods is summarised in the table below:

Category	Normal Deficit Recovery Period	Derivation
Fund Employers	13-16 years (in most cases)	Determined by reducing the period from the preceding valuation by 3 years.
Open Admitted Bodies	13-16 years (in most cases)	Determined by reducing the period from the preceding valuation by 3 years.
Closed Employers	Minimum of 13 years and the future working lifetime of the membership	Determined by the future working life of the membership.
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;
- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain overall contribution level at least at the expected monetary levels from the preceding valuation (allowing for any indexation in the deficit payments over the recovery period).

In exceptional circumstances the Fund may depart from the above principles for an employer or a particular group of employers. Any such exceptions would be determined by the Head of the Fund and reported to the Committee.

Other factors affecting the Employer Deficit Recovery Plans

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2020/23. Any application of this option is at the ultimate discretion of the Head of the Fund in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

Appendix 6

Appendix C - Ill-Health Captive For Small Employers

Overview

For certain employers in the Fund a captive insurance arrangement exists to cover ill-health retirement costs.

The captive arrangement operates as follows:

- "Premiums" are paid by the eligible employers into a captive fund which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer's future service % contribution rate. The premium for 2020/23 is 1.5% pa.
- The captive fund is then used to meet strain costs emerging from ill-health retirements i.e. there is no impact on funding position for employers within the captive fund.
- Any shortfall in the captive fund is effectively underwritten by all other employers within the Fund. If any excess funds are built up in the captive fund, some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary.
- Premiums payable are subject to review from valuation to valuation depending on experience and included in employer rates.
- Over the longer-term, given the regular review of the premiums payable into the captive fund there would be expected to be no net cost to those employers underwriting the captive fund in the long-term i.e. any fluctuations in their own contribution requirements arising from experience would smooth out over time.

Employers

Those employers (both existing and new) that will be included in the captive fund are those with less than 150 active members (excluding major Councils).

For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements would still apply i.e. the Fund continues to monitor ill-health retirement strain costs incurred against allowance certified with recovery of any excess costs from the employer once the allowance is exceeded.

Premium Review

As part of each actuarial valuation exercise (or earlier review if appropriate) the Fund Actuary will review the experience of the captive fund since the last review.

Should the premiums paid into the captive fund over the period not be sufficient to cover the ill-health retirement costs emerging, any shortfall in the fund will be allocated across all those employers within the Fund underwriting the captive fund. If any excess funds are built up in the captive fund, some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary.

The ongoing premium payable by those employers within the captive fund will also be assessed as part of this process and will be set by the Actuary to cover the period until the next review (e.g. to the next actuarial valuation assessment). The Premiums that will be assessed will take into account the expected level of future ill-health retirements across those employers within the captive arrangement and also to reflect any adverse/favourable experience where appropriate.

Appendix D - Glossary

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 as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

Administering Authority: the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

Admission bodies: A specific type of employer under the Local Government Pension Scheme (the "LGPS") who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

Benchmark: a measure against which fund performance is to be judged.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Covenant: the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

Deficit recovery period: the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

Employing bodies: any organisation that participates in the LGPS, including admission bodies and Fund employers.

Equities: shares in a company which are bought and sold on a stock exchange.

Funding or solvency Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Funding Strategy Statement: this is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

Government Actuary's Department (GAD): the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Guarantee / guarantor: a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

Letting employer: an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

6

Appendix 6

Appendix D - Glossary

Liabilities: the actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

LGPS: the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

Maturity: a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

Members: The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

Minimum risk funding basis: more cautious funding basis than the existing valuation basis. The relevant discount rate used for valuing the present value of liabilities is based on the yields from Government Bonds or Swaps.

Orphan liabilities: liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

Percentiles: relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

Phasing/stepping of contributions: when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

Pooling: employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Profile: the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

Rates and Adjustments Certificate: a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

Real Return or Real Discount Rate: a rate of return or discount rate net of (CPI) inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

Scheduled bodies: types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

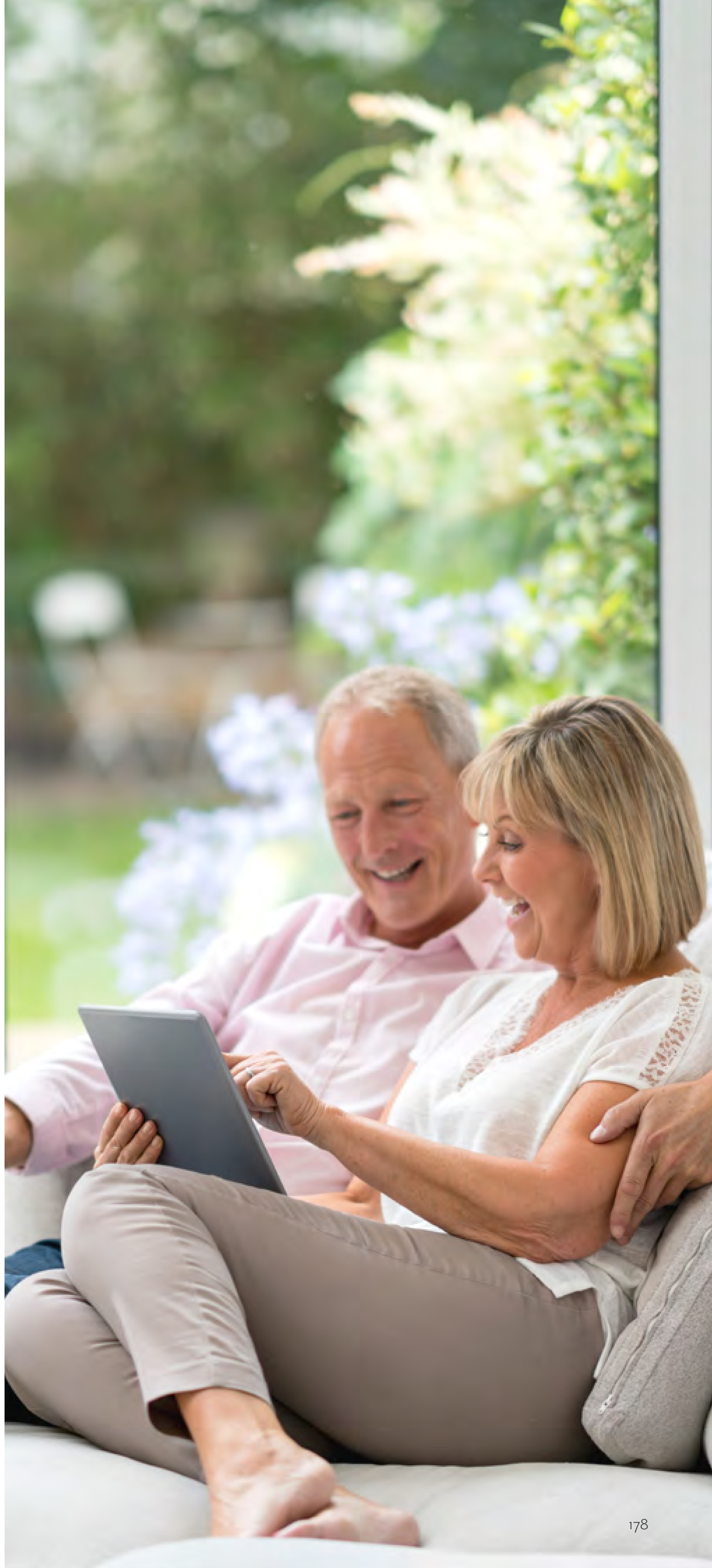
Fund / Scheme Employers: employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers.

Section 13 Valuation: in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

Valuation funding basis: the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.



B

Appendix 7

Investment Strategy Statement

7

Appendix 7

Investment Strategy Statement

1. Introduction

Lancashire County Council ("LCC") is the administering authority of the Lancashire County Pension Fund (the "Fund"). This Investment Strategy Statement ("the Statement") has been prepared in accordance with MHCLG guidance on Preparing and Maintaining an Investment Strategy Statement (July 2017) and after taking appropriate advice.

As set out in the Regulations, the Pension Fund Committee (the "Committee") will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change in relation to any matter contained in this Statement, changes will be reflected within six months of the change occurring.

The Regulations require all Administering Authorities to take "proper advice" when formulating an investment strategy. In preparing this document and the overall investment strategy the Committee has taken advice from the LCPF Investment Panel (the "Panel", a panel of independent advisors appointed by LCC for the purpose of providing advice on pension related matters) and Local Pension Partnership Investment Limited (LPP I) which is a FCA regulated investment manager with specific expertise and regulatory permissions to provide advice on investments.

In 2000, the Government commissioned a 'Review of Institutional Investment in the United Kingdom' by Paul Myners. Following the report the Government issued a set of investment principles which have subsequently been reviewed by HM Treasury. The Fund has considered the principles and considers that it is compliant with them.

2. Investment Objectives

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.

In order to meet this overriding objective the Committee maintains an investment policy so as to:

- Maximise the returns from investments whilst keeping risk within acceptable levels and ensuring liquidity requirements are at all times met;
- Contribute towards achieving and maintaining a future funding level of 100%;

The Fund will use its influence as a large institutional investor to encourage responsible long-term behaviour.

3. Investment Governance

The Committee is responsible for approving and reviewing on a regular basis an overall Investment Strategy and determining asset allocation to such asset classes as the Panel consider appropriate. This includes setting the higher level objectives and risk tolerances of the Fund. The Committee, in conjunction with the scheme's actuary, sets the required rate of return needed to achieve its objectives and the risks it is willing to take. Once these parameters are established, the Committee will determine the strategic asset allocation or policy portfolio that it believes has the highest probability of succeeding.

The Panel will:

- review the Fund's long term investment strategy and where necessary make recommendations to the Committee;
- propose strategic and/or tactical asset allocations, with input from LPPI
- set and monitor the range of asset allocations used by LPPI
- consider appropriate risk management strategies to include the matching of pension liabilities with suitable investments, possibly involving derivatives, and where necessary make recommendations to the Committee;
- consider foreign exchange hedging strategies relating to the equity and/or other asset allocations and where necessary make recommendations to the Committee;
- monitor and review the investment activity; and
- review and report on the performance of the Fund and where necessary make recommendations to the Committee.

The implementation of the asset allocation is delegated to LPP I. LCC is a founding shareholder of LPP I and maintains ongoing corporate governance controls but plays no direct role in investment management activities.

LPP I are responsible for managing 100% of the assets of the Fund. The large majority of the Fund's assets have been transitioned into investment pooling vehicles, also managed by LPP I, as illustrated in the table below. A small minority of assets remain on the balance sheet of the Fund as "legacy assets".

7

Appendix 7

Investment Strategy Statement

Asset class	Percentage of total assets in pools
Public Equity	100%
Fixed Income	100%
Diversifying Strategies	100%
Credit	91%
Infrastructure	84%
Private Equity	98%
Real Estate	64% *
Total	90%

*Excluding Legacy Shared Ownership, the percentage of the Fund's Real Estate assets that are pooled is 85%.

4. Asset Allocation Framework

To pay benefits over time the Fund needs to generate a rate of return that is at least equal to the actuarial discount rate. The starting point for considering asset allocation is a simple portfolio of bonds and equities. However, this basic portfolio does not maximise diversification and therefore risk adjusted return.

In order to prudently diversify sources of risk and return, the Fund allocates capital across a wide variety of different asset classes. To be added to the portfolio, asset classes are first judged for suitability; they have to be well understood by the Committee, consistent with the Fund's risk and return objectives; and they have to make a significant contribution to the portfolio by improving overall return and risk characteristics. In addition, the new asset classes have to be less than perfectly correlated with equities and bonds, so that the Fund benefits from increased diversification. The Fund has identified a total of nine asset classes that, combined, may form the policy portfolio.

The eight asset classes shown in the table below have different exposures to economic factors (GDP growth and inflation) and combine different geographies and currencies. In assessing suitability the Committee has considered the respective return drivers, exposure to economic growth and sensitivity to inflation – each an important consideration, relative to the sensitivities of the Fund's liabilities and managing risk.

Asset Class	Long-Term Return Drivers	Economic Growth *	Inflation *	Geography	Currency
Global Equity	- Economic growth - Dividend income - Earnings growth - Change in company valuation	+	+/ - **	Diversified	Diversified
Private Equity	- Economic growth - Company growth - Earnings growth - Change in company valuation - Availability of finance - Illiquidity premium	+	+/ - **	Diversified	Diversified
Fixed Income	- Yield (minus credit losses) - Valuation increases as bonds approach maturity - Change in yield	-	-	Diversified	Diversified
Alternative Credit	- Yield (minus credit losses) - Valuation increases as bonds approach maturity - Change in yield - Illiquidity premium	+	-	Diversified	Diversified
Property	- Rental yield (minus expenses) - Rental growth - Capital growth	+	+/ - **	Predominantly UK	Predominantly GBP
Infrastructure	- Dividend income - Dividend growth - Capital growth	+	+	Predominantly UK	Predominantly GBP
Total Return	- Diversified	Low correlation	Low correlation	Diversified	Diversified
Cash	- Yield	+	-	Predominantly UK	Predominantly GBP

* Sensitivities shown are to positive shocks, i.e., if growth and inflation surprise on the upside.

** Property, public and private equities expected to provide partial inflation protection.

The Committee, advised by the Panel, have determined benchmark weights to each asset class which it believes to be best suited to meeting the long term objectives of the Fund. It has also identified tolerance ranges within which shorter term variations would be tolerated and/or actively pursued due to a combination of relative returns and investment opportunity.

The benchmark weight and tolerances are shown in the table below. The weights are to be maintained within the ranges, as long as the Fund can find attractive opportunities that meet its return, risk, and cash flow requirements. In the absence of opportunities investments will not be "forced" and under/over allocations may be made to any asset class whilst also remaining within the tolerance ranges. Should any allocation fall outside of the range the Committee shall seek to bring the allocation back within the range as soon as suitable opportunities are identified.

The Panel review the Strategic Asset Allocations (see below) and recommend any changes to the Committee. This table sets out the Strategic Asset Allocations approved by Committee in September 2020. In addition, the Committee and/or the Panel review any exposures which arise outside these tolerances and advise appropriate action.

7

Appendix 7

Investment Strategy Statement

Asset Class	Benchmark weight (%)	Range (%)
Global Equities	45.5	40-50
Private Equity	5.0	0-10
Fixed Income	1.5	0-5
Credit	18.0	12.5-22.5
Real Estate	12.5	7.5-17.5
Infrastructure	16.0	10-20
Diversifying strategies	0.0	0-5
Cash	1.5	0-5
Total	100.0	

Each asset class has its own specific investment objective (benchmark and investment performance target) and within each asset class there are further diversification controls.

Global Equities

The objective is to outperform the MSCI All Country World, net dividends reinvested, GBP Index over the full market cycle which is considered to be at least seven years (the "Benchmark"). Equity investments are made via LPP I, by investing in underlying funds which may be managed by LPP I ("Internal Mandates"), or by external third parties ("External Mandates").

Private Equity

The objective is to outperform the MSCI World SMID, net dividends reinvested, in GBP Index and provide investors with access to attractive private equity opportunities. All new investments will include, but not be limited to the following sectors: Buyout, Venture Capital, Growth Equity, Special Situations/Distressed and Upstream Energy.

Real Estate

The objective is to gain cost effective, diversified exposure to UK and international property assets that meet its investment objectives: to generate a return in excess of UK CPI inflation; earn predictable cash flows; and provide a partial hedge against inflation. The largest exposure of the portfolio will be to traditional sectors of the UK commercial real estate market. A smaller allocation will be made to value-added and opportunistic investments. The benchmark is the MSCI UK Quarterly Property Index.

Infrastructure

The objective is to gain cost effective, diversified exposure to global infrastructure assets located predominantly in the UK or otherwise in OECD nations. These investments seek to generate a satisfactory risk adjusted return; improve diversification; provide predictable cash flows; and indirectly hedge against inflation. The benchmark is the UK CPI + 4% pa net over a 10 year period

Fixed Income

The objective is to outperform the Bloomberg Barclays Global Aggregate (GBP Hedged) Index. The LPPI Pool will pursue this aim by investing in underlying funds which include Internal Mandates and External Mandates.

Credit

The objective is to gain cost effective exposure to diverse sources of return linked to global credit markets and credit instruments. The LPP I pool will pursue this aim primarily by allocating capital to investment vehicles or pooled funds which include External Mandates. The benchmark is an equally-weighted blended composite consisting of the S&P LSTA Leveraged Loans Index (GBP-Hedged) and the Bloomberg Barclays Multiverse Credit Index in GBP.

Diversifying Strategies

The objective is to gain cost effective exposure to diversifying sources of return distinct from global equity beta and bond duration. The LPP I pool will pursue this aim primarily by allocating capital to investment strategies which include External Mandates. The benchmark is the HFRI Fund of Funds Conservative (GBP-Hedged) Index.

Cash

Cash is managed at the Fund level by LCC until needed or drawn by LPP I for investment purposes. The benchmark is 1 month GBP LIBOR.

5. Risk Management

The overriding objective of the Fund in respect of its investments is to maximise return within an acceptable and understood level of risk.

Key risks to the Fund as outlined in the Funding Strategy Statement are:

- Investment markets fail to perform in line with expectations
- Market yields move at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term especially as there is a large concentration of investments with LPP with the resultant risk of personnel change
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation is significantly higher than anticipated
- Demographic risks
- Regulatory changes
- Changes to national pension requirements and/or Inland Revenue rules

These risks are monitored and managed with diversification being a very important risk management tool. As described in the section on Asset Allocation, the Fund will seek to maintain a diversified exposure to several different asset classes, geographies, and currencies.

The asset class pools described above are also subject to a number of constraints to allow for intra-asset class diversification, including sector, country, manager, and maximum exposure to a single asset.

Operational risk is minimised by having custody of the Fund's financial assets provided by Northern Trust, a regulated, external, third party, professional custodian.

Equivalent arrangements are in place where investments are made into pooled vehicles, such as those managed by LPP I.

Performance measurement

Fund performance is measured at a number of different levels. The objective of the Fund is to outperform the actuarial discount rate.

The performance of the pooling arrangements is monitored via regular reporting and through quarterly Panel meetings. Performance for LPP I is measured against the policy portfolio benchmark. LPP I seeks to outperform the policy portfolio on a risk adjusted basis, via active sub-asset class selection, selecting the best stocks/managers for each of the pools and by implementing investments in a low cost manner. Performance for the investment pools is measured against widely used and transparent benchmarks and appropriate targets.

Where performance falls short of expectations the Committee and the Panel will identify the cause of this underperformance and will respond appropriately. In practice, the Fund would expect to work collaboratively with LPP I to identify and remedy the cause of any underperformance.

6. Environmental Social and Corporate Governance (ESG) Policy, and approach to social investments

The Fund is committed to being a long term responsible investor. It is an integral part of the way the Fund is managed. The Responsible Investment Policy of the Fund is available at this link. Lancashire Fund Information - Lancashire County Council.

Appendix 8

Report in actuarial valuation as at 31 March 2019

Appendix 8

MERCER

Report on the actuarial valuation as at 31 March 2019

Lancashire County Pension Fund

31 March 2020

Contents

Appendices

Introduction

This report is addressed to the Administering Authority of the Lancashire County Pension Fund ("the Administering Authority") and is provided to meet the requirements of Regulation 62 of the Local Government Pension Scheme Regulations 2013 (as amended) ("the Regulations"). It describes the factors considered by the Administering Authority when carrying out the actuarial valuation as at 31 March 2019 and the decisions reached as a result.

The purpose of the actuarial valuation is for the Administering Authority to determine:

- The expected cost of providing the benefits built up by members at the valuation date (the "liabilities"), and compare this against the funds held by the Fund (the "assets").
- The contributions needed to cover the cost of the benefits that active members will build up in the future and other costs incurred in running the Fund (the 'Primary Contribution Rate').
- An appropriate plan correcting any shortfall or surplus of the Fund's assets against its liabilities. This plan will cover the amounts which will need to be paid/offset (the 'Secondary Contribution Rate') and the timeframe over which they will be paid ('the Recovery Period').

Signature		
Name	John Livesey	Mark Wilson
Qualification	Fellow of the Institute and Faculty of Actuaries	Fellow of the Institute and Faculty of Actuaries
Date	31 March 2020	

This report uses various technical terms. These are explained in more detail in the explanatory boxes which appear throughout this report, and in the Glossary at Appendix I.

This report has been prepared in accordance with Technical Actuarial Standards TAS 100: Principles for Technical Actuarial Work and TAS 300: Pensions which are issued by the Financial Reporting Council. The calculations referred to in the report use methods and assumptions appropriate for reviewing the financial position of the Fund and determining a contribution rate for the future. Mercer does not accept liability to any third party in respect of this report; nor do we accept liability to the Administering Authority if the information provided in this report is used for any purpose other than that stated. The report may be disclosed to members and others who have a statutory right to see it. It may also be disclosed to any participating employer and, if the Administering Authority and Mercer consent, it may be disclosed to other third parties.

1 Funding Strategy – Key Elements

Fundamental to the valuation results is the funding strategy adopted by the Fund. This funding strategy is set out in a specific document (the Funding Strategy Statement or FSS for short) which is one of the Administering Authority's key governance documents for the Fund. In essence, the FSS sets out an overview of the approach to be used for the actuarial valuation. Amongst other things it outlines the assumptions, both economic and demographic, to be used in calculating the value of the liabilities built up, the contributions required to correct any funding shortfall or surplus, and the contribution rate required to fund the benefits for future service. It also sets out the strategy for making good any funding shortfall, in particular how any shortfall is expected to be financed in terms of the balance between future contributions and future investment returns, and the period over which any surplus or shortfall is expected to be recovered.

> The FSS is the Administering Authority's key governance document in relation to the actuarial valuation. It sets out the funding policies adopted, the actuarial assumptions used, and the timescales over which deficits will be paid off. Employers are consulted about the FSS as part of the actuarial valuation process.

The principal elements of the funding strategy adopted for this actuarial valuation are as follows:

- The McCloud judgment (see Appendix D for details) – we carried out a stand-alone estimate of the cost of the McCloud judgment, and the results of this at whole Fund level are shown in Section 2 of this report. Following discussion with the Administering Authority it was agreed to allow for the estimated costs by way of a margin in the discount rate adopted, and for many employers this is expected to cover the additional liabilities. Once the final remedy for McCloud is known, the position will be reviewed. Whilst it is possible that the Fund may require additional contributions from employers at that point in time, based on the Administering Authority's current knowledge and understanding of the likely outcome it is more likely that contributions will not be reviewed until the next actuarial valuation unless this is a requirement of the final remedy process.

> The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

- Assumed rate of future long term average CPI inflation – 2.4% p.a., based on the yields available on gilts and index-linked gilts of appropriate duration less an adjustment of 1% p.a. to allow for the difference between market-implied future RPI and estimated future CPI inflation.
- Real investment returns over and above CPI for past service – 1.4% p.a., based on the anticipated real returns achievable on the Fund's expected long-term investment strategy with a suitable margin for prudence.

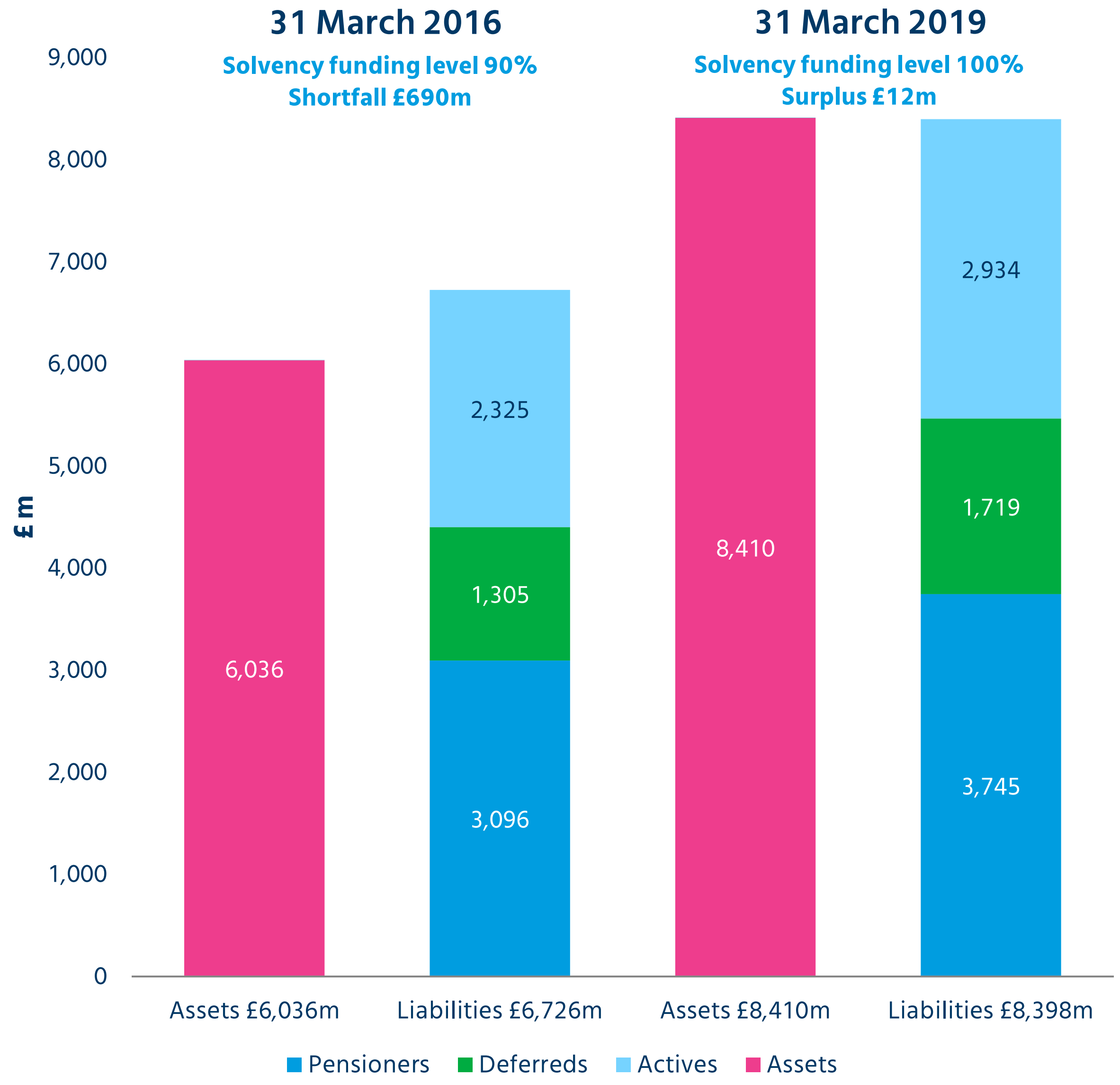
- Real investment returns over and above CPI for future service – 2.15% p.a., based on the anticipated real returns achievable on future invested contributions.
- Future pay growth – 1.5% p.a. over and above CPI.
- Baseline life expectancy based on a scheme-specific mortality study.
- Future mortality improvements based on the CMI 2018 model with a long-term improvement trend of 1.75% p.a.
- An average recovery period of 16 years for correcting any imbalance between the existing assets and past service liabilities. The FSS sets out the circumstances in which this might vary from one employer to another.

2

Key results of the funding assessment

Solvency funding position

The table below compares the assets and liabilities of the Fund at 31 March 2019. Figures are also shown for the last valuation as at 31 March 2016 for comparison.



The chart shows that **at 31 March 2019 there was a surplus of £12m** against the Fund's solvency funding target. An alternative way of expressing the position is that **the Fund's assets were sufficient to cover just over 100% of its liabilities** – this percentage is known as the solvency funding level of the Fund.

At the previous valuation at 31 March 2016 the shortfall was £690m, equivalent to a solvency funding level of 90%. The key reasons for the changes between the two valuations are considered in Section 3.

The liability value at 31 March 2019 shown in the table above is known as the Fund's "solvency funding target". The solvency funding target is calculated using assumptions that the Administering Authority has determined are appropriate having consulted with the actuary, and are also set out in the FSS.

The LGPS Regulations require the contributions to be set so as to secure the Fund's solvency and long-term cost efficiency. In this context solvency means being able to meet the liabilities as and when they arise, with long-term cost efficiency meaning that contribution levels should not be set so as to give rise to additional costs at a later date. In practice, contribution levels have been set so as to target a solvency funding level of 100%, based on the funding parameters outlined in Section 2 above.

Further details of the way in which the solvency funding target has been calculated are set out in Appendix A.

Primary Contribution Rate

The valuation looks at the normal employer contribution rate required to cover the cost of the benefits (including death benefits and expenses) that will be built up over the year after the valuation date (the "Primary Contribution Rate"). A summary of the assumptions used is provided in Appendix A.

The "Primary rate" of the employers' contribution is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs.

The table below gives a breakdown of the Primary Contribution Rate at 31 March 2019 and also shows the corresponding rate at 31 March 2016 for comparison. In calculating the average Primary Contribution Rate we have not made any allowance for future members to opt for the 50:50 scheme.

Active members pay contributions to the Fund as a condition of membership in line with the rates required under the governing Regulations (see Appendix D).

	% of Pensionable Pay	
PRIMARY CONTRIBUTION RATE	**31 March 2019**	**31 March 2016**
Normal Contribution rate for retirement and death benefits	23.1	20.8
Allowance for administrative expenses	0.6	0.5
Total normal contribution rate	23.7	21.3
Average member contribution rate	6.3	6.4
Primary contribution rate*	17.4	14.9

** In line with updated CIPFA guidance, the Primary Contribution Rate is the weighted average of the individual employer Primary Contribution Rates as derived based on their individual circumstances (e.g. whether or not they are closed to new entrants).*

Correcting the imbalance – Secondary Contribution Rate

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 is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average recovery period adopted is 16 years, and the total initial recovery payment (the "Secondary rate" for 2020/21) is an addition of approximately £3m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS).

The "Secondary rate" of an individual employer's contribution is an adjustment to the Primary Contribution Rate to reflect any past service deficit or surplus, to arrive at the rate the employers are required to pay.

The McCloud Judgment

As described in Section 1 of this report, the above figures include an implicit allowance for the estimated cost of the McCloud judgment. At the overall Fund level we estimate that the stand-alone cost of the judgment is an increase in past service liabilities of broadly £68million and an increase in the Primary Contribution rate of 1.0% of Pensionable Pay per annum.

The "McCloud judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government announced in 2019 that this needs to be remedied for all schemes including the LGPS. This is likely to result in increased costs for some employers. This remedy is not yet agreed but guidance issued requires that each Fund sets out its policy on addressing the implications.

3

Experience since last valuation

Summary of key inter-valuation experience

The last actuarial valuation was carried out with an effective date of 31 March 2016. With effect from 1 April 2014 the scheme's benefit structure changed from a Final Salary Scheme to a Career Average Revalued Earnings (CARE) Scheme, and the 2016 actuarial valuation took these changes into account.

The average Pensionable Salary increase for the Fund members who were in service for the whole of the inter-valuation period was 2.7% per annum.

Pensions in payment (in excess of Guaranteed Minimum Pensions (GMPs) were increased as guaranteed under the Fund as follows:

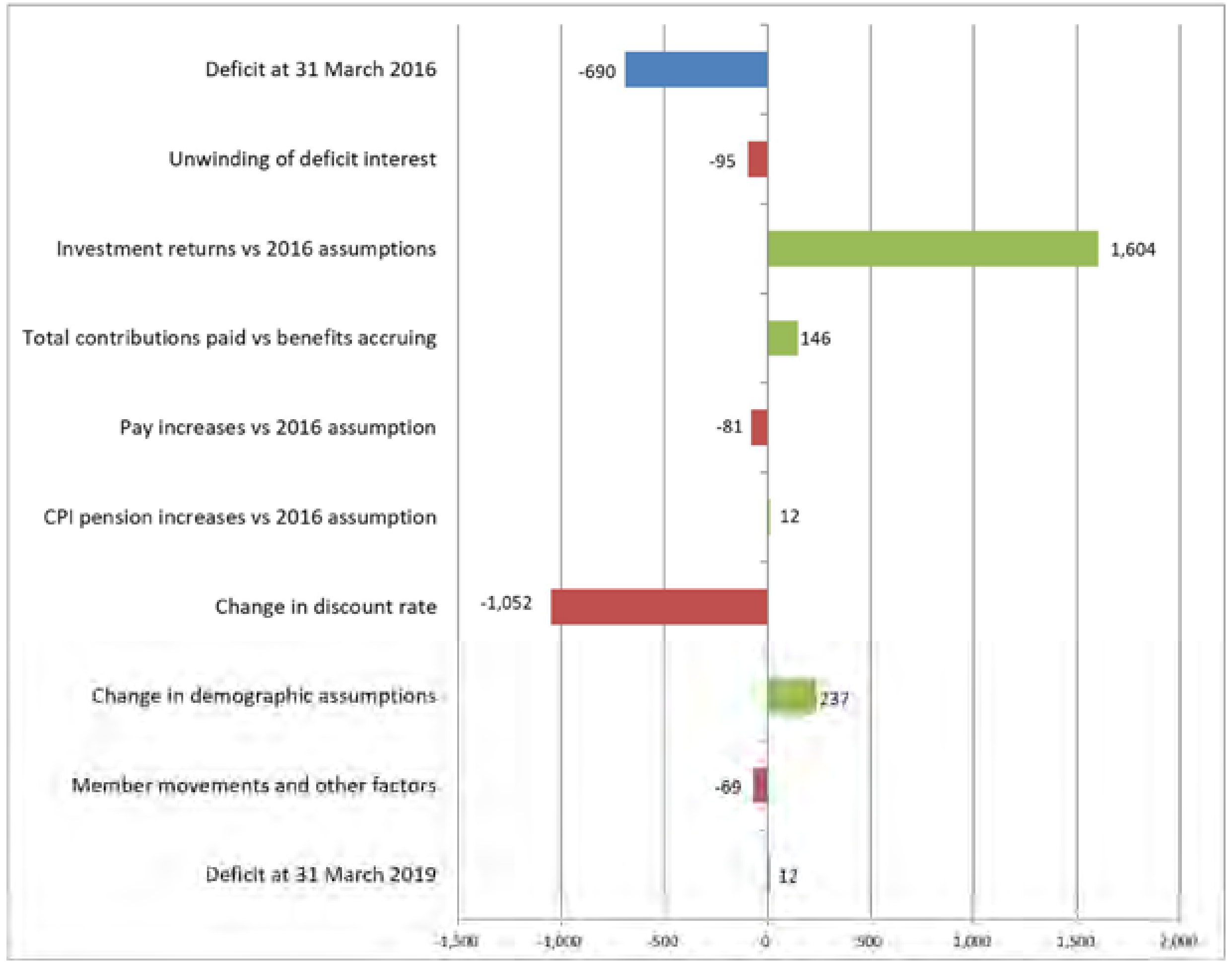
- April 2017 1.0%
- April 2018 3.0%
- April 2019 2.4%

> The outcomes from the valuation are determined both by the assumptions adopted for the future, and the Fund's historic experience relative to assumptions made in the past. In this section we consider the effect of the Fund's experience over the last three years.

Over the inter-valuation period, benefit inflation has averaged 2.1% p.a. Over the three years to 31 March 2019 the gross investment return on the Fund's assets has averaged 12.0% per annum, meaning that the average real return over CPI inflation has been about 9.7% p.a.

Reasons for the change in funding position since the last actuarial valuation

The shortfall at the last valuation date was £690m. The chart below sets out the main reasons for the change in the shortfall between 31 March 2016 and 31 March 2019 (figures shown in £m).



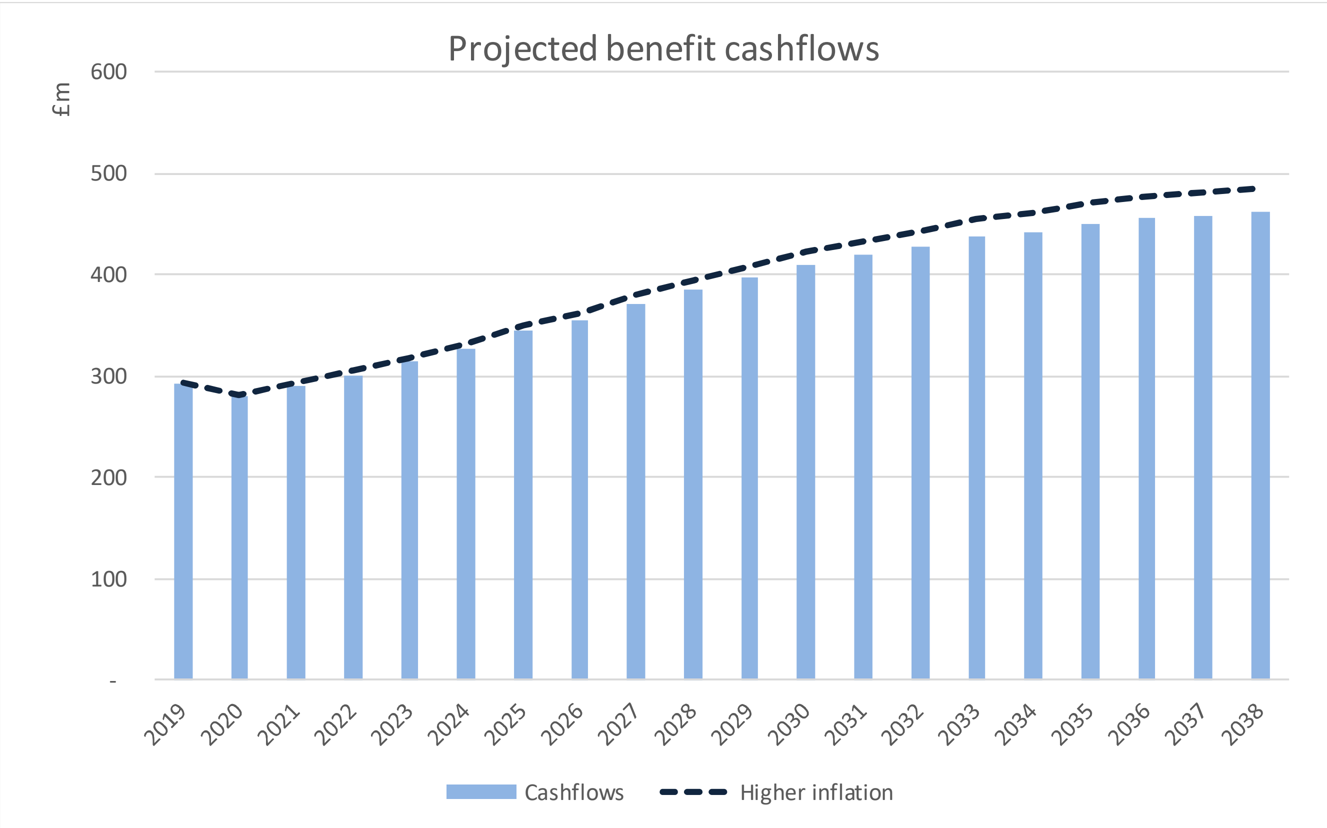
4

Cash flows, risks and alternative funding positions

Benefit cash flows

The projected benefit cash flows which result from applying the assumptions as set out in Section 2 are shown in the chart below. The additional trendline sets out how those total projected benefit cash flows would change if we were to assume inflation of 0.25% p.a. higher than the assumption of 2.4% p.a. used for the actuarial valuation. Over the 20 years following the valuation date, the extra benefit payments which would result from the extra 0.25% p.a. inflation assumption are projected to be £231m.

> The actuarial valuation process is principally concerned with projecting all the expected benefit cash flows into the future, and then converting them into present day values by discounting them to allow for assumed future investment returns. The chart shows those projected cash flows, and also illustrates how sensitive they are to the future inflation assumption.



Projected funding position at next actuarial valuation

As part of this valuation, the Administering Authority has set an average recovery plan of approximately 16 years. The next actuarial valuation will take place with an effective date of 31 March 2022. If experience up to that date were to be in line with the assumptions made for this current actuarial valuation and contributions are paid at the agreed rates or amounts, there would be a surplus at 31 March 2022 of £23m, equivalent to a funding level of 100%.

Material risks faced by the Fund

The Fund is subject to some potentially material risks that are, to an extent, outside the Administering Authority's control, but could affect the funding level and ultimately the employer contribution requirements. Any material worsening of the funding level will mean more contributions are needed (either at an increased rate or at the same rate over a longer period) to be able to provide the benefits built up in the Fund – unless experience acts in other ways to improve the funding level. Examples of such risks, and how the Administering Authority manages them, are:

> Funding a defined benefit pension scheme such as the LGPS which is open to new members is by its nature uncertain, and involves some level of risk. The principal funding risks are investment (e.g. whether the Fund earns the desired level of long-term real returns) and demographic (e.g. whether longevity of members is longer or shorter than anticipated). In practice, the key is whether such risks can be managed and mitigated.

- If an Employer becomes unable to pay contributions or to make good deficits in the future, the Fund's assets will be lower than expected and the funding level will be worse than expected. The Administering Authority regularly monitors the financial strength of the Employers so that actions can be taken to mitigate (but not fully remove) the risk.
- If future investment returns on assets are lower than assumed in the valuation, the Fund's assets will be lower, and the funding level worse, than expected. The Administering Authority has a process in place to monitor investment performance quarterly, and it reviews the Fund's investment strategy alongside each actuarial valuation.
- If improvements in life expectancy are greater than assumed, the cost of benefits will increase because members are living longer than expected. This will mean the funding level will be worse than expected. The Administering Authority regularly reviews the Fund's experience and ensures that the assumptions it makes about members' life expectancy take the most recent information available into account.
- If members make decisions about their options which increase the Fund's liabilities, the funding level will be worse than expected. An example would be if members commute less pension for cash than is being assumed. The Administering Authority reviews the Fund's experience at each valuation to ensure that their treatment of member options remains appropriate.

Impact of COVID-19

The valuation results and employer contributions shown in this report are assessed as at 31 March 2019. In March 2020 we have seen significant falls in equity markets around the world in relation to the COVID-19 pandemic. This potentially has far-reaching consequences in terms of funding and risk which will need to be kept under review. Our view is that it is important to take stock of the situation as opposed to make immediate decisions in what is an unprecedented set of events. The Fund has a risk management framework in place and in particular the investment strategy is reviewed on a regular basis. Our view is that employer contributions should not be revisited but the position should be kept under review by the Administering Authority who will monitor the development of the situation and keep all stakeholders informed of any potential implications so that the outcome can be managed effectively. For some employers this could mean a review of contributions prior to the next valuation depending on their financial covenant.

Sensitivity of funding position to changes in key assumptions

The value placed on the Fund's liabilities is critically dependent on the assumptions used to carry out the calculations. If future experience differs from the assumptions the Administering Authority has used after consulting with the Employers, then the projected future funding level will be different from the level described above.

To illustrate how sensitive the funding level is to experience being different from assumed, the table below shows how the valuation results at 31 March 2019 would have differed given small changes in the key assumptions.

Assumption change	Reduction in surplus/increase in deficit at 31 March 2019 (£m)	Resultant surplus (deficit) at 31 March 2019 (£m)
Original solvency funding position	-	12
Real investment return 0.25% lower than assumed	369	(357)
Pensionable Salary growth 0.25% higher than assumed	43	(31)
Long term improvement rate in life expectancy increased by 0.25% per annum	61	(49)
Assets fall by 25%	2,103	(2,091)

Minimum risk funding position

In assessing the value of the Fund's liabilities (the solvency funding target), allowance has been made for investment returns as described in Appendix A, taking into account the investment strategy adopted by the Fund, as set out in the Fund's Investment Strategy Statement (ISS).

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which attempts closely to match the liabilities and provide a high level of certainty in future investment returns above CPI inflation. This represents a "minimum risk" investment position. Such a portfolio would consist mainly of a mixture of long-term index-linked and fixed interest gilts. Investment of the Fund's assets in line with the minimum risk portfolio would minimise fluctuations in the Fund's minimum risk funding level between successive actuarial valuations but would result in much higher employer contributions (all other things equal).

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to make any allowance for out-performance of the Fund investments. In this event the value of the Fund liabilities would have increased substantially, to £13,470m, and the funding level would have reduced correspondingly to 62%. If the actuarial assumptions are borne out in practice and contributions are paid in line with the Rates and Adjustment Certificate for all employers, the projected funding level on this basis at the next actuarial valuation would be slightly higher at 64%.

The value of the liabilities on the ongoing solvency funding target assumptions was £8,398m, which is £5,072m less than the value on the minimum risk basis. The funding plan is therefore making a prudent allowance for future investment returns of £5,072m over and above those available from the notional minimum risk investment portfolio to support the funding of member benefits along with contributions payable. This is an indication of the expected return built into the funding strategy for the Fund as a whole.

APPENDICES

Appendix A
Assumptions

How the benefits are valued

In order to calculate the liabilities, there is a need to make assumptions about various factors that affect the cost of the benefits provided by the Fund – for example, how long members will live, or the future level of inflation. The table below explains the key assumptions being made in the valuation.

Assumption	Why it is important and how it impacts on the liabilities
Discount rate	The majority of benefits in a pension fund are paid many years in the future. In the period before the benefits are paid, the Administering Authority invests the funds held by the Fund with the aim of achieving a return on those funds. When calculating how much money is needed now to make these benefit payments, it is appropriate to make allowance for the investment return that is expected to be earned on these funds. This is known as "discounting". The higher the investment return achieved, the less money needs to be set aside now to pay for benefits. The calculation reflects this by placing a lower value on the liabilities if the "discount rate" is higher.
Inflation	Pensions in payment increase in line with Consumer Price Inflation (CPI). Salary growth is also normally linked to price inflation in the long term. A higher inflation assumption will, all other things being equal, lead to a higher value being placed on the liabilities.
Pensionable Salary growth	Benefits earned prior to 1 April 2014 for active members are based on their salaries immediately before retirement, so it is necessary to make an assumption about future Pensionable Salary growth. The higher this assumption, the higher the value placed on the liabilities for active members.
Life expectancy	Pensions are paid while the member (and potentially their spouse or partner) is alive. The longer people live, the greater is the cost of providing a pension. Allowing for longer life expectancy therefore increases the liabilities.

The liabilities of the Fund are calculated by projecting forward all of the future benefit cash flows and discounting them back to the effective date of the valuation, using these assumptions. For example, the liability for a single pensioner is calculated by estimating the amount of each pension payment they will receive in the future, multiplying by the probability that the member will still be alive by the date of each payment, and then discounting each payment back to the effective date of the valuation using the appropriate discount rate, and then summing up all of these discounted amounts. The liabilities for the whole Fund are calculated by summing the liabilities for each of the individual members.

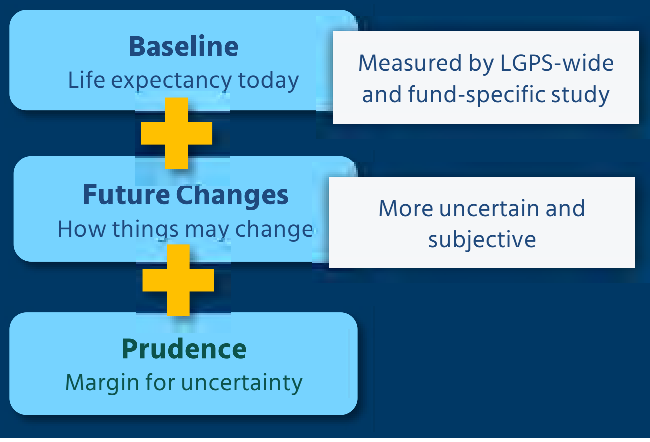
Demographic assumptions used

Post-retirement Mortality

Mortality (or life expectancy) tables are typically made up of three elements: a baseline table (equivalent to the expected current mortality), an allowance for future improvements, and a margin for prudence. Very few pension funds are large enough for them to be able to determine a bespoke set of baseline assumptions based purely on the fund's own membership experience. Typically, the life expectancy assumptions are set by benchmarking a fund's membership profile and mortality experience against larger external datasets. For this actuarial valuation, we have benchmarked the Fund's membership profile and experience against the "S tables" published by the CMI. We have applied weightings and age ratings as appropriate to adjust the standard tables so as to arrive at assumptions which are appropriate for the Fund. We have generally used the S3PA tables ("middle" tables for females), other than for female dependants where the S3DA tables have been used. At the 2016 actuarial valuation the S2PA tables were used (S2DA tables for female dependants).

There are two separate decisions on mortality assumptions:

- The baseline table for the current rates of mortality; and
- The allowance for future improvements.



The weightings and age ratings applied to the above are set out in the table below.

Current Status	Retirement Type	2019 weighting/age rating	2016 weighting/age rating
Annuitant	Normal Health	103% males, 91% females	99% males, 93% females
	Dependant	137% males, 92% females	122% males, 106% females
	Ill Health	125% males, 129% females	99% males, 93% females with an age rating of +3 years in each case
	Future Dependant	132% males, 110% females	122% males, 106% females
Active	Normal Health	110% males, 94% females	98% % males, 89% females
	Ill Health	126% males, 144% females	98% males, 89% females with an age rating of +4 years in each case
Deferred	All	133% males, 109% females	125% males, 102% females

A weighting applied to an actuarial table has the effect of increasing or reducing the chance of survival at each age, which increases or reduces the corresponding life expectancy. Similarly, an age rating applied to an actuarial table has the effect of assuming that beneficiaries have a life expectancy equal to those older (or younger) than their actual age.

Future improvements are assumed to follow the CMI 2018 model with a 1.75% p.a. long-term improvements trend. At the 2016 actuarial valuation the CMI 2015 model with 1.5% p.a. long-term trend was used.

The mortality assumptions used for the 31 March 2019 valuation result in the following life expectancies.

	Years
Life expectancy for a male aged 65 now	22.2
Life expectancy at 65 for a male aged 45 now	23.7
Life expectancy for a female aged 65 now	24.9
Life expectancy at 65 for a female aged 45 now	26.7

Pre-retirement Mortality

The following mortality tables (together with any appropriate weightings and age ratings) have been adopted for mortality rates in the period up to retirement.

	31 March 2019	31 March 2016
Base Table	DxL08 tables with adjustments of 80% (male) 50% (female) to reflect the Fund's membership profile	DxL08 tables with adjustments of 80% (male) 50% (female) to reflect the Fund's membership profile
Allowance for Future Improvements	CMI_2015 [1.5%]	CMI_2015 [1.5%]

Commutation

Members have the option to commute part of their pension at retirement in return for a lump sum at a rate of £12 cash for each £1 per annum of pension given up. Following an analysis of the take-up rates, it has been assumed that, on average, retiring members will take 80% of the maximum tax-free cash available at retirement. This is broadly equivalent to the assumption at the 2016 actuarial valuation.

Retirement lump sums are less costly for the Fund to provide than the alternative pension, as members receive only £12 of each £1 p.a. of pension given up. If members take the cash sum option at a higher rate than has been assumed then this will normally lead to an improvement in the funding level.

Early retirement

For those members who are entitled to receive their accrued benefits (or part of those benefits) prior to the Fund's normal pension age, a proportion of the active membership is assumed to retire in normal health prior to age 65, as set out below:

If members take early retirement to a greater extent than has been assumed then this will typically lead to a worsening of the funding level. This is because many members are able to take substantial parts of their benefits from age 60 without them being reduced for early payment.

	% retiring per annum	% retiring per annum
Age	Males	Females
60	10	20
61	8	15
62	8	15
63	8	15
64	8	15
65	100	100

The appropriate early retirement factors applied to the relevant tranche of benefits are in line with the Government Actuary's Department (GAD) guidance.

Ill health retirement

A small proportion of the active membership has been assumed to retire owing to ill health. As an example of the rates assumed, the following is an extract from the decrement table used:

The level of ill-health retirement benefit provided for a member falls into one of three "tiers", depending on whether and when the member might be expected to resume gainful employment. Tier 1, for example, is on the basis that the member is unlikely to be able to do so before Normal Pension Age. Full details are set out in the LGPS Regulations and associated guidance.

	% retiring per annum	% retiring per annum
Age	Males	Females
35	0.03	0.03
45	0.08	0.08
55	0.35	0.31

The proportion of ill health early retirements falling into each tier category, split by males and females, has been assumed to be as set out below:

	Tier 1	Tier 2	Tier 3
Males	75%	12.5%	12.5%
Females	75%	12.5%	12.5%

Withdrawal

This assumption relates to those members who leave the scheme with an entitlement to a deferred pension or transfer value. It has been assumed that active members will leave the Scheme at the following sample rates:

	% leaving per annum	% leaving per annum
Age	Males	Females
25	20.3	22.4
35	5.1	6.3
45	2.5	3.9

In relation to pre 2014 benefits, deferred benefits tend to be less costly for the Fund to provide than if the member had remained in the Fund until retirement. If the number of members leaving the Fund is greater than expected then this will typically lead to a slight improvement in the funding level.

Partners' and Dependants' Proportions

It has been assumed that the proportions of members below will on death give rise to a dependant's pension (spouse's and partner's), and that spouses/partners of female (male) members are three years older (younger), on average than the member.

	% spouse/partner	% spouse/partner
Age	Males	Females
25	43	46
35	69	60
45	72	60
55	74	60
65	76	55

If more members than assumed have partners then this will lead to an increase in the number of dependants pensions coming into payment over and above that expected. This would lead to a worsening of the funding level.

Assumptions used to calculate the Primary Contribution Rate

The cost of future accrual (the Primary Contribution Rate) has been calculated using the same actuarial assumptions as used to calculate the solvency funding target and recovery plan as set out above except that the financial assumptions adopted are as described below.

The financial assumptions for assessing the future service contribution rate should take account of the fact that contributions will be invested in market conditions applying at future dates, which are unknown at the effective date of the valuation, and which are not directly linked to market conditions at the valuation date.

The financial assumptions in relation to future service (i.e. the Primary Contribution Rate) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 2.15% per annum. This represents a reduction of 0.6% per annum compared to the 2016 valuation, which increases the estimated cost of providing LGPS benefits. With a long term average assumption for price inflation of 2.4% per annum, this gives rise to an overall discount rate of 4.55% p.a. (the corresponding discount rate at the 2016 actuarial valuation was 4.95% p.a.).

Nevertheless, it is instructive to consider the assumption against the long term real returns (i.e. returns above CPI) which the Fund's investment strategy can be expected to deliver based on the current market outlook. At this actuarial valuation the real discount rate used was 2.15% p.a., which is the 61th percentile return from our analysis. At the previous valuation the real discount rate used was 2.75% p.a., which at the time was a similar percentile return.

Appendix B
Summary membership data

The membership data is summarised in the table, with figures at the previous valuation shown for comparison.

Data in relation to members of the Fund were supplied by the Fund's administrator on behalf of the Administering Authority. The accuracy of the data provided has been relied on. While reasonableness checks on the data have been carried out, they do not guarantee the completeness or the accuracy of the data. Consequently, Mercer does not accept any liability in respect of its advice where it has relied on data that is incomplete or inaccurate.

	31 March 2019	31 March 2016
Active members		
Number	53,644	51,613
Total Pensionable Salaries (£000s p.a.)	935,050	860,203
Average Pensionable Salary (£ p.a.)	17,431	16,666
Average age (pension weighted)	50.1	49.6
Deferred pensioners		
Number	69,292	65,940
Total deferred pensions revalued to valuation date (£000s p.a.)	87,113	76,171
Average deferred pension (£ p.a.)	1,257	1,155
Average age (pension weighted)	49.2	48.9
Pensioners (including dependants)		
Number	49,535	44,537
Total pensions payable (£000s p.a.)	232,766	202,082
Average pension (£ p.a.)	4,699	4,537
Average age (pension weighted)	70.9	70.4

Appendix C
Assets

The market value of the Fund's assets was £8,410.1m on the valuation date.

The Administering Authority's investment strategy is to proportion the Fund's assets by asset class as shown in the table below. The actual distribution of assets will vary over time due to changes in financial markets. The table also shows the distribution of assets at the valuation date.

	Investment strategy	Actual market value of assets at 31 March 2019	
	%	£m	%
Global equity	42.5%	3,729.6	44.4%
Private equity	5.0%	650.4	7.7%
Property	15.0%	885.9	10.5%
Infrastructure	15.0%	1,146.1	13.6%
Fixed income	2.5%	496.3	5.9%
Alternative credit	19.0%	1,486.1	17.7%
Cash/net current assets	1.0%	15.7	0.2%
Total	100.0%	8,410.1	100.0%

The Administering Authority also holds additional voluntary contributions (AVCs) which are separately invested. These assets have been excluded from the market value shown as they exactly match the value of the benefits they cover.

The details of the assets at the valuation date and the financial transactions during the inter-valuation period have been obtained from the audited accounts for the Fund.

Appendix D
Scheme benefits

The benefits valued within our calculations are those in force at the effective date of the valuation. Full details of these can be found in the Local Government Pension Scheme Regulations 2013 (as amended). The principal details are as follows:

The Local Government Pension Scheme Regulations 2013 (http://www.legislation.gov.uk/uksi/2013/2356/contents/made)

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (http://www.legislation.gov.uk/uksi/2014/525/contents/made)

Directions made by the Treasury under Section 59A of the Social Security Pensions Act 1975 (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/761639/Treasury_Direction_under_section_59A_Social_Security_Pensions_Act_1975.pdf). We have made no allowance for the possibility that the directions may be extended to require the LGPS to become responsible for increases to GMPs for members reaching State Pension Age after 5 April 2021.

The Fund is also responsible for paying and, where appropriate, recharging to employers the benefits arising from the award of compensatory added years (CAY) of service on premature retirement. Unless these CAY benefits have been converted into "funded" benefits, they are normally recharged to the relevant employer (together with associated pension increases), and so are excluded from the valuation.

The benefits that will emerge from money purchase AVCs paid by members, and SCAVCs paid by employers, and the corresponding invested assets in respect of these AVCs and SCAVCs, have been excluded from the valuation.

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the "Barber" judgment) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. Following the Lloyds Bank case in 2018, HM Treasury has issued a consultation on equalising and indexation of GMPs in all the public service pension schemes, including the LGPS, and discussions are ongoing about the extent of any inequalities and how these might be addressed.

The valuation makes no allowance for removal of these inequalities. It is consequently possible that additional funding will be required for equalisation once the law has been clarified. It is recommended that the Administering Authority seek further legal advice if it is concerned about this issue.

The McCloud Judgment

The McCloud judgment in the LGPS refers to the legal decisions (initially by the Employment Appeal Tribunal and then ratified by the Court of Appeal) in the Sargeant/McCloud cases for the Fire and Judiciary pension arrangements. The Court ruled that transitional protections afforded to older members when these schemes were amended constituted unlawful age discrimination. Remedial action, in the form of benefit changes for these schemes, will therefore be required.

Although the above cases did not relate directly to the LGPS, the LGPS also put in place protections for older members as part of the reforms which came into effect from 2014. For the LGPS these took the form of an underpin, where older members would get the better of the benefits payable under the new and old schemes. The UK Government confirmed on 15 July 2019 that, alongside the process to remedy the Fire and Judiciary schemes, it will also bring forward proposals to address the issue for the other public service pension schemes, including the LGPS, although it is unclear at this stage what the exact extent will be of any required changes.

Following discussions with the Administering Authority, in order to consider a reasonable provision for the potential costs in employer contributions we have assumed that the eventual remedy will be that the underpin which applies to older members will also apply to younger members who joined the Fund before 1 April 2012 (the cut-off date for the protections to apply), in the same way as for older members. More specifically we have agreed with the Administering Authority to:

- Estimate the underpin benefits for active members for service after 31 March 2014 (when the new scheme took effect).
- Compare this to the actual post 31 March 2014 benefits.
- Calculate the cost for each member as the value of the underpin benefits less the value of the actual benefits (ignoring members where the value of the actual benefits is higher).
- Sum these costs across all active members to give the impact of the underpin for each employer.

We have calculated this cost across all benefits (including deferred benefits for active members who are assumed to leave the scheme before retirement in the future).

At this stage, as the data was not readily available for the valuation we have not calculated any costs for members who had already left service or retired as at 31 March 2019. Given the nature of the underpin we expect any costs for this group of members to be immaterial at whole Fund. We also believe the approach applied to active members and the assumptions underlying the actuarial valuation contain prudential margins which are sufficient to cover the vast majority of such costs for the affected employers.

The LGPS Scheme Advisory Board has issued guidance on the approach to including the costs of the McCloud judgment within the 2019 LGPS actuarial valuations and this can be found at http://www.lgpsboard.org/images/Other/Advice_from_the_SAB_on_McCloud_May_2019.pdf.

Appendix E

Analysis of membership experience

The analysis below compares the actual experience over the 3 year period with the assumptions used for the 2019 valuation.

	Actual	Expected	%
Ill Health Retirements	364	288	126
Withdrawals	19,707	8,593	229
Pensioner Deaths (lives)	4,015	3,267	123

Note that actual withdrawals can include members moving to another LGPS Fund, bulk transfers and also transfers under the special transfer club terms.

Appendix F

Valuation Dashboard as agreed by Scheme Advisory Board

Past service funding position - local funding basis	
Funding level (assets/liabilities)	100%
Funding level (change since last valuation)	10%
Asset value used at the valuation (£m)	8,410
Value of liabilities (£m)	8,398
Surplus (deficit) (£m)	12
Discount rate(s)	3.8 % p.a. past service 4.55% p.a. future service
Assumed pension increases (CPI)	2.4% p.a.
Method of derivation of discount rate, plus any changes since previous valuation	See Appendix A
Assumed life expectancies at age 65	
Average life expectancy for current pensioners - men currently age 65	22.2
Average life expectancy for current pensioners - women currently age 65	24.9
Average life expectancy for future pensioners - men currently age 45	23.7
Average life expectancy for future pensioners - women currently age 45	26.7

The basis for the purposes of the LGPS Scheme Advisory Board funding position (the "SAB basis") is a set of assumptions determined by the SAB. Its purposes are to set out the funding position on a standardised approach so that comparisons can be made with other LGPS Funds, and to assist with the "Section 13 review" as carried out by the Government Actuary's Department. We are happy to supply further details of the SAB basis as requested.

Past service funding position - SAB basis	
Market value of assets	8,410
Value of liabilities	6,893
Funding level on SAB basis (assets/liabilities)	122%
Funding level on SAB basis (change since last valuation)	23%
Contribution rates payable	
Primary contribution rate	17.4%
Secondary contributions:	
Secondary contributions 2020/21 (£m)	3.2
Secondary contributions 2021/22 (£m)	3.3
Secondary contributions 2022/23 (£m)	3.4
Giving total expected contributions:	
Total expected contributions 2020/21 (based on assumed payroll of £981m) (£m)	171.1
Total expected contributions 2021/22 (based on assumed payroll of £1,019m) (£m)	179.6
Total expected contributions 2022/23 (based on assumed payroll of £1,059m) (£m)	187.8
Average employee contribution rate	6.3%
Employee contributions (based on assumed payroll of £981m) (£m)	61.8
Additional information	
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	0%
Percentage of total liabilities that are in respect of Tier 3 employers	7%

Appendix G

Rates and Adjustments Certificate issued in accordance with Regulation 62

Name of fund	Lancashire County Pension Fund

Primary Contribution Rate

I hereby certify that, in my opinion, the primary rate of the employers' contribution for the whole Fund for each of the three years beginning 1 April 2020 is 17.4% of pensionable pay.

The primary rate of contribution for each employer for the three year period beginning 1 April 2020 is set out in the attached schedule.

Secondary Contribution Rate

I hereby certify that, in my opinion, the secondary rate of the employer's contribution for the whole Fund for each of the three years beginning 1 April 2020 is as follows:

2020/21 £9.3million less 0.6% of pensionable pay

2021/22 £9.7million less 0.6% of pensionable pay

2022/23 £10.0million less 0.6% of pensionable pay

The secondary rate of contribution for each employer for each of the three years beginning 1 April 2020 is set out in the attached schedule. The above secondary rates, and the secondary rates for each employer, where appropriate include a provision for the costs of the McCloud judgment as set out in the notes to Appendix H.

Contribution amounts payable

The total contribution payable for each employer is the total of the primary and secondary rates as detailed in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) or at intervals agreed with the Administering Authority unless otherwise noted in the schedule.

Further adjustments

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's Actuary and the Administering Authority.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer in total over the 3 years covered by the certificate. Additional contributions or a different pattern of contributions may be paid if requested by the employer concerned at the sole discretion of the Administering Authority as agreed with the Actuary. The total contributions payable by each employer will be subject to a minimum of £nil.

The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of the McCloud judgment remedy as set out in this report and/or any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

In cases where an element of an existing Scheme employer's surplus or deficit is transferred to a new employer on its inception, the Scheme employer's secondary contributions, as shown on the schedule to this Certificate in Appendix H, may be reallocated between the Scheme employer and the new employer to reflect this, on the advice of the Actuary and as agreed with the Administering Authority so that the total payments remain the same overall.

The Administering Authority and employer with advice from the Fund's Actuary can agree that contributions payable under this certificate can be sourced under an alternative financing arrangement which provides the Fund with equivalent cash contributions.

Regulation 62(8)

No allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions. Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

Signature:		
Name:	John Livesey	Mark Wilson
Qualification:	Fellow of the Institute and Faculty of Actuaries	Fellow of the Institute and Faculty of Actuaries
Date of signing:	31 March 2020	

Appendix H

Schedule to the Rates and Adjustments Certificate dated 31 March 2020

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Major Authorities							
Blackburn with Darwen Borough Council	17.4%	-2.6% plus £1,755,600	-0.8% plus £1,824,100	£1,895,200	14.8% plus £1,755,600	16.6% plus £1,824,100	17.4% plus £1,895,200
Blackpool Borough Council	17.2%	-1.6% plus £840,300	-0.8% plus £873,100	£907,100	15.6% plus £840,300	16.4% plus £873,100	17.2% plus £907,100
Burnley Borough Council	17.6%	£292,600	£304,000	£315,900	17.6% plus £292,600	17.6% plus £304,000	17.6% plus £315,900
Chorley Borough Council	16.4%	£440,800	£458,000	£475,900	16.4% plus £440,800	16.4% plus £458,000	16.4% plus £475,900
Fylde Borough Council	17.9%	£143,600	£149,200	£155,000	17.9% plus £143,600	17.9% plus £149,200	17.9% plus £155,000
Hyndburn Borough Council	18.5%	-4.9%	-4.9%	-4.9%	13.6%	13.6%	13.6%
Lancashire County Council	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Lancaster City Council	17.4%	£76,400	£79,400	£82,500	17.4% plus £76,400	17.4% plus £79,400	17.4% plus £82,500

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Pendle Borough Council	18.1%	£607,000	£630,700	£655,300	18.1% plus £607,000	18.1% plus £630,700	18.1% plus £655,300
Preston City Council	18.4%	£167,700	£174,200	£181,000	18.4% plus £167,700	18.4% plus £174,200	18.4% plus £181,000
Ribble Valley Borough Council	18.7%	-1.6%	-1.6%	-1.6%	17.1%	17.1%	17.1%
Rossendale Borough Council	17.6%	£176,100	£183,000	£190,100	17.6% plus £176,100	17.6% plus £183,000	17.6% plus £190,100
South Ribble Borough Council	17.1%	£73,600	£76,500	£79,500	17.1% plus £73,600	17.1% plus £76,500	17.1% plus £79,500
West Lancashire District Council	19%	£131,900	£137,000	£142,400	19% plus £131,900	19% plus £137,000	19% plus £142,400
Wyre Borough Council	18.3%	-1.2%	-1.2%	-1.2%	17.1%	17.1%	17.1%
Lancashire Fire & Rescue Service	17.1%	-13.3%	-13.3%	-13.3%	3.8%	3.8%	3.8%
Police & Crime Commissioner	16.8%	-2.5%	-2.5%	-2.5%	14.3%	14.3%	14.3%
Lancashire Chief Constable	16.3%	-1%	-1%	-1%	15.3%	15.3%	15.3%
Other Scheduled bodies							
Edge Hill University	16.3%	£379,300	£394,100	£409,500	16.3% plus £379,300	16.3% plus £394,100	16.3% plus £409,500
University of Central Lancashire	16.2%	£210,200	£218,400	£226,900	16.2% plus £210,200	16.2% plus £218,400	16.2% plus £226,900
Lancaster & Morecambe College	18.3%	£8,600	£8,900	£9,300	18.3% plus £8,600	18.3% plus £8,900	18.3% plus £9,300
Blackpool & The Fylde College	17.2%	-1%	-1%	-1%	16.2%	16.2%	16.2%

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Preston College	16.3%	£18,900	£19,600	£20,400	16.3% plus £18,900	16.3% plus £19,600	16.3% plus £20,400
Runshaw College	18.5%	-0.9%	-0.9%	-0.9%	17.6%	17.6%	17.6%
Blackburn College	17.6%	-2.1%	-2.1%	-2.1%	15.5%	15.5%	15.5%
Burnley College	15.3%	Nil	Nil	Nil	15.3%	15.3%	15.3%
Nelson and Colne College	17.2%	£76,200	£79,200	£82,300	17.2% plus £76,200	17.2% plus £79,200	17.2% plus £82,300
Myerscough College	17.4%	£78,800	£81,900	£85,100	17.4% plus £78,800	17.4% plus £81,900	17.4% plus £85,100
Blackpool Sixth Form College	15.4%	-2.4%	-1.2%	Nil	13%	14.2%	15.4%
Cardinal Newman College	16%	£41,900	£43,500	£45,200	16% plus £41,900	16% plus £43,500	16% plus £45,200
Blackburn St Mary's College	17.3%	-1.9%	-1.9%	-1.9%	15.4%	15.4%	15.4%
Blackpool Coastal Housing	17.3%	Nil	Nil	Nil	17.3%	17.3%	17.3%
Academies							
Queen Elizabeth's Grammar School Blackburn Academy Trust (Free School)	18.9%	-1.1%	-1.1%	-1.1%	17.8%	17.8%	17.8%
Accrington Academy	17%	-1.9%	-1.9%	-1.9%	15.1%	15.1%	15.1%
ANWET - Darwen Aldridge Community Academy	17.1%	-0.8%	-0.8%	-0.8%	16.3%	16.3%	16.3%
Fulwood Academy	17%	-6.5%	-6.5%	-6.5%	10.5%	10.5%	10.5%
Lancaster Girls Grammar School (Academy)	17.5%	£31,300	£32,500	£33,800	17.5% plus £31,300	17.5% plus £32,500	17.5% plus £33,800
Lancaster Royal Grammar School (Academy)	20.3%	£80,600	£83,700	£87,000	20.3% plus £80,600	20.3% plus £83,700	20.3% plus £87,000

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Clitheroe Royal Grammar School (Academy)	19.9%	£51,900	£53,900	£56,000	19.9% plus £51,900	19.9% plus £53,900	19.9% plus £56,000
Hodgson Academy	19.9%	£53,400	£55,500	£57,600	19.9% plus £53,400	19.9% plus £55,500	19.9% plus £57,600
FCAT (Hambleton Primary Academy)	18.4%	£13,600	£14,100	£14,700	18.4% plus £13,600	18.4% plus £14,100	18.4% plus £14,700
The Bay Learning Trust (Ripley St Thomas CE Academy)	19.2%	£66,100	£68,700	£71,400	19.2% plus £66,100	19.2% plus £68,700	19.2% plus £71,400
St Michael's CE High (Academy)	19.5%	£16,000	£16,600	£17,300	19.5% plus £16,000	19.5% plus £16,600	19.5% plus £17,300
ATCT (Bowland High Academy)	19%	£37,900	£39,400	£40,900	19% plus £37,900	19% plus £39,400	19% plus £40,900
St Wilfrid's CE Academy	18.4%	£98,300	£102,100	£106,100	18.4% plus £98,300	18.4% plus £102,100	18.4% plus £106,100
Lostock Hall Academy Trust	19.1%	£31,600	£32,800	£34,100	19.1% plus £31,600	19.1% plus £32,800	19.1% plus £34,100
St Christopher's CE HS (Academy)	20.9%	£131,700	£136,800	£142,200	20.9% plus £131,700	20.9% plus £136,800	20.9% plus £142,200
Bishop Rawstorne C of E High Academy	21%	£37,400	£38,900	£40,400	21% plus £37,400	21% plus £38,900	21% plus £40,400
Belthorn Primary Academy	19.7%	£10,500	£10,900	£11,300	19.7% plus £10,500	19.7% plus £10,900	19.7% plus £11,300
FCAT (Garstang Community Academy)	21.5%	£37,400	£38,900	£40,400	21.5% plus £37,400	21.5% plus £38,900	21.5% plus £40,400
Parbold Douglas CE Academy	20.1%	£13,700	£14,200	£14,800	20.1% plus £13,700	20.1% plus £14,200	20.1% plus £14,800

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
FCAT (Westcliff Primary Academy)	17.6%	£18,100	£18,800	£19,500	17.6% plus £18,100	17.6% plus £18,800	17.6% plus £19,500
All Saints CE Primary School (Academy)	18.2%	£27,600	£28,700	£29,800	18.2% plus £27,600	18.2% plus £28,700	18.2% plus £29,800
Endeavor Learning Trust (Tarleton Academy)	18%	£46,800	£48,600	£50,500	18% plus £46,800	18% plus £48,600	18% plus £50,500
FCAT (Montgomery HS Academy)	18.7%	£85,500	£88,800	£92,300	18.7% plus £85,500	18.7% plus £88,800	18.7% plus £92,300
Parklands High School (Academy)	18.2%	£44,900	£46,700	£48,500	18.2% plus £44,900	18.2% plus £46,700	18.2% plus £48,500
Penwortham Priory Academy	17.8%	£19,700	£20,500	£21,300	17.8% plus £19,700	17.8% plus £20,500	17.8% plus £21,300
Albany Science College (Academy)	19.7%	£36,600	£38,000	£39,500	19.7% plus £36,600	19.7% plus £38,000	19.7% plus £39,500
Mulberry Multi Academy Trust (Norbreck Primary Academy)	18.1%	£25,500	£26,500	£27,500	18.1% plus £25,500	18.1% plus £26,500	18.1% plus £27,500
Waterloo Primary Academy	17%	£33,300	£34,600	£35,900	17% plus £33,300	17% plus £34,600	17% plus £35,900
Hawe Side Primary Academy	19%	£29,000	£30,100	£31,300	19% plus £29,000	19% plus £30,100	19% plus £31,300
Academy @ Worden	17.5%	£13,300	£13,800	£14,400	17.5% plus £13,300	17.5% plus £13,800	17.5% plus £14,400
Wensley Fold CE Primary Academy	18%	£49,600	£51,500	£53,500	18% plus £49,600	18% plus £51,500	18% plus £53,500
Star Academies	15%	£49,100	£51,000	£53,000	15% plus £49,100	15% plus £51,000	15% plus £53,000

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Bacup & Rawtenstall Grammar School (Academy)	18.1%	£40,000	£41,600	£43,200	18.1% plus £40,000	18.1% plus £41,600	18.1% plus £43,200
Roseacre Primary Academy	16.9%	£35,300	£36,700	£38,100	16.9% plus £35,300	16.9% plus £36,700	16.9% plus £38,100
Star Academies Islam Boys High School (Free School)	14%	£6,900	£7,200	£7,400	14% plus £6,900	14% plus £7,200	14% plus £7,400
Thames Primary Academy	18.2%	£43,300	£45,000	£46,700	18.2% plus £43,300	18.2% plus £45,000	18.2% plus £46,700
Maharishi School (Free School)	20.3%	£3,300	£3,400	£3,600	20.3% plus £3,300	20.3% plus £3,400	20.3% plus £3,600
Pendle Education Trust (Colne Primet)	19.6%	£8,700	£9,000	£9,400	19.6% plus £8,700	19.6% plus £9,000	19.6% plus £9,400
Pendle Education Trust (Walter Street Primary School)	18%	£17,800	£18,500	£19,200	18% plus £17,800	18% plus £18,500	18% plus £19,200
Moorside Community PS Academy	16.2%	£13,900	£14,400	£15,000	16.2% plus £13,900	16.2% plus £14,400	16.2% plus £15,000
Fylde Coast Academy Trust	16.1%	£11,000	£11,400	£11,900	16.1% plus £11,000	16.1% plus £11,400	16.1% plus £11,900
Blackpool MAT (Devonshire)	18.6%	£49,400	£51,300	£53,300	18.6% plus £49,400	18.6% plus £51,300	18.6% plus £53,300
Blackpool MAT (Park)	14.9%	£79,500	£82,600	£85,800	14.9% plus £79,500	14.9% plus £82,600	14.9% plus £85,800
Blackpool MAT (Anchorsholme)	19.7%	£53,400	£55,500	£57,600	19.7% plus £53,400	19.7% plus £55,500	19.7% plus £57,600
FCAT (Unity Academy)	17.4%	£114,400	£118,900	£123,500	17.4% plus £114,400	17.4% plus £118,900	17.4% plus £123,500

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Langdale Free School	14.1%	£600	£600	£600	14.1% plus £600	14.1% plus £600	14.1% plus £600
Star Academies (Olive B'burn)	13.1%	£4,300	£4,500	£4,600	13.1% plus £4,300	13.1% plus £4,500	13.1% plus £4,600
Star Academies (Olive London)	12.3%	£3,800	£3,900	£4,100	12.3% plus £3,800	12.3% plus £3,900	12.3% plus £4,100
The Heights Free School	15.3%	£37,900	£39,400	£40,900	15.3% plus £37,900	15.3% plus £39,400	15.3% plus £40,900
BFET (South Shore Academy)	17.8%	£72,200	£75,000	£77,900	17.8% plus £72,200	17.8% plus £75,000	17.8% plus £77,900
Blackpool MAT (Revoe)	16.8%	£67,700	£70,300	£73,100	16.8% plus £67,700	16.8% plus £70,300	16.8% plus £73,100
Cidari Education Ltd (St Georges)	19.6%	£58,700	£61,000	£63,400	19.6% plus £58,700	19.6% plus £61,000	19.6% plus £63,400
ATCT (Witton Park Academy)	18.4%	£68,700	£71,400	£74,200	18.4% plus £68,700	18.4% plus £71,400	18.4% plus £74,200
Cidari Education Ltd (St Lukes & St Phillips)	17.7%	£38,400	£39,900	£41,500	17.7% plus £38,400	17.7% plus £39,900	17.7% plus £41,500
Cidari Education Ltd (Darwen St James)	18.4%	£28,200	£29,300	£30,400	18.4% plus £28,200	18.4% plus £29,300	18.4% plus £30,400
Cidari Education Ltd (St Barnabas)	16.5%	£26,400	£27,400	£28,500	16.5% plus £26,400	16.5% plus £27,400	16.5% plus £28,500
Cidari Education Ltd (St Aidans)	17.9%	£29,100	£30,200	£31,400	17.9% plus £29,100	17.9% plus £30,200	17.9% plus £31,400
Blessed Edward Bamber (St Mary's Catholic Academy)	18.7%	£68,600	£71,300	£74,100	18.7% plus £68,600	18.7% plus £71,300	18.7% plus £74,100

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Blessed Edward Bamber (St Cuthbert's Catholic Academy)	18.4%	£35,300	£36,700	£38,100	18.4% plus £35,300	18.4% plus £36,700	18.4% plus £38,100
FCAT (Aspire Academy)	22.2%	£67,300	£69,900	£72,700	22.2% plus £67,300	22.2% plus £69,900	22.2% plus £72,700
Blessed Edward Bamber (Christ the King Catholic Acadmey)	18.1%	£17,300	£18,000	£18,700	18.1% plus £17,300	18.1% plus £18,000	18.1% plus £18,700
ANWET - Darwen Vale Academy	18.8%	£99,800	£103,700	£107,700	18.8% plus £99,800	18.8% plus £103,700	18.8% plus £107,700
Star Academies Eden GS Waltham	14.3%	£3,300	£3,400	£3,600	14.3% plus £3,300	14.3% plus £3,400	14.3% plus £3,600
Star Academies Eden GS Coventry	14.7%	£7,400	£7,700	£8,000	14.7% plus £7,400	14.7% plus £7,700	14.7% plus £8,000
Star Academies Eden BS Bolton FS	15.9%	£7,600	£7,900	£8,200	15.9% plus £7,600	15.9% plus £7,900	15.9% plus £8,200
BFET (Marton Primary Academy)	20%	£35,800	£37,200	£38,600	20% plus £35,800	20% plus £37,200	20% plus £38,600
CSCST (Burnley High Free School)	14%	£1,900	£2,000	£2,100	14% plus £1,900	14% plus £2,000	14% plus £2,100
Star Academies Islam Girls HS	16.3%	£30,000	£31,200	£32,400	16.3% plus £30,000	16.3% plus £31,200	16.3% plus £32,400
Cidari Education Ltd (Trust)	15.3%	£10,000	£10,400	£10,800	15.3% plus £10,000	15.3% plus £10,400	15.3% plus £10,800
Cidari Education Ltd (Baines Endowed)	17.7%	£59,800	£62,100	£64,600	17.7% plus £59,800	17.7% plus £62,100	17.7% plus £64,600
Cidari Education Ltd (Great Marsden St Johns PS)	18.5%	£9,600	£10,000	£10,400	18.5% plus £9,600	18.5% plus £10,000	18.5% plus £10,400

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
ANWET - Sudell PS Academy	21.5%	£26,600	£27,600	£28,700	21.5% plus £26,600	21.5% plus £27,600	21.5% plus £28,700
Pendle Education Trust (Nelson Castercliff)	18.1%	£30,800	£32,000	£33,200	18.1% plus £30,800	18.1% plus £32,000	18.1% plus £33,200
Education Partner Trust (Coal Clough)	17.4%	£15,100	£15,700	£16,300	17.4% plus £15,100	17.4% plus £15,700	17.4% plus £16,300
Star Academies (Eden BS Preston)	14.2%	£2,300	£2,400	£2,500	14.2% plus £2,300	14.2% plus £2,400	14.2% plus £2,500
Star Academies (Eden GS Slough)	14.1%	£7,700	£8,000	£8,300	14.1% plus £7,700	14.1% plus £8,000	14.1% plus £8,300
Star Academies (Eden BS Birmingham)	16.2%	£8,300	£8,600	£9,000	16.2% plus £8,300	16.2% plus £8,600	16.2% plus £9,000
FCAT (Blackpool Gateway Academy)	17.1%	£10,700	£11,100	£11,600	17.1% plus £10,700	17.1% plus £11,100	17.1% plus £11,600
Education Partner Trust (Eden School)	14.2%	£3,400	£3,500	£3,700	14.2% plus £3,400	14.2% plus £3,500	14.2% plus £3,700
Education Partner Trust (Pleckgate HS)	20%	£99,900	£103,800	£107,800	20% plus £99,900	20% plus £103,800	20% plus £107,800
Pendle Education Trust (West Craven)	17.9%	£12,300	£12,800	£13,300	17.9% plus £12,300	17.9% plus £12,800	17.9% plus £13,300
Star Academies (Highfield)	19.5%	£44,100	£45,800	£47,600	19.5% plus £44,100	19.5% plus £45,800	19.5% plus £47,600
Pendle Education Trust	14.9%	Nil	Nil	Nil	14.9%	14.9%	14.9%
Education Partnership Trust	15.8%	£51,800	£53,800	£55,900	15.8% plus £51,800	15.8% plus £53,800	15.8% plus £55,900
Blessed Edward MAT (The Trust)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Star Academies (Olive School Bolton)	13.1%	Nil	Nil	Nil	13.1%	13.1%	13.1%
Star Academies (Olive School Preston)	14.3%	Nil	Nil	Nil	14.3%	14.3%	14.3%
Star Academies (Olive School Birmingham)	14.4%	Nil	Nil	Nil	14.4%	14.4%	14.4%
FCAT (Mereside Primary Academy)	20.3%	£49,600	£51,500	£53,500	20.3% plus £49,600	20.3% plus £51,500	20.3% plus £53,500
Tor View Specialist Learning	16.1%	£56,900	£59,100	£61,400	16.1% plus £56,900	16.1% plus £59,100	16.1% plus £61,400
Mosaic Academy Trust (Southlands High School)	16.7%	£18,300	£19,000	£19,800	16.7% plus £18,300	16.7% plus £19,000	16.7% plus £19,800
Cidari Education Ltd (Newchurch PSM)	22.5%	£2,000	£2,100	£2,200	22.5% plus £2,000	22.5% plus £2,100	22.5% plus £2,200
FCAT (Westminster Primary Academy)	18.8%	£20,200	£21,000	£21,800	18.8% plus £20,200	18.8% plus £21,000	18.8% plus £21,800
Star Academies (Eden Girls LA Manchester)	14.2%	Nil	Nil	Nil	14.2%	14.2%	14.2%
Star Academies (Eden Boys LA Manchester)	14.2%	Nil	Nil	Nil	14.2%	14.2%	14.2%
United Learning (The Hyndburn Academy)	18.3%	£15,100	£15,700	£16,300	18.3% plus £15,100	18.3% plus £15,700	18.3% plus £16,300
The Pennine Trust (Blackool)	19.6%	£4,300	£4,500	£4,600	19.6% plus £4,300	19.6% plus £4,500	19.6% plus £4,600
The Pennine Trust (Lord St)	18.3%	£18,600	£19,300	£20,100	18.3% plus £18,600	18.3% plus £19,300	18.3% plus £20,100
The Pennine Trust (Laneshaw Bridge)	17.4%	£7,600	£7,900	£8,200	17.4% plus £7,600	17.4% plus £7,900	17.4% plus £8,200

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
The Pennine Trust (Park High)	18.6%	£31,500	£32,700	£34,000	18.6% plus £31,500	18.6% plus £32,700	18.6% plus £34,000
Pendle Education Trust (Casterton Primary Academy)	17.9%	£9,700	£10,100	£10,500	17.9% plus £9,700	17.9% plus £10,100	17.9% plus £10,500
Bay Learning Trust (Carnforth Academy)	19.2%	£21,500	£22,300	£23,200	19.2% plus £21,500	19.2% plus £22,300	19.2% plus £23,200
Star Academies (Bay Leadership Academy)	19.5%	£27,400	£28,500	£29,600	19.5% plus £27,400	19.5% plus £28,500	19.5% plus £29,600
FCAT (Armfield Academy)	15.7%				15.7%	15.7%	15.7%
Endeavour Learning Trust (Burscough Priory Academy)	19.8%	£14,200	£14,800	£15,300	19.8% plus £14,200	19.8% plus £14,800	19.8% plus £15,300
Learning Together Trust (St Pauls Academy)	19.7%	£4,300	£4,500	£4,600	19.7% plus £4,300	19.7% plus £4,500	19.7% plus £4,600
Cidari Education Ltd (St Silas CE PS)	19.8%	£13,200	£13,700	£14,200	19.8% plus £13,200	19.8% plus £13,700	19.8% plus £14,200
Bay Learning Trust (Morecambe Bay Academy)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Star Academies (The Valley Leadership Academy)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Bay Learning Trust (Central Lancaster HS)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Champion Education Trust (Blackburn Central HS)	17.4%	-2.6% plus £27,000	-0.8% plus £28,100	£29,200	14.8% plus £27,000	16.6% plus £28,100	17.4% plus £29,200
Champion Education Trust (Crosshill Specialist School)	17.4%	-2.6% plus £8,900	-0.8% plus £9,200	£9,600	14.8% plus £8,900	16.6% plus £9,200	17.4% plus £9,600
Romero CAT (St Mary's RC)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Romero CAT (St John the Baptist)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Romero CAT (St Augustines)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Romero CAT (All Saints RC HS)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Designated / Resolution Bodies							
Whitworth Town Council	17.1%	£2,100	£2,200	£2,300	17.1% plus £2,100	17.1% plus £2,200	17.1% plus £2,300
Penwortham Town Council	18.8%	-3.7%	-1.8%	Nil	15.1%	17%	18.8%
Marketing Lancashire Ltd	14.6%	-7.1%	-7.1%	-7.1%	7.5%	7.5%	7.5%
Pilling Parish Council	26.1%	Nil	Nil	Nil	26.1%	26.1%	26.1%
Kirkland Parish Council	29.5%	Nil	Nil	Nil	29.5%	29.5%	29.5%
Catterall Parish Council	29.5%	Nil	Nil	Nil	29.5%	29.5%	29.5%
Garstang Town Council	21.8%	£200	£200	£200	21.8% plus £200	21.8% plus £200	21.8% plus £200
St Annes on Sea Town Council	20.6%	£3,600	£3,700	£3,900	20.6% plus £3,600	20.6% plus £3,700	20.6% plus £3,900
Active Lancashire Limited	14.4%	-2.1%	-0.6%	0.7%	12.3%	13.8%	15.1%
Morecambe Town Council	22.6%	Nil	Nil	Nil	22.6%	22.6%	22.6%
The Lancashire Colleges Ltd	19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
Preesall Town Council	24.8%	£600	£600	£600	24.8% plus £600	24.8% plus £600	24.8% plus £600
Darwen Town Council	20.7%	£200	£200	£200	20.7% plus £200	20.7% plus £200	20.7% plus £200
Habergham Eaves Parish Council	20.8%	£100	£100	£100	20.8% plus £100	20.8% plus £100	20.8% plus £100

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Old Laund Booth Parish Council	20.7%	£100	£100	£100	20.7% plus £100	20.7% plus £100	20.7% plus £100
Cliviger Parish Council	20.7%	Nil	Nil	Nil	20.7%	20.7%	20.7%
Whittle-le-woods Parish Council	19.6%	£100	£100	£100	19.6% plus £100	19.6% plus £100	19.6% plus £100
Freckleton Parish Council	22%	Nil	Nil	Nil	22%	22%	22%
Clayton Le Woods Parish Council	21.7%	Nil	Nil	Nil	21.7%	21.7%	21.7%
Cockerham Parish Council	18.5%	Nil	Nil	Nil	18.5%	18.5%	18.5%
Nether Wyresdale Parish Council	18.6%	Nil	Nil	Nil	18.6%	18.6%	18.6%
Blackpool Waste Services	17.7%	Nil	Nil	Nil	17.7%	17.7%	17.7%
Admitted Bodies (Community Admission)							
UCST (AKS Arnold Schools)	17.9%	£3,500	£3,600	£3,800	17.9% plus £3,500	17.9% plus £3,600	17.9% plus £3,800
Galloways Society for Blind	23.6%	Nil	Nil	Nil	23.6%	23.6%	23.6%
Lancaster University	15.7%	-0.5%	-0.5%	-0.5%	15.2%	15.2%	15.2%
NW Inshore Fisheries & Conservation Authority	19.3%	Nil	Nil	Nil	19.3%	19.3%	19.3%
UCST (Lytham Schools)	18.7%	Nil	Nil	Nil	18.7%	18.7%	18.7%
University of Cumbria	17.1%	£301,700	£313,500	£325,700	17.1% plus £301,700	17.1% plus £313,500	17.1% plus £325,700
Kirkham Grammar School (Independent)	22.8%	£1,000	£1,000	£1,100	22.8% plus £1,000	22.8% plus £1,000	22.8% plus £1,100
Caritas Care Limited	20.6%	£41,200	£42,800	£44,500	20.6% plus £41,200	20.6% plus £42,800	20.6% plus £44,500

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Community Council of Lancashire	23.8%	Nil	Nil	Nil	23.8%	23.8%	23.8%
Progress Housing Group Ltd	20.9%	Nil	Nil	Nil	20.9%	20.9%	20.9%
Preston Care and Repair	20%	Nil	Nil	Nil	20%	20%	20%
Pendle Leisure Trust	14.9%	-0.8%	-0.8%	-0.8%	14.1%	14.1%	14.1%
Together Housing Association Ltd	17%	Nil	Nil	Nil	17%	17%	17%
Hyndburn Leisure	16.1%	£26,400	£27,400	£28,500	16.1% plus £26,400	16.1% plus £27,400	16.1% plus £28,500
Sure Start Hyndburn	18.2%	£21,300	£22,100	£23,000	18.2% plus £21,300	18.2% plus £22,100	18.2% plus £23,000
Rossendale Leisure Trust	12%	-12%	-12%	-12%	Nil	Nil	Nil
Community Gateway Association Ltd	17.8%	Nil	Nil	Nil	17.8%	17.8%	17.8%
Chorley Community Housing	20.1%	-4.5%	-2.2%	Nil	15.6%	17.9%	20.1%
New Progress Housing Association	20.8%	Nil	Nil	Nil	20.8%	20.8%	20.8%
Community and Business Partners CIC	17.9%	Nil	Nil	Nil	17.9%	17.9%	17.9%
Blackpool, Fylde and Wyre Credit Union	23.3%	-5.4%	-5.4%	-5.4%	17.9%	17.9%	17.9%
County Councils Network	6.2%	£4,800	£5,000	£5,200	6.2% plus £4,800	6.2% plus £5,000	6.2% plus £5,200
Blackpool Housing Company Ltd	16.2%	£21,400	£22,200	£23,100	16.2% plus £21,400	16.2% plus £22,200	16.2% plus £23,100

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Admitted Bodies (Transferee Admission)							
Blackpool Zoo (Grant Leisure)	20.9%	-11.8%	-11.8%	-11.8%	9.1%	9.1%	9.1%
Liberata UK Ltd (Pendle)	22.5%	-19%	-19%	-19%	3.5%	3.5%	3.5%
West Lancashire Community Leisure	17.4%	-4.8%	-4.8%	-4.8%	12.6%	12.6%	12.6%
South Ribble Community Leisure	16.5%	£88,000	£91,400	£95,000	16.5% plus £88,000	16.5% plus £91,400	16.5% plus £95,000
Bulloughs (Our Lady)	20.7%	-16.8%	-16.8%	-16.8%	3.9%	3.9%	3.9%
NSL (Lancaster)	25.4%	-21.1%	-21.1%	-21.1%	4.3%	4.3%	4.3%
Capita (Rossendale BC Transfer)	23.1%	-12.7%	-12.7%	-12.7%	10.4%	10.4%	10.4%
Consultant Caterers Ltd	25.2%	-15%	-15%	-15%	10.2%	10.2%	10.2%
Bootstrap Enterprises Ltd	22%	-22%	-22%	-22%	Nil	Nil	Nil
Alternative Futures Group Ltd	24%	-24%	-24%	-24%	Nil	Nil	Nil
Creative Support Ltd	23.2%	-23.2%	-23.2%	-23.2%	Nil	Nil	Nil
I CARE	27.8%	-27.8%	-27.8%	-27.8%	Nil	Nil	Nil
Fylde Coast YMCA (Fylde TUPE)	17.9%	-17.9%	-17.9%	-17.9%	Nil	Nil	Nil
Engie Buildings Ltd (Lend Lease)	25.9%	-22.6%	-22.6%	-22.6%	3.3%	3.3%	3.3%
Creative Support Limited (Midway Mental health)	20.8%	-6.2%	-6.2%	-6.2%	14.6%	14.6%	14.6%
Mellors (Bishop Rawstorne)	24.2%	£600	£600	£600	24.2% plus £600	24.2% plus £600	24.2% plus £600
Mellors (Hambleton PS)	30%	Nil	Nil	Nil	30%	30%	30%

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Andron (Formerly Solar)	24.2%	-24.2%	-24.2%	-24.2%	Nil	Nil	Nil
Engie Services Ltd (Pleckgate)	21.7%	-13.6%	-13.6%	-13.6%	8.1%	8.1%	8.1%
Liberata UK Ltd (Burnley)	22.2%	-2.7%	-2.7%	-2.7%	19.5%	19.5%	19.5%
Essential Fleet Services Limited	24.1%	-14.8%	-14.8%	-14.8%	9.3%	9.3%	9.3%
Elite Cleaning & Environmental Services Ltd	20.4%	£500	£500	£500	20.4% plus £500	20.4% plus £500	20.4% plus £500
Eric Wright Facilities Management Ltd (Highfield HC) Site Supervisors	22.6%	-2.8%	-2.8%	-2.8%	19.8%	19.8%	19.8%
Engie Services Ltd (Witton Park)	25.3%	-2.9%	-2.9%	-2.9%	22.4%	22.4%	22.4%
Lend Lease Construction (EMEA) Limited (Fulwood Academy)	18.3%	-18.3%	-18.3%	-18.3%	Nil	Nil	Nil
Engie Services Ltd (Blake/Cross)	23.6%	-2.1%	-2.1%	-2.1%	21.5%	21.5%	21.5%
Service Alliance Ltd (Altham)	30.3%	Nil	Nil	Nil	30.3%	30.3%	30.3%
Lancashire Care Foundation Trust	23.1%	-23.1%	-23.1%	-23.1%	Nil	Nil	Nil
Service Alliance Ltd (RCC)	30%	Nil	Nil	Nil	30%	30%	30%
Mellors (Brinscall St John)	22.3%	£200	£200	£200	22.3% plus £200	22.3% plus £200	22.3% plus £200
Burnley Leisure	16.9%	-1.3%	-1.3%	-1.3%	15.6%	15.6%	15.6%
CG Cleaning (Kennington Rd)	24.9%	£200	£200	£200	24.9% plus £200	24.9% plus £200	24.9% plus £200

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Compass Contract Services (UK) Ltd	25.9%	-2.5%	-2.5%	-2.5%	23.4%	23.4%	23.4%
Churchill (Moorside)	25.1%	-5.8%	-5.8%	-5.8%	19.3%	19.3%	19.3%
Mellors (Queens Drive)	23.1%	£100	£100	£100	23.1% plus £100	23.1% plus £100	23.1% plus £100
Service Alliance (Whalley PS)	25.2%	Nil	Nil	Nil	25.2%	25.2%	25.2%
Bulloughs (Carr Head PS)	28.9%	£200	£200	£200	28.9% plus £200	28.9% plus £200	28.9% plus £200
FCC Environment	21.7%	-0.5%	-0.5%	-0.5%	21.2%	21.2%	21.2%
Urbaser Ltd	26.1%	£1,600	£1,700	£1,700	26.1% plus £1,600	26.1% plus £1,700	26.1% plus £1,700
Independent Living Fund (Blackpool BC)	24.5%	£100	£100	£100	24.5% plus £100	24.5% plus £100	24.5% plus £100
Elite CES Ltd (Fulwood Cadley)	26.3%	-7.2%	-7.2%	-7.2%	19.1%	19.1%	19.1%
Elite CES Ltd (Moor Nook PS)	24.5%	£200	£200	£200	24.5% plus £200	24.5% plus £200	24.5% plus £200
Compass Contract Services (UK) Ltd (Preston College)	23.5%	-3.8%	-3.8%	-3.8%	19.7%	19.7%	19.7%
Local Pensions Partnership Ltd	14.9%	£34,800	£36,200	£37,600	14.9% plus £34,800	14.9% plus £36,200	14.9% plus £37,600
Elite Cleaning & Environmental Services Ltd (Hambleton Academy)	24.2%	£300	£300	£300	24.2% plus £300	24.2% plus £300	24.2% plus £300
Mellors (Lostock Hall Academy)	23.7%	£600	£600	£600	23.7% plus £600	23.7% plus £600	23.7% plus £600

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Maxim FM (Lancaster Girls GS)	26%	Nil	Nil	Nil	26%	26%	26%
Maxim FM (Lancaster Royal GS)	21.4%	£100	£100	£100	21.4% plus £100	21.4% plus £100	21.4% plus £100
Compass Contract Services (UK) Ltd (Highfield)	24.6%	Nil	Nil	Nil	24.6%	24.6%	24.6%
Greenwich Leisure Ltd (Preston City Council)	19.7%	-0.9%	-0.9%	-0.9%	18.8%	18.8%	18.8%
Mellors (St Michaels CE Academy)	21.3%	Nil	Nil	Nil	21.3%	21.3%	21.3%
Clarets in the Community	22.6%	Nil	Nil	Nil	22.6%	22.6%	22.6%
Compass Contract Services (FCAT – Mereside/ Unity/Montgomery)	23.6%	Nil	Nil	Nil	23.6%	23.6%	23.6%
Andron (Cidari St Georges)	22.8%	Nil	Nil	Nil	22.8%	22.8%	22.8%
Compass Contract Services (Hodgson Academy)	18.1%	Nil	Nil	Nil	18.1%	18.1%	18.1%
Mellors (Parklands)	24.3%	Nil	Nil	Nil	24.3%	24.3%	24.3%
Orian Solutions Ltd (Parklands High School)	23%	Nil	Nil	Nil	23%	23%	23%
Local Pensions Partnership Investments Ltd	13.7%	£38,600	£40,100	£41,700	13.7% plus £38,600	13.7% plus £40,100	13.7% plus £41,700
Mellors (St Silas)	24.5%	Nil	Nil	Nil	24.5%	24.5%	24.5%
Midshires Catering Ltd (Southlands High)	22.9%	Nil	Nil	Nil	22.9%	22.9%	22.9%
Caterlink (Accrington & Hyndburn Academy)	21.7%	Nil	Nil	Nil	21.7%	21.7%	21.7%

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Lancashire Care NHS Foundation Trust (EIS)	21%	Nil	Nil	Nil	21%	21%	21%
Grouped / pooled employers							
Capita (Property & Infrastructure)	17.4%	-2.6%	-2.6%	-2.6%	14.8%	14.8%	14.8%
Orian Solutions Ltd (Layton PS)	17.2%	-1.6%	-1.6%	-1.6%	15.6%	15.6%	15.6%
Bulloughs (Balshaw HS)	17.2%	-1.6%	-1.6%	-1.6%	15.6%	15.6%	15.6%
Aspens Services Ltd (AE - Sudell Primary School)	21.5%	Nil	Nil	Nil	21.5%	21.5%	21.5%
Aspens Services Ltd - (AE - Darwen Vale HS)	18.8%	Nil	Nil	Nil	18.8%	18.8%	18.8%
Bulloughs Cleaning Services Ltd- (AE - Sudell Primary School)	21.5%	Nil	Nil	Nil	21.5%	21.5%	21.5%
Aspens Services Ltd - (AE - DACA/DAES)	17.1%	Nil	Nil	Nil	17.1%	17.1%	17.1%
I Care	17.4%	-2.6%	-0.8%	Nil	14.8%	16.6%	17.4%
5AM Contract Cleaning (Blackpool Coastal)	17.3%	Nil	Nil	Nil	17.3%	17.3%	17.3%
Mellors (Little Hoole)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Mellors (Holy Cross)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Service Alliance (St Wilfrid)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
RCCN (Whitefield)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Service Alliance (ClithPendle)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Elite CES Ltd (Carr Hill)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
Churchill (Morecambe Bay)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Premiserv (St Peters)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
RCCN (Burscough)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Maxim (Acorns PS)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Elite CES Ltd (St Annes)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Mellors (Delph Side)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Maxim (Newton Bluecoat)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Maxim (St John with St Michael)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Maxim (St Georges CE PS)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Andron (Longridge High School)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Mellors (Tarleton Community PS)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Orian (Larches House)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Maxim (St Augustines)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Maxim (Kelbrook Primary School)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Maxim (Helmshore Primary School)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Maxim (Kingsfold Primary School)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Maxim (Bolton le Sands Primary School)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
CG Cleaning Ltd (Moorside PS Lancaster)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
CG Cleaning Ltd (St Wulstans & St Edmunds)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%

Employer	Primary rate 2020/21 to 2022/23	Secondary rates			Total Contribution rates		
		2020/21	2021/22	2022/23	2020/21	2021/22	2022/23
CG Cleaning Ltd (Burnley St Peters)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Maxim FM (St James PS Clitheroe)	17.7%	-0.7%	-0.7%	-0.7%	17%	17%	17%
Wolseley UK	17%	Nil	Nil	Nil	17%	17%	17%
Blackpool Transport Services Ltd	17.2%	-1.6%	-0.8%	Nil	15.6%	16.4%	17.2%
QEGS Blackburn Ltd	18.9%	Nil	Nil	Nil	18.9%	18.9%	18.9%
Noonan (Hyndburn CCTV)	18.5%	-4.9%	-4.9%	-4.9%	13.6%	13.6%	13.6%
Other Employers Requiring Contribution Rates							
Lancashire Unison	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Bulloughs (Marton Academy)	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Mellors (Cidari - Multi Academies)	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Star Academies (Eden Boys LA Birmingham East)	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Nelson Town Council	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Star Academies (Eden Girls LA Birmingham)	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Star Academies (Eden Boys LA Bradford)	TBC	TBC	TBC	TBC	TBC	TBC	TBC
Education Partner Trust (The Heights Burnley)	TBC	TBC	TBC	TBC	TBC	TBC	TBC

Other interested bodies with no pensionable employees

Employer	Proportion of Pension Increases to be Recharged %
Blackpool & Fylde Society for the Deaf	100
Burnley & Pendle Development Association	100
Burton Manor Residential College	100
Ex Department of Transport	100
Ex National Health Service	100
Fylde Coast Development Association	100
Lancashire South East Probation Committee	100
Spastics Society	100
Blackpool & Fylde Society for the Deaf	100
Burnley & Pendle Development Association	100
Burton Manor Residential College	100

The following employers exited the Fund during 2016/19. Termination assessments will be required and any additional contributions required will be notified separately:

Employer
CG Cleaning (St Augustines)
RCCN (St Michaels)
Churchill (Holy Family)
RCCN (St Johns Academy)
Lend Lease Cons (EMEA) phase 3
Lend Lease Construction (EMEA) Fulwood Academy
Caterlink (Mount Pleasant)
Mellors (Trinity & St Michael)
Engie Services Ltd
Andron (Heyhouses)
Churchill (Moorside)
Service Alliance (Ribblesdale Nursery)

Important notes to the Certificate:

1. The percentages shown are percentages of pensionable pay and apply to all members, including those who are members under the 50:50 option under the LGPS.

2. With the agreement of the Administering Authority employers may also opt to pay deficit contributions in advance instead of monthly amounts, with either all three years being paid in April 2020 or payment being made in the April of the year in question. In certain limited circumstances prepayment of future service contributions may also be permitted. The cash amounts payable will be reduced in return for this early payment as follows:
    - Payments made in the April of the certified year will be reduced by 1.85% (i.e. the above amounts will be multiplied by 0.9815)
    - 2021/22 payments made in April 2020 will be reduced by 5.44% (i.e. the above amounts will be multiplied by 0.9456), and the same reduction will also apply to 2022/23 payments made in April 2021
    - 2022/23 payments made in April 2020 will be reduced by 8.90% (i.e. the above amounts will be multiplied by 0.9110)

3. Where % contributions are being paid in advance, for these cases the employer will need to estimate in advance the pensionable pay for the entire period (subject to an agreed adjustment with the Administering Authority) and a balancing adjustment to reflect the actual pensionable pay over the period would be made at the end of the period (no later than 30th

April as appropriate following the year-end). Consideration will be required for employers in surplus as at 31 March 2019, where any surplus offset would be made up front before any reduction for early payment is applied. Further information on the policy for prepayments can be provided by the Fund upon request. It should be noted that only certain employers will be able to pay their primary rate in advance due to the operational complexity.

4. Employers have been notified of the potential additional cost arising from the McCloud judgment. However, the Fund has included within the actuarial assumptions a margin of prudence which in many cases is expected to cover the additional liabilities. Once the final remedy for McCloud is known, the position will be reviewed. Whilst it is possible that the Fund may require additional contributions from employers at that point in time, based on the Administering Authority's current knowledge and understanding of the likely outcome it is more likely that the position will simply be left, to be reviewed as part of the next actuarial valuation. In the event that additional contributions are required before then, this certificate will then be updated to reflect these changes. Any contribution changes will take effect from a date to be determined by the Administering Authority.

5. The Fund has an internal captive insurance arrangement in place in order to pool the risks associated with ill health retirement costs. The captive has been designed for employers that could be materially affected by the ill health retirement of one or more of their members. Those employers (both existing and new) that will be included in the captive are set out in the separate policy in the FSS. These employers will be notified of their participation. New employers entering the Fund who fall into this category will also be included. For those employers in the ill-health captive arrangement, allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report. Details of the arrangement are set out in the FSS.

6. The pension increase recharges in relation to former employers will continue at the current levels.

Appendix I
Glossary

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 as set out in the separate Funding Strategy Statement.

Best Estimate Assumption: an assumption where the outcome has a 50/50 chance of being achieved.

Bonds: loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

Career Average Revalued Earnings Scheme (CARE): with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

CPI: acronym standing for "Consumer Prices Index". CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differs from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Deficit: the extent to which the value of the Fund's past service liabilities exceeds the value of the Fund's assets.

Discount Rate: the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

Employer Covenant: the degree to which an employer participating in an occupational pension scheme is willing and able to meet the funding requirements of the scheme.

Employer's Future Service Contribution Rate: the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses. It is normally the same as an employer's Primary Contribution Rate under the Regulations.

Employer's Primary Contribution Rate: the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant. The Primary Contribution Rate for the whole Fund is the weighted average (by payroll) of the individual employers' Primary Contribution Rates.

Employer's Secondary Contribution Rate: an adjustment to the Primary Rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary Rate may be expressed as a percentage adjustment to the Primary Rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls. The Secondary Rate is specified in the Rates and Adjustments Certificate. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary Rates. Secondary Rates for the whole fund in each of the three years shall also be disclosed. These will be calculated as the weighted average based on the whole fund payroll in respect of percentage rates and as a total amount in respect of cash adjustments.

Equities: shares in a company which are bought and sold on a stock exchange.

Funding Strategy Statement (FSS): This is a key governance document that outlines how the administering authority will manage employer's contributions to the Fund.

Guaranteed Minimum Pension (GMP): This part of a member's pension which was earned between 6 April 1978 and 5 April 1997 and which replaces part of that member's State Scheme benefits in respect of that period.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

McCloud Judgment: This refers to the linked legal cases of Sargeant and McCloud, and which found that the transitional protections (which were afforded to older members when the public service pension schemes were reformed in 2014/15) constituted unlawful age discrimination.

Past Service Liabilities: this is the present value of the benefits accrued by members up to the valuation date. It is assessed based on a set of assumptions agreed between the Administering Authority and the Actuary.

Percentile: A method of ranking a series of outcomes. For example, a 10th percentile outcome means that only 10% of results would be expected to be as good as or better than the 10th percentile and 90% of results would be expected to be worse.

Prepayment: the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced compared to the certified amount to reflect the early payment.

Present Value: the value of projected benefit payments, discounted back to the valuation date.

Primary rate of the employers' contribution: the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant. The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

Prudent Assumption: an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and guidance requires the assumptions adopted for an actuarial valuation overall to be prudent.

Real Return or Real Discount Rate: a rate of return or discount rate net of CPI inflation.

Recovery Plan: a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period", as set out in the Funding Strategy Statement.

SAB Funding Basis or SAB Basis: a set of actuarial assumptions determined by the LGPS Scheme Advisory Board (SAB). Its purposes are to set out the funding position on a standardised approach so that comparisons can be made with other LGPS Funds, and to assist with the "Section 13 review" as carried out by the Government Actuary's Department. As an example, the real discount rate over and above CPI used in the SAB Basis as at 31 March 2019 was 2.4% p.a., so it can be substantially different from the actuarial assumptions used to calculated the Fund's solvency funding position and contribution outcomes for employers.

Solvency/Funding Level: the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

Solvency Funding Target: an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the past service liabilities assessed on the ongoing concern basis.

50/50 Scheme: in the LGPS, active members are given the option of accruing a lower benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

Mercer Limited
No 4 St Paul's Square,
Old Hall Street,
Liverpool,
L3 9SJ
www.mercer.com

MARSH & McLENNAN COMPANIES

9

Appendix 9

Responsible Investment Policy

9

Appendix 9

Responsible Investment Policy

1. Introduction

This policy defines the commitment of Lancashire County Pension Fund (the Fund) to Responsible Investment (RI). Its purpose is to detail the approach that the Fund aims to follow in integrating environmental, social and governance (ESG) issues into its investments. This is consistent with the LGPS Management and Investment of Funds Regulations (2016) and the Fund's fiduciary duty to act in the best long-term interest of our members. The Policy reflects the Fund's Investment Strategy Statement and our approach to complying with the UK Stewardship Code.

2. Responsible Investment Values and Principles

The Fund's values and principles reflect the need to deliver sustainable investment returns in order to pay pension benefits. They recognise the importance of assessing sources of risk and opportunity over an extended time horizon and emphasise the importance of diligent stewardship as part of engaged asset ownership.

Responsible Investment Values:

Consultative	The Fund's RI priorities are a reflection of the views of its members (through consultation with the Local Pension Board), and of evolving best practice within the pension arena.
Being Proactive	A proactive approach to evaluating ESG risks and opportunities is more likely to result in long term benefits for the Fund and is aligned with fulfilling our fiduciary duty.
Engagement	The Fund considers engagement to be a route for exerting a positive influence over investee companies and encouraging responsible corporate behaviour. We will be supportive of targeted dialogue in situations where positive changes can be brought about to align governance standards with our investment needs.
Collaborative	The Fund recognises that working collaboratively can achieve greater influence than acting unilaterally. The Fund seeks to align itself with likeminded investors through collective organisations such as the Local Authority Pension Fund Forum (LAPFF) of which the Fund is a member.
Flexible	The Fund considers that its RI policy and approach should be reviewed regularly in order to continue recognising and reflecting best practice and addressing emerging priorities.

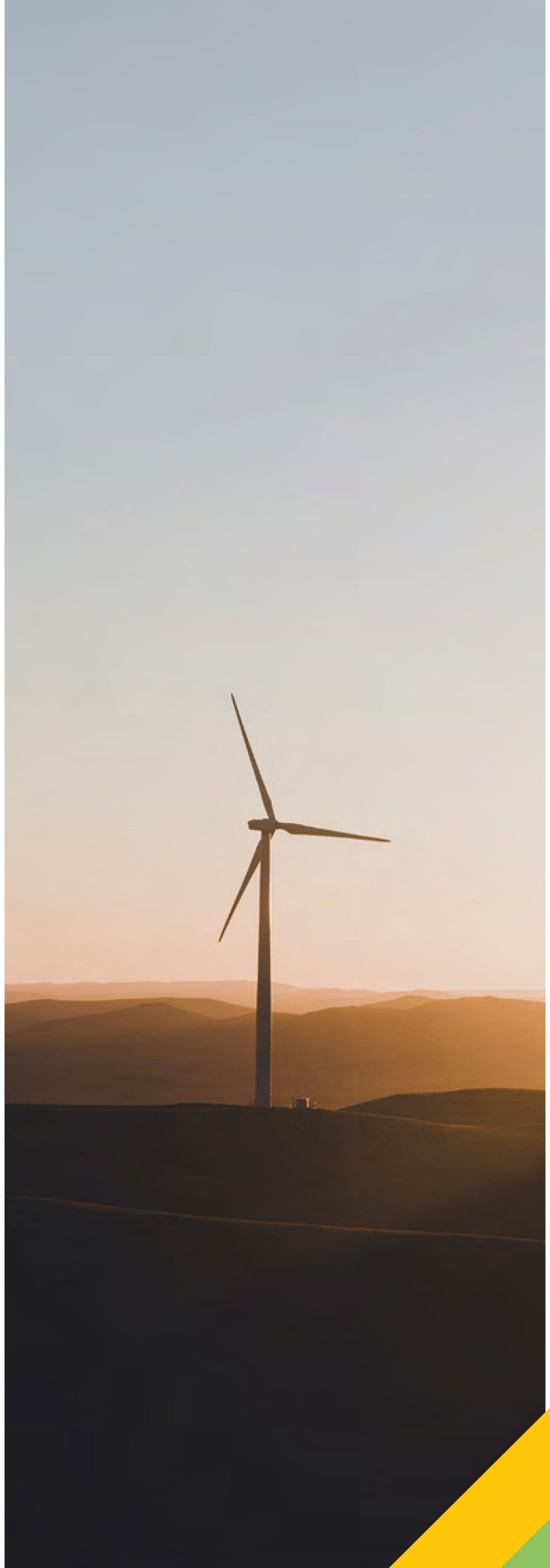
Responsible Investment Principles

The Fund's RI principles translate our values and commitments into Responsible Investment practices which can help to deliver a sustainable and sufficient return on all our investments. Our RI principles inform the stewardship arrangements we have agreed with the Local Pensions Partnership as our provider of pension administration and investment management services.

A summary of the key Responsible Investment principles:

- Effective management of financially material ESG risks will support the Fund's requirement to protect returns over the long term;
- Apply a robust approach to effective stewardship;
- Seek sustainable returns from well governed and sustainable assets;
- Responsible Investment is core in our skills, knowledge and advice;
- Seek to innovate, demonstrate and promote RI leadership and Environmental, Social and Governance (ESG) best practice;
- Achieve improvements in ESG through effective partnerships that have robust oversight;
- Share ideas and best practice to achieve wider and more valuable RI and ESG outcomes.

The implementation of LCPF's RI policy is through the activities of Local Pension Partnership Investments Ltd (LPPI) an FCA regulated Investment Manager responsible for 100% of the Fund's assets which are managed within pooled arrangements.



3. Priorities

Identifying core priorities for RI is an important part of focussing the attention of LPP I on the issues of greatest importance to us. It also helps us to monitor the stewardship activities they undertake on our behalf. The issues we have identified as being of primary concern to us as asset owners are:

- Climate change – engaging with pension funds and other stakeholders to develop and share best practice, recognising and managing the risks and opportunities investments face from climate change;
- Corporate Governance – promoting the case for well managed companies which implement fair and just employment practices and address excessive corporate pay differentials;

The above mentioned are our main priorities. However there are a number of other RI issues which are of interest to the Fund and will be subject to review, including:

- Ethical practices regarding off shore investments and tax havens;
- Companies with a proven record of supporting the Living Wage;
- Encouraging investment pan Lancashire;
- Reducing investments in products such as plastics, tobacco and alcohol.

Climate change

LCPF recognise the imperative to address climate change as a systemic and long-term investment concern for the Fund, as it poses material risks across all asset classes with the potential for loss of shareholder value including via stranded assets.

The Fund will endeavour to carry out the following:

- Where existing investments in fossil fuel companies are in place and identified, we expect those companies to be able to demonstrate planning for the global transition to a low-carbon economy and for the future emissions reduction targets under the Paris Agreement or other appropriate initiatives. Where they are not, and opportunities for engagement and reform of the company or project are not possible or do not exist, the Fund will make all reasonable efforts to divest provided that this will result in no material financial detriment (either through increased costs or increased investment risk).
- Where our fiduciary duty allows, the Fund will not consider new active investments in fossil fuel companies directly engaged in the extraction of coal, oil and natural gas as sources of energy which are ignoring the risks of climate change.

LCPF expects LPP to take steps to ensure that the level of exposure to climate change investment risks are evaluated and monitored. This will involve the use of appropriate investigative and analytical tools such as the Transition Pathway Initiative to increase information and provide appropriate input around investment decision making and will be reflected in regular reporting and assurance provided to LCPF.

Corporate Governance

The Fund will, through our asset managers, promote high standards of employment practice and reasonable and equitable pay differentials for employees. This will be done through actively seeking companies who demonstrate such practices and engaging effectively to encourage these standards within existing investee companies.

LPP I is a named supporter of the Workforce Disclosure Initiative, a project which aims to "bring institutional investors together behind a call for comparable workforce reporting by publicly listed companies on their global operations and supply chains".

4. Responsible Investment Implementation

The implementation of the Fund's approach to Responsible Investment divides into the following five areas of activity.

a) Voting Globally.

The Fund recognise that effective stewardship arrangements protect the financial interest of scheme beneficiaries and contributes to enhancing the value of the Fund's investments. All aspects of shareholder voting is a fundamental part of the Fund compliance with the UK Stewardship Code.

The Fund's stewardship actions are implemented as an integral part of the investment management services LCPF receives from Local Pensions Partnership (LPP). The Fund's entire investment portfolio is under management by Local Pensions Partnership Investments Ltd (LPP I), a subsidiary of LPP and an FCA authorised investment manager.

All aspects of shareholder voting are carried out in line with the LPP I 'Shareholder Voting Policy' which can be viewed at https://www.localpensionspartnership.org.uk/Admin/Public/DWSDownload.aspx?File=%2fFiles%2fFiles%2fLPPI+Shareholder+Voting+Policy+July+2017.pdf

The policy covers areas including voting arrangements, 'reporting and disclosures' and voting philosophy.

The responsible investment priority areas identified by the Fund for voting purposes are:

1. Action on Climate Change;
2. Strong corporate governance, with particular emphasis on reducing pay differentials;
3. Improving Employment Practices.

b) Engagement through Partnerships.

The Fund's second approach involves working in partnership with like-minded bodies. The Fund recognises that to gain the attention of companies in addressing governance concerns, it needs to join other investors with similar concerns and it does this through the Local Authority Pension Fund Forum (LAPFF) and joining appropriate lobbying activities. In terms of its engagement approach with other investors, it is most significant through LAPFF. This Forum exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance among the companies in which they invest. See the LAPFF website for further details: www.lapfforum.org

LCPF are members of LAPFF and as such representatives of the Fund attend and contribute to the quarterly business meetings.

c) Shareholder Litigation.

The third approach, adopted by the Fund in order to encourage corporate management to behave responsibly and honestly, is through shareholder litigation. The Fund has agreed arrangements with LPPI which ensure emerging legal cases are monitored and the Funds rights and interests are represented via class actions and other shareholder actions globally where possible and where appropriate.

d) Active Investing.

LCPF do not invest directly but, on behalf of the Fund, LPP I actively seeks sustainable investments which meet LCPF's requirements for strong returns combined with best practice in ESG and corporate governance. Such investments include renewable and clean energy, and affordable housing.

As part of its commitment to Active Ownership LPP I seeks to use the ownership rights conveyed by the assets under its management to exert a positive influence in favour of transparent and sustainable management behaviour which recognises and addresses the broader trends which bring both risks and opportunities to their business.

e) Divestment.

The Fund may at its discretion prefer to divest from a sector due to RI considerations, provided that this would not result in any material financial detriment (either through increased costs or increased investment risks).

5. Definitions

Responsible Investment

The integration of environmental, social and corporate governance (ESG) considerations into investment management processes and active ownership practices in the belief that these factors can have an impact on financial performance.

ESG

Environmental, social and governance factors which may impact on company performance and therefore investment returns. Examples include resource management and pollution prevention, climate change impacts, labour management, product integrity, executive compensation, board independence and audit function.

Governance

The process and principles by which a company or organisation undertakes its business. For LCPF, governance includes how it undertakes both its operational and investment responsibilities on behalf of its members.

Active Ownership

Refers to the responsibility of LCPF to participate, where appropriate, in the governance decision-making of companies in which it invests by way of voting and by engagement with company management, either directly or via its fund managers. It also recognizes the relevance of engaging with regulatory bodies and other market players to support policies that promote long-term sustainable growth.