Lancashire County
Pension Fund

Annual Report
2022/2023

www.lancashirecountypensionfund.org.uk

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

I would like to welcome you to the Annual Report of the Lancashire County Pension Fund (the Fund) for the year 2022/23. This year has been one of great importance to the Fund in terms of the triennial actuarial valuation, but also a challenging one in relation to our Administration service as it moved to a new administration system called Universal Pensions Management (UPM).

Our investments continued to perform well despite concerns regarding the international situation, with the war in Ukraine continuing to impact some areas of the financial markets. Valuation results were excellent, with the funding level at 115%, which enabled a reduction in overall contribution rates for many of our employers as well as improving our capacity to fund future pension increases fuelled by the on-going inflation situation. Our staff work tirelessly to meet the requirements of the Fund and I thank them for their great efforts in an increasingly demanding market.

Some of the highlights of the year are as follows:

Membership

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

Investment

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

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

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

We manage our investment costs through pooling arrangements with Local Pensions Partnership Investment Limited (LPPI), which have worked well for the Fund, with 100% of our assets under pooled management and over 95% of our assets in pooling vehicles, resulting in annual savings for the Fund of £17.2m for 2022/23. Since we began pooling in 2016, £57.5m worth of savings have been achieved for the Fund. These savings have continually been re-invested into the fund to give greater returns.

Our Independent Investment Advisors continue to review, on a quarterly basis the performance of LPPI and provide us with assurance that the investment management services provided by LPPI are fit for purpose and fulfil the Fund's objectives.

Responsible Investment

Responsible Investment is an important part of our approach to investing the assets of the Fund.

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

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

Management of the Fund

Pensions is very complex, technical, and regulatory driven so the Fund heavily relies on expert management and advice. I would like to thank all the staff and advisers involved in managing the Fund. We aim to review governance of the Fund on a continuing basis and, as we are now six years into the partnership with LPFA, we engaged consultants to review progress and come up with recommendations for us to review. We are continuing this review and, in discussion with the Pension Fund Committee, will look to significantly progress this by the end of 2023.

Future developments

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

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

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

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

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

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Management and financial performance

Administering Authority

Lancashire County Council

Pension Fund Committee

Lancashire County Council committee members:

County Councillor M Brown

County Councillor J Burrows

County Councillor M Clifford

County Councillor J Couperthwaite (Started November 2022)

County Councillor F De Molfetta

County Councillor C Edwards (Started March 2023)

County Councillor H Hartley

County Councillor S Holgate (Finished September 2022)

County Councillor J Mein (Started November 2022)

County Councillor E Pope (Chair)

County Councillor A Schofield (Deputy Chair)

County Councillor M Tomlinson

County Councillor D Westley

County Councillor R Woollam

Co-opted representatives

P Crewe – Trade Union

S Roylance – Trade Union

Councillor D Borrow – City and Borough Councils

Councillor M Dad – City and Borough Councils

Councillor M Smith – Blackpool Council

Councillor E Whittingham – Blackburn with Darwen Council

J Eastham – Further / Higher Education

Scheme Administrator

Local Pensions Partnership Administration Limited

Head of Fund

S Greene

Chief Executive

A Ridgwell

Executive Director of Resources and s151 Officer

M Wynn

External Auditor to the Fund

Grant Thornton UK LLP

Pooled Investments Manager

Local Pensions Partnership Investments Ltd

Non-Pooled Investment Managers

Local Pensions Partnership Investments Ltd

Knight Frank LLP

BNP Paribas

Actuary

Mercer

Lancashire Local Pension Board

W Bourne (Chair)

K Ellard

C Gibson

K Haigh (Finished March 2023)

Y Moult

D Parker

G Peach (Finished March 2023)

County Councillor M Salter

S Thompson (Finished October 2022)

A Wilkinson (January- March 2023)

Custodian to the Fund

Northern Trust

Independent Investment Advisors

A Devitt

M George

E Lambert (Finished June 2022)

AVC providers

Prudential

Utmost Life and Pensions

Legal advisors

Addleshaw Goddard

Allen and Overy

Capsticks LLP

Clifford Chance

DAC Beachcroft LLP

DWF

Eversheds

Lancashire County Council

MacFarlanes

Taylor Wessing

Pinsent Masons

Independent property valuer

Avison Young Partnership

Performance measurement

Northern Trust

Governance and research consultants

Pension and Investment Research Consultants (PIRC)

Bankers

NatWest Bank plc

Svenska Handelsbanken

Financial performance of the Fund

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

Net cash flow, income and expenditure

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

The Fund collects contributions by direct debit on a monthly basis and does not have a significant issue in respect of timeliness of receipt of contribution income. No interest on overdue contributions has been levied during the year.

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

Fund account	2022/23	2021/22	2020/21
	£m	£m	£m
Members contributions	73.4	67.7	64.5
Employers contributions	99.1	93.8	351.8
Contributions income	**172.5**	**161.5**	**416.3**
Transfers in from other pension funds	17.8	15.9	10.8
Benefits payable	-314.5	-306.6	-291.8
Transfers out and other payments to leavers	-18.9	-14.4	-17.3
Net (withdrawls) / additions from dealing with members	**-143.1**	**-143.6**	**118**
Fund adminstrative costs	-4.2	-4.1	-4
Investment management costs	-110.9	-162.6	-111.3
Oversight and governance costs	-1.7	-1.4	-1.1
Net (outflow) / inflow before investment	**-259.9**	**-311.7**	**-1.6**
Investment income	184.7	200.1	143.8
Change in market value of investments	210.9	1217.8	1022.2
Net increase / (decrease) in the Fund	**135.7**	**1106.2**	**1167.6**

Following the actuarial valuation in 2019, the Fund gave some employers the option to pay their 3-year future service rate and deficit contributions up-front. A number of employers opted to do this and as a result some of the employer contributions in respect of the County Council and scheduled bodies for the year ending 31 March 2023 were paid to the Fund in the year ended 31 March 2021. The Fund policy is to recognise contribution income in the period of receipt. This option has been offered again to some employers following the valuation in 2022 which will impact the annual report for 2023/24.

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

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

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

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

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

Budgeting

A one-year budget is prepared for the Fund on an annual basis and both officers and the Pension Fund Committee (PFC) closely monitor investment performance, contribution income and expenditure against the budget, with PFC reporting on a quarterly basis. Budgeted items were largely in line with expectations with the exception of investment management costs, which were lower than expected.

Funding level

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

Governance of the Fund

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

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

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

Lancashire County Pension Fund Governance Compliance Statement

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

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

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

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

- To ensure that the Fund operates in accordance with the Local Government Pension Scheme Regulations,
- To monitor and review all aspects of the Fund's performance, which includes administration and investment,
- The collection of employee and employer contributions, investment income and other amounts to the Fund as stipulated in the Regulations,
- To ensure that cash is available to meet the Fund's liabilities,
- To ensure that assets are invested in accordance with the Fund's Investment Strategy Statement,
- The development, maintenance and implementation of various policies and strategies as required, such as the Administration Strategy, Discretions Policies, Breaches Policy, Investment Strategy Statement, and Funding Strategy Statement which together ensure effective governance of the Fund.

Governance Structure

The Pension Fund Committee (PFC) fulfils the role of 'Scheme Manager'[1] for the Fund, as set out in Regulations, which includes the administration of benefits and the strategic management of Fund investments and liabilities. It is responsible for establishing, and monitoring progress on, the strategic objectives of the Fund through a rolling three-year Strategic Plan.

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

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

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

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

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

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

The Pension Fund Committee

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

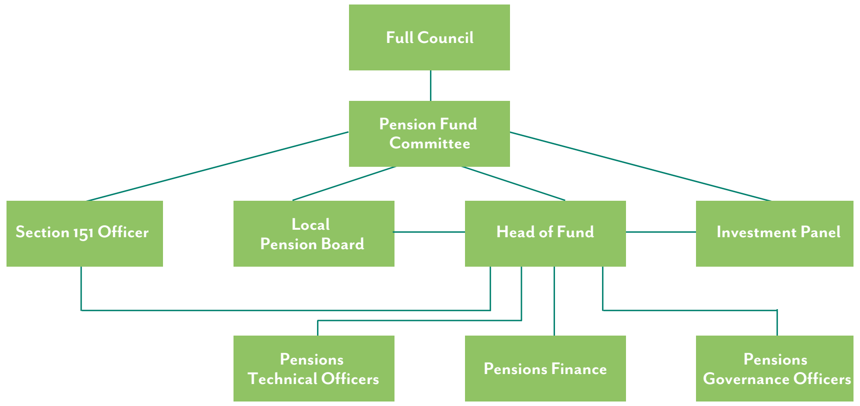
- One representative of the further and higher education sector in Lancashire;
- One representative of Blackburn with Darwen Council;
- One representative of Blackpool Council;
- Two Trade Union representatives; and
- Two representatives of the Lancashire Borough and City Councils

The PFC meets on a quarterly basis

The Governance Structure shown to the right provides an overview of the role of the PFC however full Terms of Reference can be accessed by the link below (page 14):

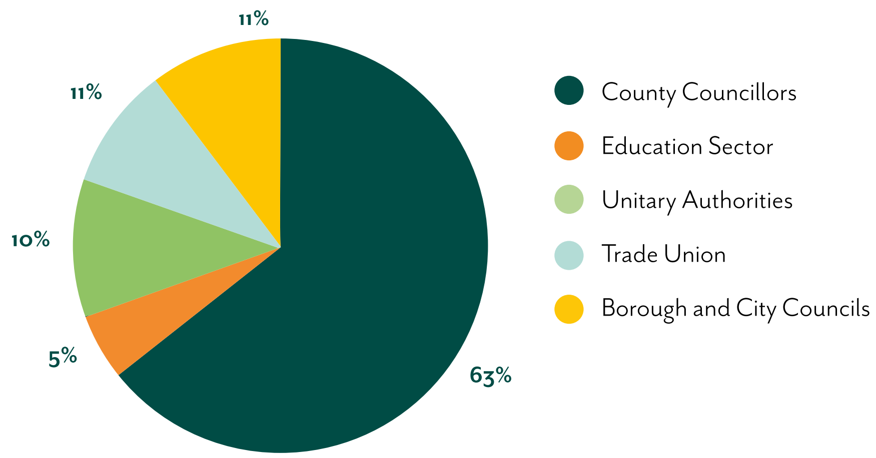
Part 2 - Article 7 Other Committees of the Council - July 2022.pdf

Fund Structure (Fig,1)



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

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



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The Investment Panel

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

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

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

Part 2 - Article 7 Other Committees of the Council - July 2022.pdf

Lancashire Local Pension Board

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

The Terms of Reference for the LPB are available via the link below (see page 28).

Part 2 - Article 7 Other Committees of the Council - July 2022.pdf

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

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

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

Knowledge and Skills

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

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

Officers

The PFC delegates specific functions to the Head of Fund, the Director of Law & Governance and section 151 Officer.

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

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

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

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

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

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

Accountability and Publication of Information

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

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

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

A copy of the Fund's Annual Report can be viewed on the Fund website at www.lancashirecountypensionfund.org.uk.

Investment and Administration Services

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

For all arrangements where there is a relationship between the Fund and another organisation, the Fund seeks to spell out clearly the expectations and requirements on each party, whether in the form of a contract or "service level agreement" where a contract is not appropriate.

Risk Management

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

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

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

- Investment and Funding Risk – all financial risks associated with the Fund, including risks associated with managing scheme assets and pension liabilities.
- Member risk – all risks which may impact on the high levels of service the Fund members receive.
- Operational risk – risks which could negatively impact the smooth and effective running of all aspects of Fund operations and governance.
- Transition risk – temporary risks arising from changes in the management of investments or service delivery.
- Emerging risk - evolving, new risk that is difficult to characterise or assess at a point in time, as the cause and / or how the risk will impact the organisation is unclear.

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

Conflicts of interest and Code of Conduct

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

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

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

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

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

The operation of the Fund is subject to the County Council's Code of Corporate Governance. The County Council's Annual Governance Statement is prepared in accordance with the Framework prepared by CIPFA/Solace "Delivering Good Governance in Local Government" (2016 Edition). The framework builds on the seven principles listed here.

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

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

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

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

Internal Audit Assurance

The table below details the work undertaken by the County Council's Internal Audit Service and the assurance it provides for 2022/23. The internal audit work provides an independent and objective source of assurance over council operations.

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

The administration related audits took place against the backdrop of significant change programme to transition to a new adminstration system (referred in section G below). As this transition has taken place, many of the audit issues raised that potentially impact on member experience have often been improved or enhanced as the new system has been implemented.

With regards to the independent service auditor's assurance report on control activities at LPPI, KPMG evaluated that the activities were operating effectively. The Qualified Opinion was limited in scope and restricted to an improvement in the physical access control environment which was immediately implemented. It is important to note that no exceptions were noted from 1 September 2022 to 31 December 2022, after LPPI took action to address the qualification.

Lancashire County Pension Fund Governance Compliance Statement

The table below shows how the Fund complies with the standards set out by the Secretary of State for Levelling Up, Housing and Communities as required under Regulation 55 of the LGPS Regulations 2013. The statement sets out where the Fund is fully compliant with the guidance and provides an explanation where it is not fully compliant.

A. Structure	(a) the Management of the administration of benefits and strategic management of Fund assets clearly rests with the main committee established by the appointing Council	✓
	(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee (1)	Partial (see Note 1)
	(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	✓
	(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	✓
B. Representation	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1) 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 advisors (on an ad hoc basis)	Partial (see Notes 1 and 2)
C. Selection and Role of Lay Members	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. (It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political, or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all times).	✓
D. Voting	The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	✓
E. Training/ Facility time/ Expenses	(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	✓
	(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	That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	✓
H. Scope	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	✓
I. Publicity	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	✓

Notes - Reasons for partial compliance

1) Unitary councils, City/Borough Councils and further and higher education employers, are represented. Other admitted bodies only represent 17.2% of contributors to the Fund and are therefore not represented. However, all employers receive a full annual report and are alerted to important events. Although employee representatives, i.e. trade unions, do not formally represent deferred and pensioner scheme members, it is accepted that representation is available to deferred and pensioners members via this route where necessary and/or appropriate. In addition the interests of all scheme members and employers are specifically represented in the composition of the 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 advisors and officers, and it is not apparent what added value such an appointment would bring.

D

Knowledge & skills

There is a requirement for all those involved in the management and oversight of public sector pension funds (whether members or officers) to ensure they achieve the level of knowledge and skill necessary for performing their duties and responsibilities effectively.

Details of training (both internal and external) attended by members of the PFC and LPB during the year ended 31st March 2023 are detailed below:

Return Metric	Event	Held	Participants	
			PFC	LPB
28 Mar 2023	Implementing The Pension Regulator's new Code of Practice	Webinar	1	0
24 Mar 2023	Internal workshop – Legal update	County Hall & MS Teams	3	3
10 Mar 2023	Pre committee briefing – Valuation 2022	County Hall	13	0
1/2 Mar 2023	LPPI Investment Conference	London	3	0
27th Feb 2023	Internal workshop – LPP Budget	County Hall & MS Teams	11	3
24 Feb 2023	Presentation 2 on LPP Governance Review	County Hall & MS Teams	10	0
23 Feb 2023	Policy Insights webinar 'Better Communications with LGPS Members'	Online	0	2
19/20 Jan 2023	LGPS Governance Conference 2023	Cardiff	1	2
16 Jan 2023	Internal workshop - Communications Strategy and LPP Comms Update	County Hall & MS Teams	7	5
20 Dec 2022	Fundamentals Training (day 3)	Online	0	1
5 Dec 2022	Internal Workshop – Technical Update from Local Pensions Partnership Administration Ltd	County Hall & MS Teams	11	5
25 Nov 2022	Pre-Committee briefing – The role of the Lancashire Local Pension Board	County Hall	16	0
10 Nov 2022	Fundamentals Training (day 2)	London	0	1
1 Nov 2022	Internal Workshop – Valuation 2022 update	County Hall & MS Teams	9	5
1 Nov 2022	Presentation 1 on LPP Governance Review	County Hall	10	1
27 Oct 2022	Fundamentals Training (day 1)	Birmingham	0	1
12/13 Oct 2022	PLSA Conference	Liverpool	2	1
4 Oct 2022	Internal Workshop - TCFD and Stewardship Code	County Hall & MS Teams	7	2
16 Sept 2022	Pre-Committee briefing - Valuation 2022 Employer Risk	County Hall	10	0
2 Sept 2022	Internal Workshop – LCPF Annual Report and Accounts	County Hall & MS Teams	10	3
20 July 2022	Internal Workshop – Cyber Security	County Hall & MS Teams	8	4
15 July 2022	Briefing for new members of Pension Fund Committee.	MS Teams	1	0
13/15 July 2022	PLSA Annual Conference		0	1
29 June 2022	Internal workshop – LCPF Project PACE and administration Update	County Hall & MS Teams	5	5
9 May 2022	Internal workshop – Legal Update	County Hall & MS Teams	4	3
28 Apr 2022	Overview of the LGPS	Online	0	1
			142	**49**

E

Pension Fund Management

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

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

- 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 most agreements are established when an employer is outsourcing a service or function, where the new contractor wishes to provide continued LGPS membership for affected employees.

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

Overall Fund membership shown below has increased during the year.

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

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

Governance – provide high-quality governance services ensuring that the Fund is transparent, open and accountable to our stakeholders for our decisions and ensure the effective operation of the control framework and understand and address risks to which the Fund is exposed. Key activities have included –

- recruitment of new Local Pension Board members as several members reached the end of their term.
- delivery of a comprehensive training programme including an induction session for new members
- review of the Pension Regulator's draft Code of Practice, identifying potential gaps and assessing compliance
- review of the Fund's risk management framework

Administration, Technical and Employer Risk – provide technical service to the Fund, focusing on technical matters, appeals, oversight of pension administration services provided by LPPA as well as funding and actuarial including management of services provided by the Actuary, Mercer. Key activities have included –

- assessing the financial health of the Fund and determining local employer contribution rates to be effective from 1 April 2023 as part of the 2022 triennial valuation of the Fund
- engaging with employers and developing a new Funding Strategy Statement
- development of a new Employer Risk policy and risk framework to ensure employers are treated proportionately.
- liaising with LPPA to increase employer engagement and support for employers with regards new data submission requirements following implementation of their new administration system.
- Support to LCC to ensure effective processes in place for transferring data from their new HR & Finance system; Oracle Fusion, to LPPA.

Projects – responsible for development and implementation of pension change projects within the LCPF. Key activities have included -

- review of LPP Governance which included establishing a new LPP Board and setting objectives and outcomes for LPP and its subsidiaries.
- completion of the transition of the employer risk function from LPPA to the Fund.
- concluded an Investment Service Based Review and developed actions that are to be undertaken.
- review of the Funds providers cyber security arrangements to assess compliance with the Code of Practice and developed an action plan to work towards compliance with the new Code of Practice.

Finance – undertake financial processing on behalf of the Fund as well as managing relationships with the custodian of the assets of the Fund and external auditor. In addition, cash is managed by LCC Treasury Management Team ensuring that the Fund remains in a liquid cash position. Key activities have included –

- regularly monitoring cash-flow and collection of contributions
- development of 2022/23 statement of accounts, 2023/24 budget and budget monitoring reporting for the Committee during the year.
- also, a new financial administration system; Oracle Fusion, was implemented by Lancashire County Council in late 2022. This has involved additional reconciliation work and required the team to adapt to new ways of working.

F

Legislative Changes and Regulatory Developments

Changes to the LGPS regulations during this year have included -

Support for scheme members with Additional Voluntary Contributions (AVCs)

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

Annual allowance changes

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

Tax allowances

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

McCloud Remedy

New regulations are expected which will seek to remove age discrimination in the LGPS. When the Government reformed public service pension schemes in 2014 and 2015 it introduced protections for older members. It was later judged that these protections discriminated against younger members. This ruling is often called the 'McCloud judgment'. In the LGPS the protections are known as the "underpin", which means that older members can receive higher benefits in some circumstances. Changes to the LGPS regulations are expected to come into effect on 1 October 2023 which will extend the underpin to members of any age who meet certain conditions. Members who are affected by these changes will be contacted automatically by their pension scheme administrator.

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

Pensions Dashboards

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

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

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

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

Good Governance

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

Public sector exit payments

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

Cost mechanisms

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

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

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

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

Climate risk

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

Pension Administration Services

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

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

Key highlights

During 2022/23, LPPA completed a significant change programme to transition to a new pension administration system. This also involved rationalising other historic systems and moving to a new operating platform and further information is provided below.

A number of challenges were expected due to the tight timescales for implementing the new system and resulted in a relaxation of the SLAs for a short period during the transition.

Pension payments were seamlessly transitioned, statutory communications, such as pensions increase updates, P60 communications and annual benefit statements (ABS) were all issued on time or ahead of schedule.

Additionally, the LPPA Employer Engagement team continued to deliver virtual training sessions and events using video conferencing. This resulted in increased efficiency with LPPA being able to deliver more training sessions to more employers, and an increased level of feedback post event, which has been used to make future amendments to training sessions.

LPPA has also continued to work with employers to improve member data. This includes capturing more member email addresses and driving more members towards the LPPA website and PensionPoint (UPM's online member portal).

Administration system changes

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

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

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

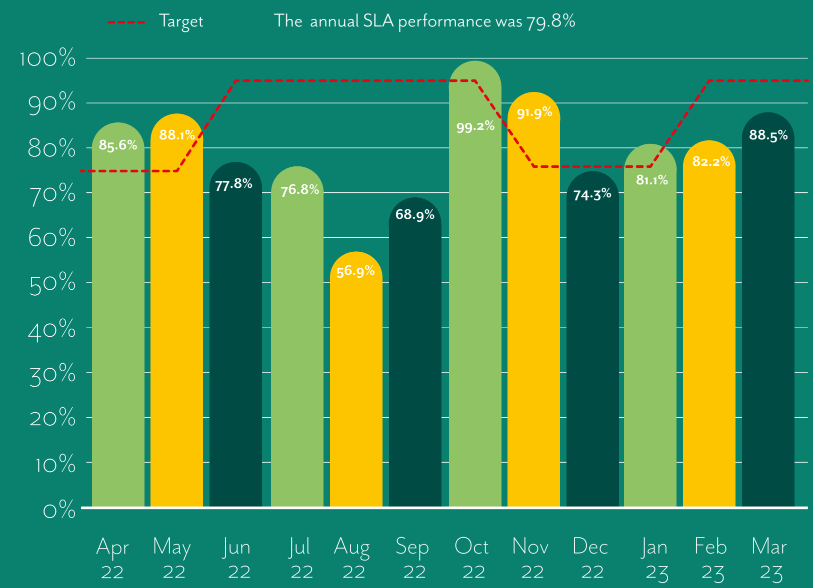
LPPA worked to minimise disruption to members and employers, whilst engaging and supporting their people through this period of significant change.

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

Performance

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

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



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

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

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

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

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

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

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

LPPA tracks the accuracy of both common and conditional data.[1]

These were 98.2% and 96.6% respectively at year end and LPPA are continuing to perform regular data cleansing exercises.

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

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Appeals

Fund members who disagree with decisions taken by their employer or administering authority may appeal using the Internal Dispute Resolution Procedure (IDRP) under the LGPS rules.

The IDRP is a formal appeal procedure which contains two stages. The first stage allows the person to ask the body who originally made the decision to review it, i.e. either the employer or the administering authority. The second stage allows the person, if they are not satisfied with the outcome at the first stage, to ask the Appeals Officer on behalf of the Fund to review the disagreement.

During the year to 31 March 2023 a total of 42 appeals have been received (27 Stage 1 of which 1 was upheld and 15 Stage 2 of which 6 were upheld) concerning members of the Fund.

Overpayments

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

Engagement and Communications

2022-23 has seen an increase in proactive member communications as part of a wider member engagement strategy. The aim has been to encourage member engagement and understanding through every stage of the pension process – making sure members have the information and support they need. Activities included:

- Further development of the LPPA member website (www.lppapensions.co.uk)
- PensionPoint (UPM's new member portal, replacing My Pension Online) was launched for members across all schemes, including the Fund in November 2022.
- The member newsletters were made available in a new online format for retired members (in spring 2022 and active/deferred members in summer 2022) and emailed to contactable members.
- Pension Pulse (online employer newsletter) continued to be sent in an online format to employers via email throughout the year, including a UPM special.
- The Help Hub was launched on the LPPA website, a new member help and support section that consolidates all resources (FAQs, videos, forms and documents, training) into one easily accessible area.
- Member video guides (LPPA website) were added to the LPPA YouTube channel, including 'How to log in and register for PensionPoint' and 'How to use the PensionPoint calculators' (videos were important in supporting the launch of PensionPoint).
- News Hub was also launched – a website page that enables quick and simple access to all LPPA news articles, blogs and research stories. It also includes links to all the latest LPPA newsletters.
- The LPPA employer toolkit page was created to help all employers communicate the benefits of PensionPoint to their members in the workplace. This includes access to content for internal emails, posters and intranet articles.
- Ongoing improvements continued to be made to member letters – simplifying language, signposting more effectively, and reducing the word count.
- Scheme essentials and Retirement essentials training sessions continued – hosted on Teams to help members improve scheme understanding. These sessions have helped members to understand the key benefits and milestones of their pension journey – ultimately speeding up the process and reducing queries further down the line.

Current member engagement activity aims to improve the amount and quality of member contact data and encourage members to use LPPA's digital services. LPPA has focused on accessibility, usability and simpler language when communicating to members.

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

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

Training Events

Each year LPPA's dedicated Employer Engagement team manages a series of visits, training events and support meetings with Fund Employers to maintain and improve working relationships. In 2022/23, the team undertook 37 dedicated support sessions with employers, and 361 employer representatives attended training sessions from those on offer throughout the year (these included Scheme Leavers, Scheme Essentials, PensionPoint Awareness, UPM Employer Portal, and Monthly Data Returns training sessions).

In addition, sessions are provided to scheme members. These sessions continued to be delivered remotely to employers and members, with the team delivering retirement planning sessions to 539 members, and a further 111 members attending Scheme Essentials presentations.

In line with the implementation of UPM, the year saw a large-scale training and communications program set up to support employers through the process of moving to the UPM employer portal to submit their monthly data returns. This involved the Engagement Team leading several online training sessions about the new process. Guides were also produced to support employers and a series of emails were distributed to ensure they were aware of the changes.

Online Service

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

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

At the end of March 2023, 14.6% of deferred, 26.6% of active and 26.1% of pensioner members were registered with PensionPoint. 22.0% of the Fund's members are now registered. LPPA are continuing to encourage registrations through letters, emails, and newsletters to members. The availability of P60s and Annual Benefit Statements are strong incentives for members to sign up to Pension Point. A review will take place later this year as part of which further communications will be considered to encourage any outstanding members to register or re-register.

Helpdesk

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

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

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

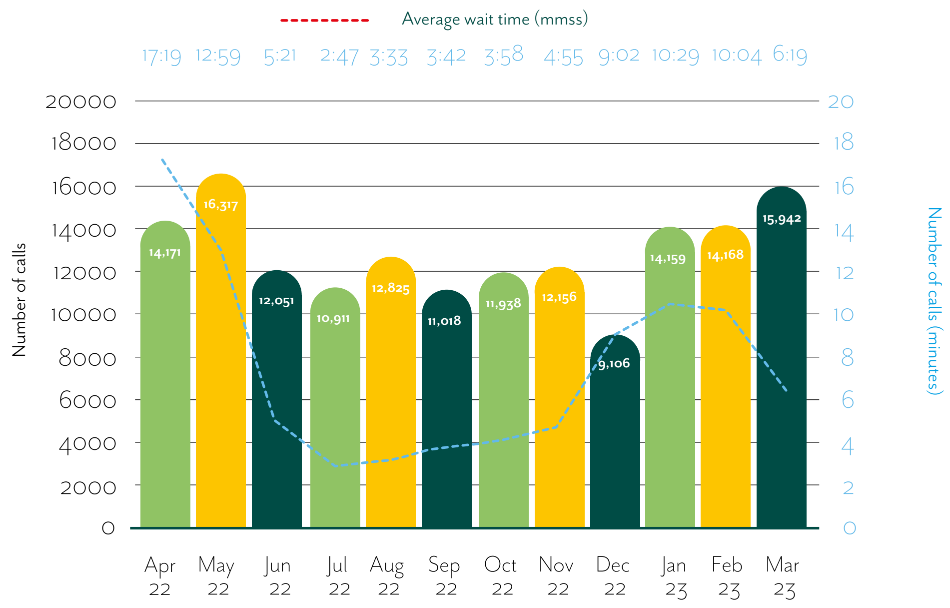
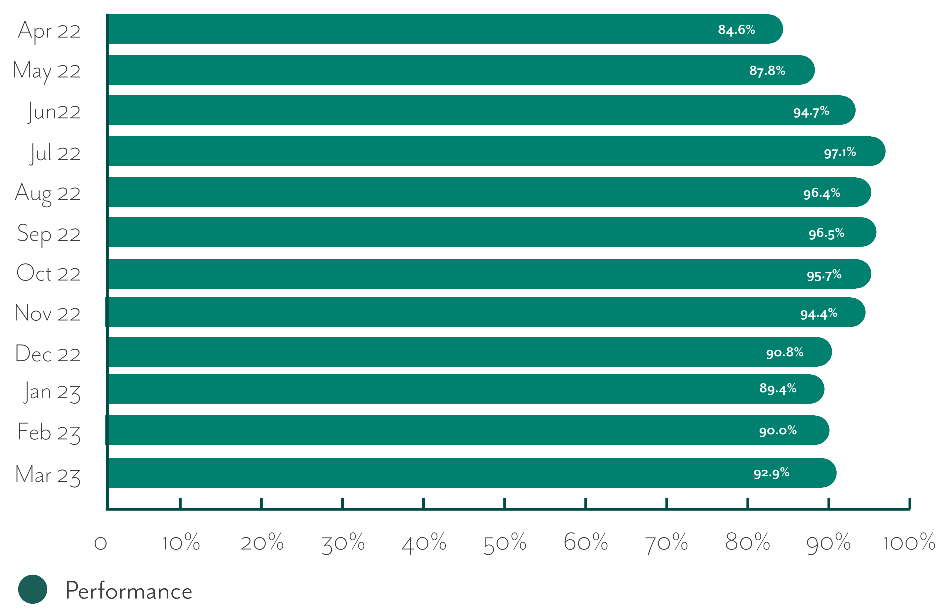


Fig 3 – Call volumes Answered (%)



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

Fig 4 – Helpdesk satisfaction surveys

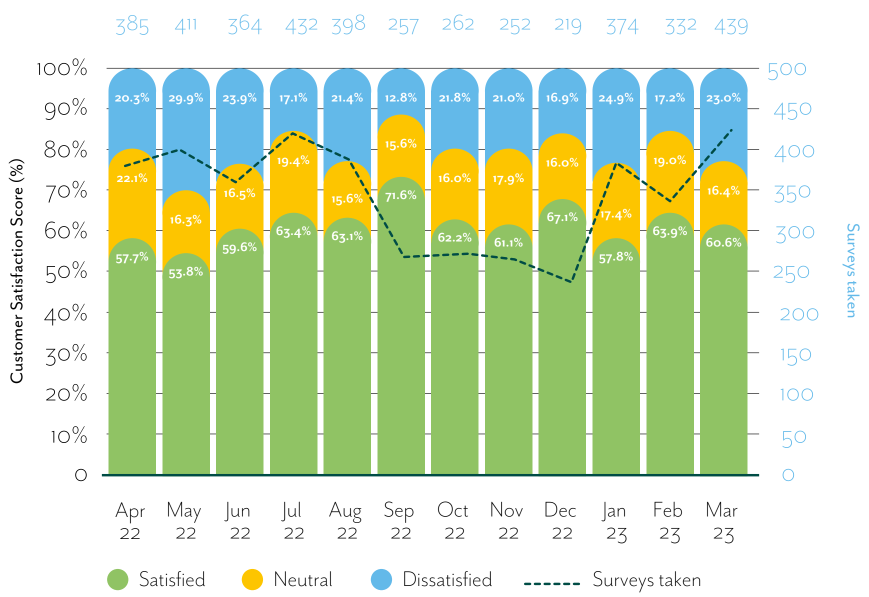
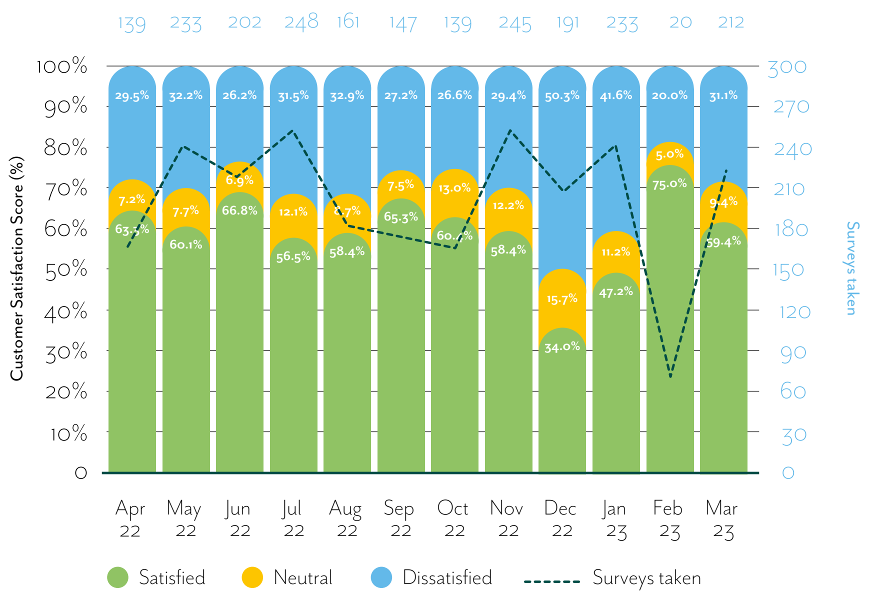


Fig 5 – Retirements satisfaction surveys



Charges and value for money

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

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

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

In addition, LPPA takes part in an annual benchmarking survey to compare the cost and service of LPPA against other pension administrators. The latest results indicate that LPPA's level of service is very similar to the peer average but that LPPA provides its services at a lower cost per member than its peers..

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

Investment Management

Performance

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

Over the longer-term, the Fund's return relative to its actuarial benchmark (the rate at which the Fund's liabilities are assumed to grow year on year) has been strong, exceeding the benchmark over both 3- and 5-year periods. The Fund's return relative to its policy portfolio benchmark (PPB) has been mixed, with the Fund outperforming over the 5-year period but underperforming over the 3-years.

The underperformance over the 3-year period is notably impacted by the Fund's Public Equity portfolio beiPerformanceng underweight in the sectors which rebounded strongly following the disruption during the Covid pandemic.

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

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

Return Metric	1 Year*	3 Year*	5Year*
Investment Assets Return	3.2%	9.2%	8.1%
Actuarial Benchmark	3.8%	3.8%	3.9%
Policy Portfolio Benchmark	0.1%	9.8%	6.6%
Asset returns are shown net of fees	* Annualised Returns		

Fig.1 Total Fund performance at 31 March 2023

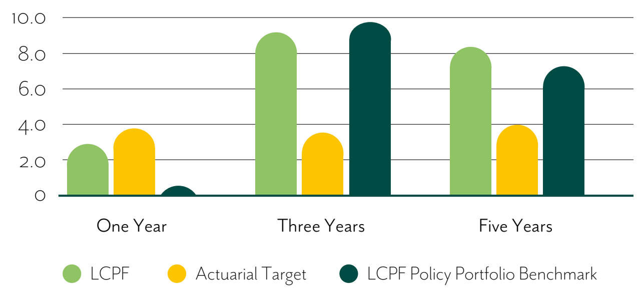


Fig.2 One-year Fund performance by asset class at 31 March 2023

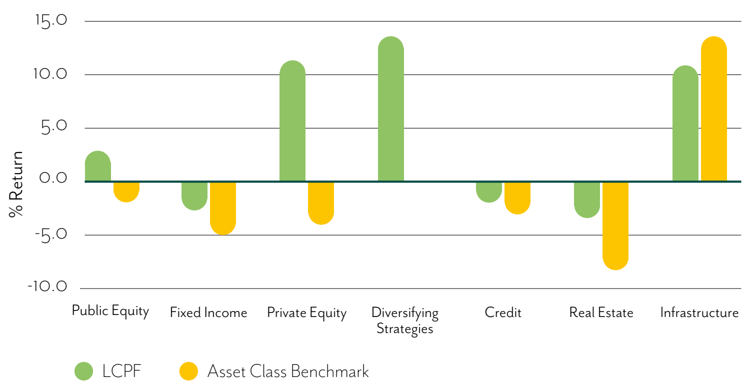


Fig.3 Three-year Fund performance by asset class at 31 March 2023

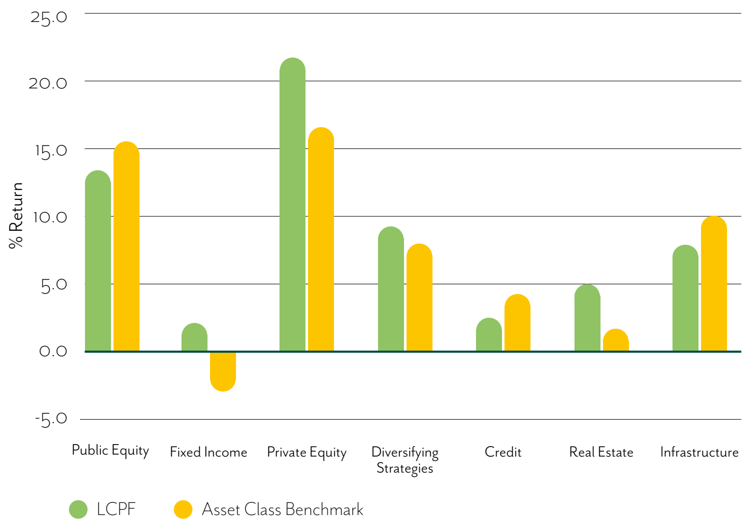


Fig.4 Five-year Fund performance by asset class at 31 March 2023

Governance and Investment pooling

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

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

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

Current and Strategic Asset allocation

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

The performance of the Fund's assets is assessed on a "total return" basis (i.e. income and capital return combined). Having adequate cash inflows to pay liabilities as they fall due, reduces both the need for investment trading (and its impact on fees) and the risk of having to liquidate assets during adverse market periods (which can have a negative effect on assets that are marked-to-market). Ultimately, the aim is to improve risk-adjusted returns over the long term, whilst ensuring the Fund's objectives are met.

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

The allocation of the Fund's assets for the previous financial year has been added for comparison purposes. LPPI provides input to the Fund on its long-term Strategic Asset Allocation (SAA), but the Fund retains autonomy in deciding how this is set. LPPI has discretion to manage the Fund's assets within the asset class ranges set as part of the SAA decision.

At the end of March 2023, the Fund was overweight in its allocation to Equities (both Public and Private) and Diversifying Strategies relative to its AA, whilst being underweight in its allocation the private market asset classes: Credit, Infrastructure and Real Estate. These private market assets, along with Private Equity, are illiquid in nature and therefore it can take time to address any relative overweight or underweight positions.

	March 2023				March 2023			
Asset class	Assets (£m)	Allocation (£m)	Strategic Asset Allocation (%)	Range (%)	Assets (£m)	Allocation (%)	Strategic Asset Allocation (%)	Range (%)
Public Equity	5,191	48.0	45.5	40.0 - 50.0	5,165	48.6	45.5	40.0 - 50.0
Fixed Income	158	1.5	1.5	0.0 - 10.0	399	3.7	1.5	0.0 - 10.0
Diversifying Strategies	116	1.1	0.0	0.0 - 5.0	102	1.0	0.0	0.0 - 5.0
Credit	1,596	14.7	18.0	12.5 - 22.5	1,417	13.3	18.0	12.5 - 22.5
Infrastructure	1,678	15.5	16.0	10.0 - 20.0	1,386	13.0	16.0	10.0 - 20.0
Private Equity	897	8.3	5.0	0.0 - 10.0	877	8.2	5.0	0.0 - 10.0
Real Estate	1,099	10.1	12.5	7.5 - 17.5	1,117	10.5	12.5	7.5 - 17.5
Cash	87	0.8	1.5	0.0 - 5.0	177	1.7	1.5	0.0 - 5.0
Total	**10,822[1]**	**100.0**	**100**		**10,640[2]**	**100.0**	**100**	

[1] The accounts of the Fund section refer to net assets as at 31st March 2023 of £10,847m. Difference due to asset values contained in the Account of the Fund section includes an updated Market Value in respect of several asset classes and net current assets.

[2] The accounts of the Fund section refer to net assets as at 31st March 2022 of £10,712m. Difference due to assets values contained in the Account of the Fund section includes an updated Market Value in respect of Private Equity asset class and current assets.

Economic Overview 2022/23

The performance of the Fund is largely determined by economic conditions and the movement in financial markets. The Gross Domestic Product (GDP) growth and inflation, as well as real interest rates, are macroeconomic variables that influence LPPI's investment market outlook. Data[3] in the financial year for some of the major economies were:

GDP

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

Inflation

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

Interest Rates

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

[3] Data sourced from Bloomberg

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

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

The US economy remained a brighter spot among developed economies, broadly outperforming expectations despite some volatility in its quarterly GDP emanating by fluctuations in business inventories. Conversely, consumer spending (which better reflects the outlook of the domestic economy) remained strong. Core inflation (which excludes contributions from energy and food prices) remained elevated and at broadly comparable levels to the UK, however the headline CPI index receded more quickly from a peak of 9.1% in June 2022 to 5.0% in March 2023. The Federal Reserve ("Fed") raised its effective interest rate by 4.5% over the fiscal year to approximately 4.9%.

After a strong expansion through June 2022, inflation-adjusted GDP growth for the Euro area economy decelerated notably. Despite the deceleration in activity, pessimistic growth scenarios due to the economy's high dependency of oil and natural gas imports from Russia did not materialise, as the diversification of energy supplies away from Russia was implemented quicker than expected. Among the biggest common-currency economies, Italy and Spain led the bloc's expansion, whilst Germany's real GDP growth was 0.1% lower year-on-year in Q1 2023. After lagging most developed market central banks, the European Central Bank (ECB) embarked on its tightening policy cycle in July 2022 raising rates by 3.5% through March 2023 from the previous -0.5% level.

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

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

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

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

Global Public Equities

Public equities are publicly traded stocks and shares in companies that are listed on a public stock exchange, for example the FTSE 100 Index[4] in the UK, and are commonly grouped in global indices, such as the Morgan Stanley Capital International (MSCI) World Index, by their respective company size.

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

The Fund's investment in Public Equities arises through an allocation to the LPPI Global Equity Fund ("GEF"), which combines an internally managed portfolio with a variety of external equity managers, as shown in **Fig.5**. The GEF maintains an overall bias to "Quality" stocks, which are stocks of high-quality companies (i.e. companies with more stable earnings, stronger balance sheets, and higher margins), however other styles are included to provide diversification. As a global fund, the GEF invests in a wide range of geographic regions, though maintains a bias towards Europe and Americas (although **Fig.6** shows that the GEF is underweight Americas versus its benchmark, the region still makes up more than 60% of the GEF's regional exposure).

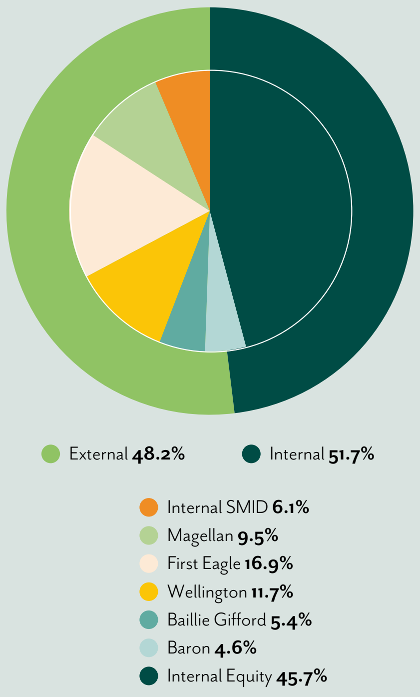
The GEF is benchmarked against the MSCI All Countries World Index[5] and aims to outperform this benchmark by 2% p.a. over a full market cycle of at least seven years.

Over the twelve-months to 31 March 2023, the GEF generated a positive absolute return of +2.7%, outperforming its benchmark by 4.2%.

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

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

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



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

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

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

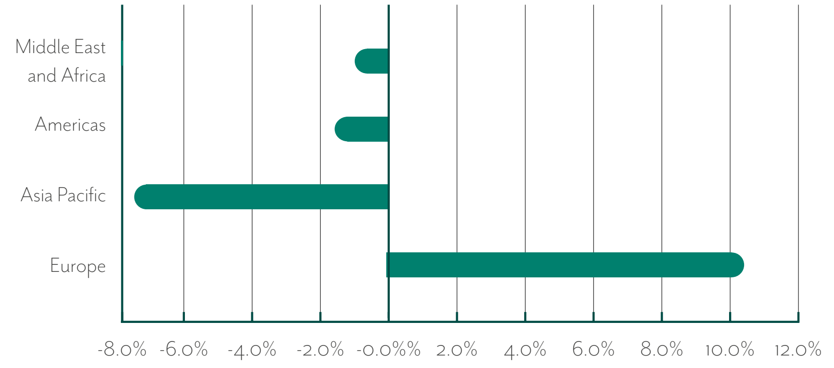
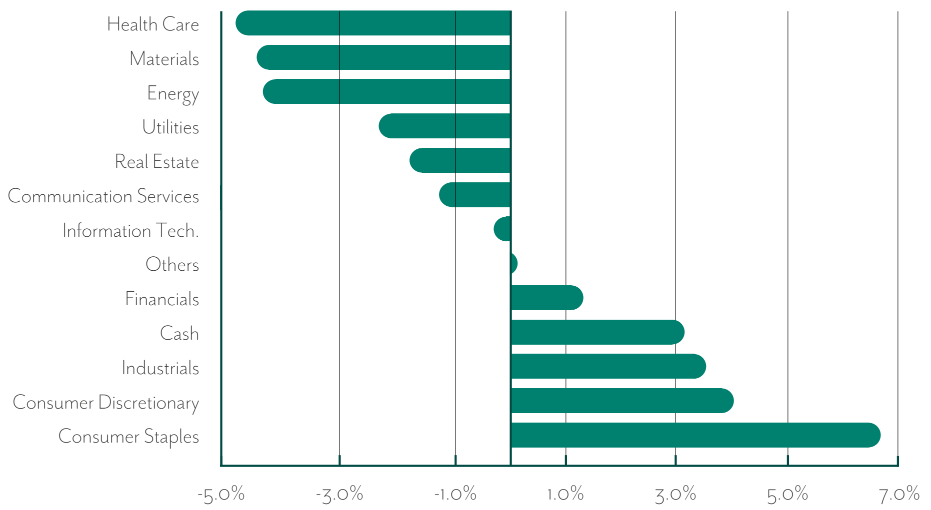


Fig.7 LCPF Public Equities – Sector weights v MSCI ACWI as at 31 March 2023



Fixed Income

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

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

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

The FIF returned -2.1% over the twelve-months to 31 March 2023, outperforming its benchmark by 3.1%. Both underlying managers posted negative absolute returns over the period but outperformed the benchmark.

The key driver of the FIF's negative absolute return was its interest rate exposure. Generally, when long-term interest rates increase, the value of Fixed Income assets tends to fall. The tables in the Economic Overview section show that interest rates went up over the year, which caused the value of the assets held in the FIF to fall.

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

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

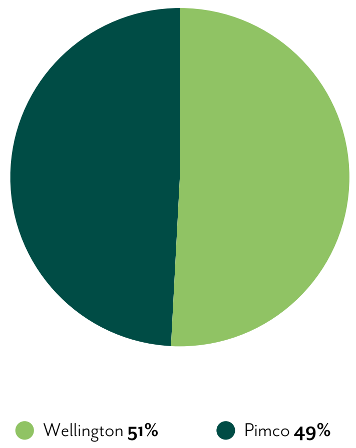
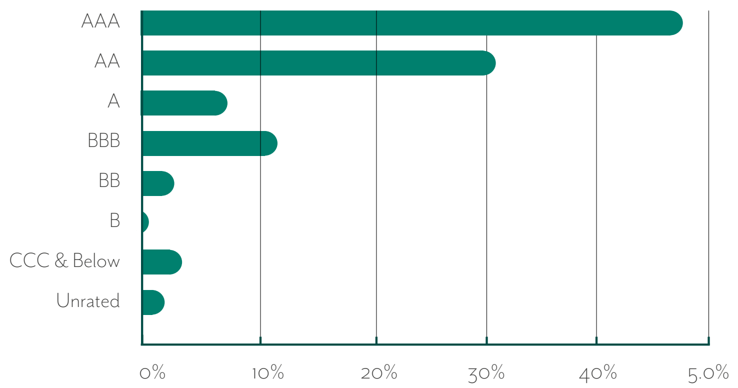


Fig.9 LCPF Fixed Income – Holdings by credit rating as at 31 March 2023



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

Private Equity

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

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

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

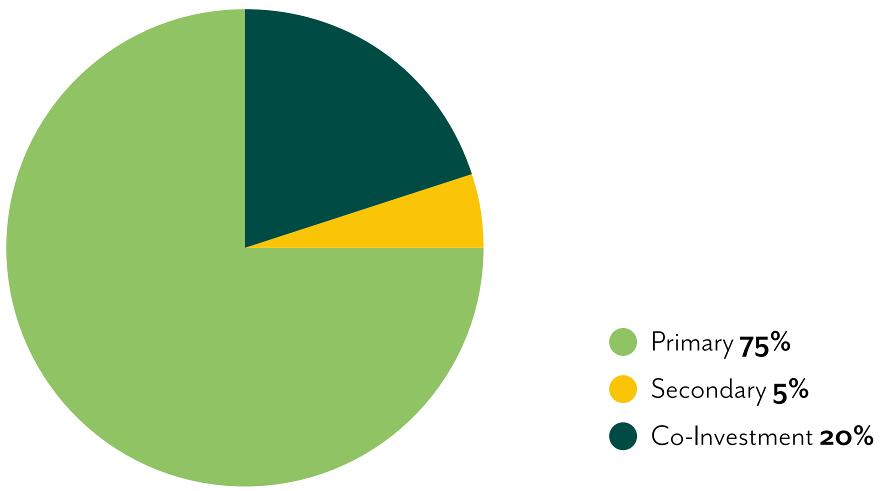
The Fund's Private Equity exposure is being gradually reduced in line with the Fund's long-term strategy.

The Fund's Private Equity portfolio is benchmarked against the MSCI World SMID Index[7] and aims to outperform this benchmark by 2% p.a. – 4% p.a. over a rolling ten-year period.

The Fund's Private Equity portfolio returned +11.5% over the twelve-month period to 31 March 2023, outperforming the benchmark by 15.5%. It should be noted that the performance calculation of the portfolio lags that of the benchmark, which is a Public Equity index, as by their nature it takes much longer to value Private Equity assets than Public Equities.

With long-term investment periods, performance is generally best viewed over longer horizons. The Fund's Private Equity portfolio has generated double-digit annualised returns over the three-year, five-year and since inceptions periods and has also outperformed the benchmark over each of these periods.

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



Primary – Denotes investments made directly within newly launched company or Fund
Secondary – Denotes investments made within existing private equity opportunities, companies or funds
Co-Investment – Denotes investing alongside other investors in the same opportunity

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

Fig. 11 LCPF Private Equity – Investment type breakdown as at 31 March 2023

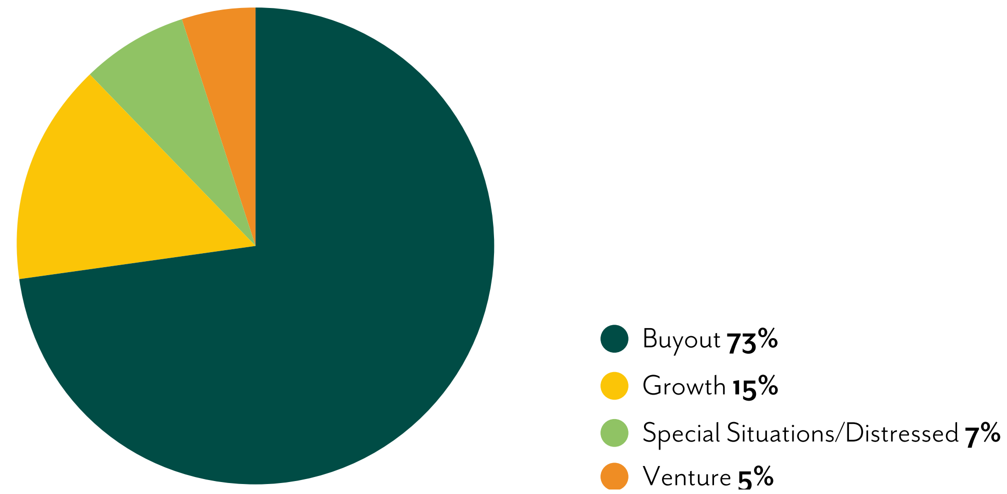
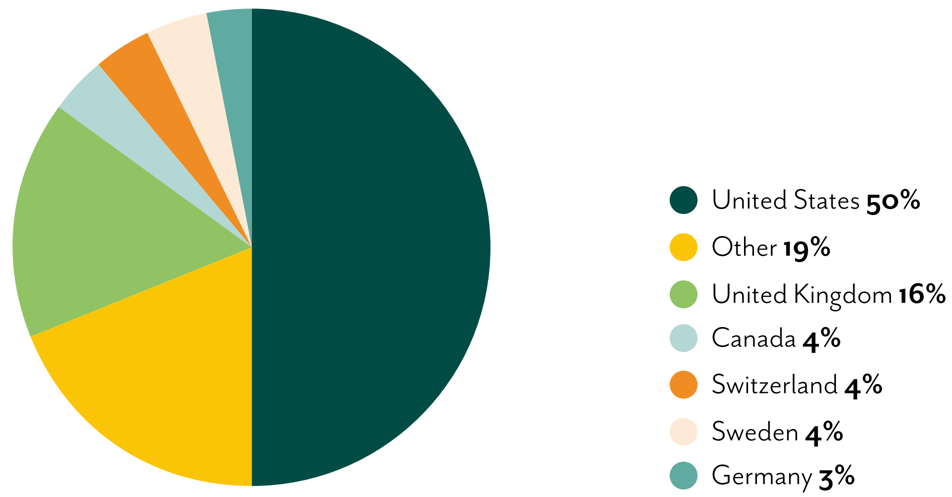


Fig.12 LCPF Private Equity – Regional breakdown as at 31 March 2023



Real Estate

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

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

The Fund's Real Estate Portfolio is benchmarked against the MSCI UK Quarterly Property Index[8] and has a target return of UK CPI[9] + 3.0% p.a. – 5.0% p.a. over a rolling ten-year period.

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

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

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

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

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

Fig.13 LCPF Real Estate – Geographical breakdown as at 31 March 2023

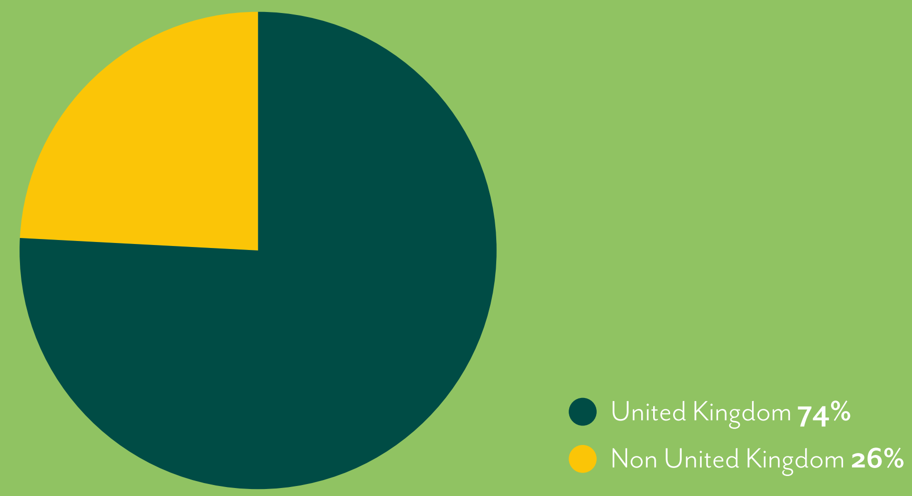
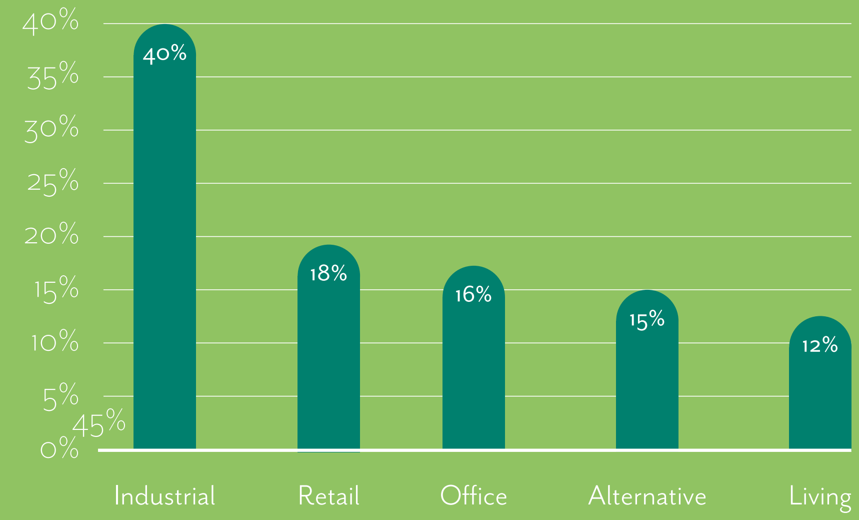


Fig.14 LCPF Real Estate – Sector breakdown as at 31 March 2023



Infrastructure

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

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

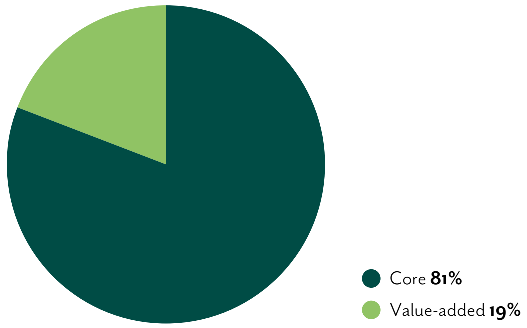
The majority of the Fund's infrastructure exposure is through the LPPI Infrastructure Fund. This comprises allocations to a variety of UK domestic and global infrastructure funds and direct investment projects. The portfolio focusses predominantly on Core infrastructure in the UK, Europe and North America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

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

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

Over the twelve months to 31 March 2023, the portfolio returned +10.9%, underperforming the benchmark by 2.8%. The LPPI Infrastructure Fund posted a return of +11.4% over the twelve months, with GLIL being a key driver of performance due to its inflation-linked revenue. Regarding infrastructure investments on the Fund's balance sheet, only two North American energy funds remain after a third North American energy fund divested its last asset during the first quarter of 2023.

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



Core – Assets/strategies that have long-term stable cash flows and have low operational or development risk; **Value add** – Assets/strategies that require enhancements in order to increase demand for the asset and its revenue generation

Fig.16 LCPF Infrastructure – Geographical breakdown as at 31 March 2023

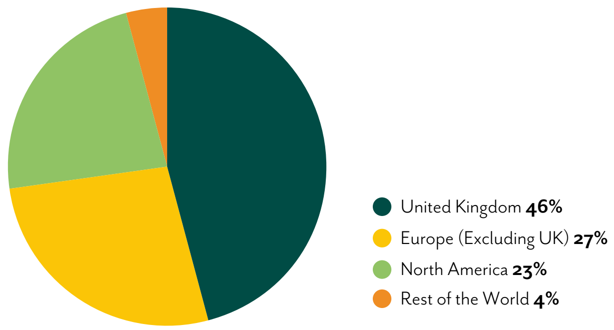
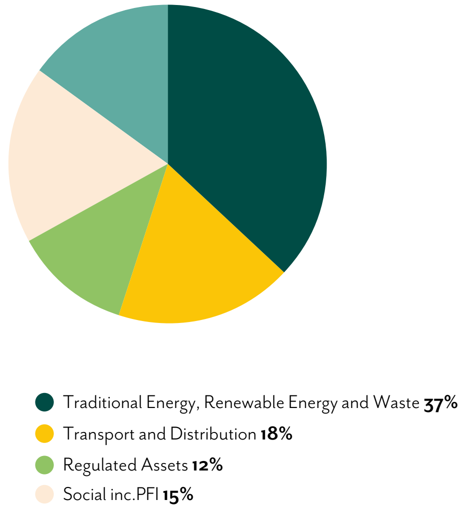


Fig.17 LCPF Infrastructure – Sector breakdown as at 31 March 2023



Credit

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

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

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

The portfolio has a composite benchmark of 50% Morningstar LSTA US Leveraged Loan Index[10] (GBP Hedged) and 50% Bloomberg Barclays Multiverse Corporate Index[11] (GBP Hedged). The LPPI Credit Fund's target is to outperform the benchmark by 1.0% p.a. – 3.0% p.a. over a full market cycle of at least seven years.

Over the twelve- months, the Fund's Credit portfolio returned -1.2%, outperforming its benchmark by 1.1%.

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

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

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

Diversifying Strategies

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

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

The DSF follows a diverse, multi-strategy approach employing a range of relative value, risk premia and directional investment approaches in traditional markets, alongside alternative markets like insurance. **Fig.19** shows the breakdown of the DSF into its strategy types as at 31 March 2023. As part of wider portfolio redemption activity, reductions were made to the portfolio's Quantitative Equity Market Neutral, Event Driven and Multi-Strategy mandates over the year.

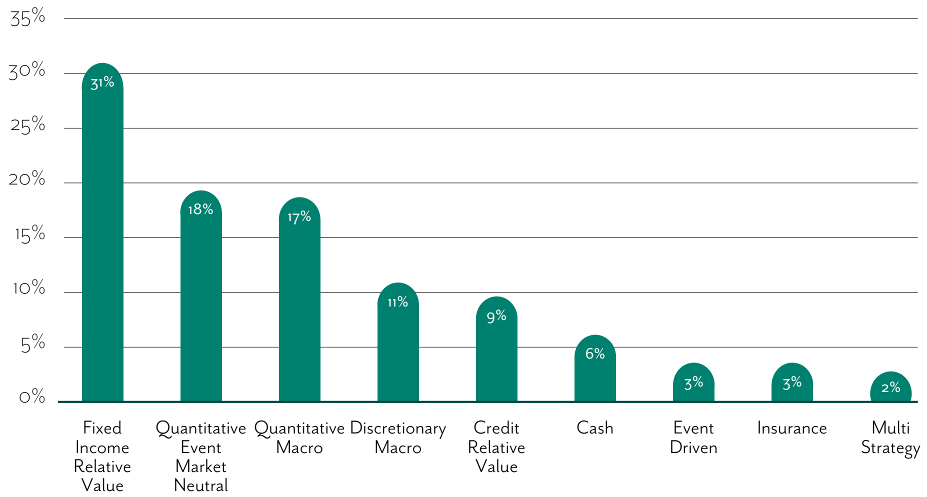
[10] An index that tracks the performance of US loans that are borrowed by companies with a higher risk of default.

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

The DSF is benchmarked against the HFRI Fund of Funds Conservative Index[12] and aims to outperform this benchmark by 1% p.a. over a rolling seven-year period.

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

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



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

H

Responsible Investment

Strategy

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

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

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

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

Governance

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

Applying High Standards

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

The UK Stewardship Code sets clear standards for effective stewardship by asset owners. The Financial Reporting Council – who publish to Code- defines stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society. LPPI has continued to meet the higher standard for stewardship disclosure in accordance with the updated 2020 code and have retained signatory status for 2021-22. Their Responsible Investment and Stewardship Report 2021-22, which forms their Stewardship Code submission, can be found on their website.

The Principles for Responsible Investment (PRI) are a global standard for Responsible Investment. Our portfolio is managed under arrangements which comply with the 6 PRI principles, to which LPPI is a signatory. As a signatory, LPPI is required to report on its RI activities to PRI who assess the report. Latest assessed results indicate LPPI successfully maintained high scores across the board, achieving over 70% in each module.

LPPI has submitted detailed reporting to the PRI annually since becoming a PRI signatory (with the exception of the break in reporting for the 2021/22 reporting cycle whilst PRI changed its framework) and Transparency Reports are accessible from the PRI website describing their responsible investment practices and giving detailed examples of good practice. LPP's website is a broader source of information on RI arrangements in place and shares various examples of stewardship activities, including their quarterly voting record.

Responsible Investment Priorities

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

Environment:

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

Social:

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

Governance:

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

Further detail on some of the above themes is provided below. Corporate governance and climate change remain as specific priorities for us.

Corporate Governance

We recognise that the quality of leadership and broader corporate governance strongly influences how well positioned investee companies are to accommodate and thrive under multiple stimuli (economic, social, political, and environmental). On our behalf, our investment managers select, and focus stewardship efforts on promoting well managed and sustainable companies. This involves monitoring and engaging companies to encourage positive behaviours such as fair and just employment practices and transparent disclosure on corporate activities.

Climate

The Fund recognises climate change as a systemic risk and a long-term investment concern posing material risks across all asset classes with the potential for loss of value including via stranded assets. In addition, the Government is planning to introduce new requirements regarding governance and reporting if climate change risks for LGPS Funds.

Understanding and managing the risks faced from climate change is a core priority. We are working with LPPI to gain a better understanding of the risks our portfolio faces and to ensure climate change considerations feature within investment decision-making. The Fund is also further considering governance, reporting and strategy around climate change risks.

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

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

At 31 December 2022 carbon intensity was well below that of the LPPI GEF's benchmark (MSCI ACWI) and had declined compared with the same measure in 2021. The table below shows the trend using a revenue measure (gross carbon emissions divided by total revenues for companies in the LPPI GEF) for scope 1 and 2 emissions (scope 1 covers the carbon emissions that a company makes directly and scope 2 covers indirect emissions from consumption, for example, of purchased electricity and heat).

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

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

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

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

Engagement, voting and collaboration

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

Shareholder engagement

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

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

Activity by Focus Topic	YTD
Environment	78
Social	31
Corporate Governance	23
Sustainable Development Goals	45
Global Controversy	1
Robeco-linked voting	5
Total	**183**

Activity by Region	YTD
North America	42%
Europe	19%
Pacific	14%
Emerging Markets	25%
Total	**100%**

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

Activity by Method	YTD
Meeting	7
Conference Call	118
Written correspondence	156
Shareholder Resolution	4
Analysis	56
Other	3
Total	**344**

Voting

Shareholder Voting

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

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

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

During the financial year ended 31 March 2023, LPPI voted

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

Collaboration

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

LAPFF's mission is to promote the highest standards of corporate governance and corporate responsibility to protect the long-term value of local authority pension funds. A work programme on behalf of 80+ collaborating LGPS funds includes engaging directly with company chairs and boards on priority issues of collective interest. The Fund is an active LAPFF member. The Chair of the PFC is a member of the LAPFF Executive Committee, and we attend and participate in the AGM and Annual Conference as well as attending the Forum's programme of quarterly business meetings. Our active partnership with other LGPS pension funds via LAPFF is aimed at collectively setting high standards, advocating for progressive policy, and holding investee companies to account as part of safeguarding the value of the portfolio.

Over the last 12 months, the Fund was represented by LAPFF across the range of activities and further detail is provided in LAPFF's Annual Report 2022.

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Responsible Investment Case Studies

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

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

Our direct investments in Real Estate include a County Portfolio which exclusively invests in Lancashire bringing new infrastructure, jobs, and economic benefits to the Northwest.

Some examples of local investments are below:

Urban Regeneration: Cathedral Square, Blackburn

The Fund finances the redevelopment of a section of Blackburn City centre called Cathedral Square. Before the redevelopment, the area around the cathedral was characterised by poor quality public space and buildings that did not fit with the cathedral itself. The county portfolio has since invested £4.8m capital into the regeneration scheme. The redevelopment, which includes a hotel and restaurant, now forms part of the wider 'Cathedral Quarter' regeneration area. As well as the hotel and restaurant facility the scheme has provided office space with a more fitting aesthetic for both residents and visitors to Blackburn. The building scored 'Very Good' by BREEAM[13] and the hotel achieved an Energy Performance Certificate rating of B29.

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

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

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

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

Asset Pools

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

Pool set up and investment transition costs by year

	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	2022/23 £'m
Set up costs									
Legal	–	0.1	0.1	0.3	–	0.3	–	–	–
Professional fees	–	0.1	0.1	0.3	–	0.1	–	–	–
Other support costs	–	–	–	0.1	–	0.4	–	–	–
Total	**–**	**0.2**	**0.2**	**0.7**	**–**	**0 .8**	**–**	**–**	**–**
Transition costs	**–**	**–**	**2**	**0.3**	**–**	**–**	**–**	**–**	**–**

Pool set up and investment transition costs by type of expense

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

Total expected costs and savings

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

	2014/15 £'m	2015/16 £'m	2016/17 £'m	2017/18 £'m	2018/19 £'m	2019/20 £'m	2020/21 £'m	2021/22 £'m	2022/23 £'m
Set up costs	–	0.2	0.2	0.7	–	0.8	–	–	–
Transition costs	–	–	2	0.3	–	–	–	–	–
Investment management fee savings	–	–	(0.6)	0.4	(9.1)	(8.1)	(12.1)	(15.0)	(17.2)
Other support costs	–	–	–	0.1	–	0.4	–	–	–
Net (savings)/costs realised	**–**	**0.2**	**1.6**	**1.4**	**(9.1)**	**(7.3)**	**(12.1)**	**(15.0)**	**(17.2)**

Ongoing investment management costs 2022/23

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

The table below summarises investment management costs for 2022/23. It has been compiled from cost transparency templates completed by each of the Fund's investment managers. The investment expenses are split between those held within LPPI investment pooling vehicles and those non-pooled assets held directly by the Fund.

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

Accounts of the Fund

Responsibilities for the Statement of Accounts

The responsibilities of the administering authority

The administering authority is required:

1. To make arrangements for the proper administration of the financial affairs of the Fund, and to ensure that an officer has the responsibility for the administration of those affairs. For Lancashire County Council (LCC), the responsible officer during the year 2022/23 was the Chief Executive, who was also the Section 151 Officer to the Fund; To manage its affairs to secure economic, efficient, and effective use of resources, and to safeguard its assets.

The responsibilities of the Section 151 Officer to the Pension Fund

The Section 151 Officer to the Pension Fund is responsible for the preparation of the Fund's statement of accounts. In accordance with the CIPFA Code of Practice on Local Authority Accounting in Great Britain (the Code), the statement is required to present fairly the financial position of the Fund at the accounting date, and its income and expenditure for the year then ended.

In preparing this statement of accounts, the Section 151 Officer to the Fund has:

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

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

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

The Statement of Accounts relate to the financial year ended 31 March 2023 and include the Fund Account and the Statement of Net Assets which are prepared in accordance with standard accounting practice as outlined in the notes to the accounts of the Fund.

Angie Ridgwell, Section 151 Officer, Lancashire County Pension Fund

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

Opinion on financial statements

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 2023, 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 2022/23.

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 2023 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 2022/23; 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 Section 151 Officer's 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 Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022) 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.

In auditing the financial statements, we have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

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.

Our responsibilities and the responsibilities of the Section 151 Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's and group's financial statements. The Section 151 Officer is responsible for the other information. Our opinion on the 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge 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 financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters 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, 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 and the Section 151 Officer

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 Section 151 Officer. The Section 151 Officer 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Section 151 Officer 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 Section 151 Officer 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 they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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 (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003), Public Service Pensions Act 2013, Local Government Pension Scheme Regulations 2013 and Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

We enquired of management 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 management, 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 management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries that altered the Fund's financial performance for the year;
- potential management bias in determining accounting estimates and judgements in relation to:
  - the valuation of level 3 investments
  - the valuation of level 2 investments
  - the valuation of directly-held properties

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on large post year-end journals above performance materiality, journals posted by senior management, material journals posted during the migration of the new ledger, journals over half performance materiality which impact the fund account and journals impacting changes in the value of investments,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 2 investments, level 3 investments and directly held property, and
- 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. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as 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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our 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.

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.

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 44 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.

Sarah L Ironmonger

Sarah Ironmonger Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Manchester

26 June 2024

Lancashire County Pension Fund

Fund account for year ended 31 March 2023

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

Net assets statement as at 31 March 2023

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

Note: The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits is disclosed at note 24.

This statement of accounts is that upon which the auditor should enter his certificate and opinion. It presents fairly the position of the Lancashire County Pension Fund as at 31 March 2023 and its income and expenditure for the year then ended.

Notes to the financial statements

Note 1 - Pension Fund operations and membership

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

The following description of the Fund is a summary only. For more detail, reference should be made to the Lancashire County Pension Fund Annual Report 2022/23 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

General

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

1. the Local Government Pension Scheme Regulations 2013 as amended
2. the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
3. the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by Lancashire County Council to provide pensions and other benefits for pensionable employees, whether active, deferred or retired members, of Lancashire County Council, the unitary and district councils in Lancashire and a range of other scheduled and admitted bodies within the geographic county of Lancashire. Teachers, police officers and fire-fighters are not included within the Fund as they come within other national pension schemes.

The Fund is overseen by the Lancashire PFC, which reports directly to Full Council. The Head of Fund is designated as the officer responsible for the management of the Fund.

The PFC comprises twelve County Councillors and seven voting co-optees representing the further and higher education sectors, the Lancashire borough, district and city councils, Blackburn with Darwen Council, Blackpool Council and trade unions.[1]

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

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

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

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

The Lancashire LPB assists Lancashire County Council in its role as scheme manager and provides a scrutiny role to ensure effective and efficient governance and administration of the Fund. The LPB comprises an independent chair together with representatives acting on behalf of employers and members. All members of the LPB must be able to demonstrate the knowledge and skills set out in the terms of reference of the LPB which are available to view on the Fund website at www.lancashirecountypensionfund.org.uk

Membership

Membership of the LGPS is automatic although employees are free to opt out of the scheme, remain in the scheme or make their own personal arrangements outside the scheme. Employees are re-enrolled every 3 years under the Government's auto-enrolment Regulations.

Organisations participating in the Lancashire County Pension Fund include:

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

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

Membership of the Fund, as at 31 March 2023 is detailed in the following table:

31 March 2022	Lancashire County Pension Fund	31 March 2023
305	Number of employers with active members[1]	324
157	Number of ceased employers (no active members but some outstanding liabilities)	167
	Number of active scheme members	
26,545	County Council	27,275
29,142	Other employers	29,906
55,687	**Total Number of pensioners**	**57,181**
27,024	County Council	27,967
27,412	Other employers	28,479
54,436	**Total Number of deferred pensioners**	**56,446**
36,583	County Council	36,400
36,992	Other employers	39,581
73,575	**Total**	**75,981**
183,698	**Total membership**	**189,608**

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

Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made by active members of the Fund in accordance with the LGPS (Amendment) Regulations 2018 and range from 5.5 % to 12.5% of pensionable pay for the financial year ending 31 March 2023. Employer contributions are set based on triennial actuarial funding valuations. The contributions in 2022/23 are based on the valuation at 31 March 2019. The latest valuation was at 31 March 2022 for the three years commencing 1 April 2023.

Employer contribution rates for 2022/23 range from 0.0% to 30.3% of pensionable pay, with a primary rate of 17.4%, and are dependent on the assumptions applied by the actuary when carrying out the valuation. Examples of variables which may differ between employers are demographic assumptions regarding the age profile and life expectancy of employees, probability of dependant's pensions becoming payable and the likelihood of ill health retirements.

Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year. Accrued pension is updated annually in line with the consumer prices index. A range of other benefits are also provided including early retirement, disability pensions and death benefits.

The scheme benefits are summarised in the following table.

	Service Pre-1 April 2008	Service post 1 April 2008 and pre-1 April 2014	Service post 1 April 2014
Pension	Each year worked is worth 1/80th x final pensionable salary.	Each year worked is worth 1/60th x final pensionable salary.	Each year worked is worth 1/49th x the pensionable pay for that year (or 1/98th of pensionable pay if member opts for the 50/50 section of the scheme).
Lump sum	Automatic lump sum of 3 x salary. 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 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2022/23 which is based on International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year, nor do they take into account the actuarial present value of promised retirement benefits. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in note 24 to these accounts.

The accounts have been prepared on a going concern basis.

Accounting standards issued but not yet adopted

Under the *Code of Practice on Local Authority Accounting in the United Kingdom 2022/23*, the Fund is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued on or before 1 January 2023 but not yet adopted by the Code. There are no such accounting changes to be disclosed for 2022/23.

Non adjusting events after the reporting period

Following the end of the year the Fund has continued with investing activities in line with the Fund's investment strategy. As a result, the Fund's investment assets continued to increase in the year to 31st March 2024 to £11.73bn. (Note: the March 2024 value has not yet been audited). Further information on the investment strategy can be found on the Fund's website at https://lancashirecountypensionfund.org.uk/.

Note 3 - Accounting policies

Fund account - revenue recognition

Contribution income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Member contributions are made in accordance with the LGPS (Amendment) Regulations 2018 using common percentage rates for all schemes which rise according to pensionable pay. Employer contributions are set at the percentage rate certified by the Fund actuary, in the payroll period to which they relate. Some employers exercise an option to pay future service rate contributions earlier than the due date, up to a period of 3 years in advance. These early contributions are recognised in the Fund account on receipt.

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

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Transfers to and from other schemes

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

Transfer values represent amounts received and paid during the period for individual members who have either joined or left the Fund during the financial year and are calculated in accordance with the appropriate legislation.

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

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

Investment income

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

Income from pooled funds
Income (distributions) from pooled funds are recognised at the date of issue. It is the policy of the Fund to reinvest distributions on the LPPI Global Equities, these distributions are recognised as investment income and subsequent reinvestments are recorded as purchase.

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

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

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

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

Fund account – expense items

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

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

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

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

Administrative expenses
Administrative expenses consist of the following:

1. Expenses related to LGPS members and pensioners. These include all activities the Fund must perform to administer entitlements and provide members with scheme and benefit entitlement information. Examples of this include pension allocations, benefit estimates, payment of benefits, processing of the transfer of assets, commutation, communications with members and pensioners, and annual benefit statements;
2. Expenses related to interaction with scheme employers e.g. data collection and verification, contributions collection and reconciliation, the employer's help desk or other employer support, and communications with employers; and
3. Associated project expenses.

All administrative expenses are accounted for on an accruals basis.

Oversight and governance costs
Oversight and governance expenses include the following costs:

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

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

Investment management expenses
Investment management expenses are defined as any expenses incurred in relation to the management of pension fund assets and financial instruments entered into in relation to the management of fund assets. This includes expenses directly invoiced by investment managers, custody fees and any fees payable to fund managers which are deducted from fund assets together with a recharge of costs incurred by Lancashire County Council in provision of treasury management services to the Fund. Transaction costs for all categories of investment, other than directly held property, are included within investment management expenses. All investment management expenses are accounted for on an accruals basis.

External investment manager and custodian fees are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of investments under their management and therefore increase or reduce as the value of these investments change.

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

Where an investment manager's fee note has not been received by the net assets statement date, an estimate based upon the latest available market value of their mandate as at the end of the year is used for the inclusion in the Fund account. In 2022/23, £3.1m of fees is based on such estimates (2021/22: £16.8m).

Net assets statement

Financial assets
Financial assets are included in the net assets statement on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the Fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13. For the purpose of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016). More details can be found at note 16.

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

The properties were valued at open market value at 31 March 2023 by independent property valuers Avison Young in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards effective from 31 January 2022.

Foreign currency transactions
Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period. Any gains or losses are treated as part of a change in market value of investments.

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

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

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

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

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

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

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

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

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

Note 4 - Critical judgements in applying accounting policies

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

Note 5 - Assumptions made about the future and other major sources of estimation uncertainty

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

The items at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming year are set out in the following table.

Item	Uncertainties	Impact if actual results differ from assumptions
Private Equity and infrastructure investments	Private Equity and infrastructure investments are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines or equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The market value of Private Equity and infrastructure investments in the financial statement's totals £2,595.8m[1] (2021/22: £2,318.3). Note 16 & 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.
Long-term credit investments	Long-term credit investments are valued as the Fund's percentage share of the independently audited Net Asset Value of each individual strategy as provided by the relevant manager. In some cases, the underlying investments will be classified as level 3 investments, defined in note 16 as those investments for which valuation involves at least one input which is not based on observable market data.	The market value of long-term credit investments in the financial statements totals £1,626.0m (2021/22): £1,416.7m excluding investment in loans secured on real assets). Note 16 & 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks.
Indirect core property investments	Indirect properties are valued at the current open market value as defined by the RICS Appraisal and Valuation Standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Indirect property investments in the financial statements total £910.8m (2021/22: £944.6m). Note 16 & 17 provides information on the sensitivity of the value of these investments to currency fluctuations, market and other price risks. Indirect core property is included within the property and funds, and total property headings in the sensitivity note.
Actuarial present value of promised retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex assumptions relating to future experience – the main assumptions would be the discount rate used relative to assumed inflation (essentially the assumed real return on pension fund assets), the rate at which salaries are projected to increase, changes in retirement ages and future mortality rates. A firm of consulting actuaries (Mercer) is engaged to provide the authority with expert advice about the assumptions to be applied. Areas of uncertainty highlighted by the actuary include Guaranteed Minimum Pension (GMP) equalisation, the impact of COVID19 / Ukraine, the court of appeal ruling on the Sergeant and McCloud cases and current high levels of inflation. Further information can be found in note 24 to these accounts.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.25% reduction in the discount rate assumption would increase the value of the liabilities by approximately £401m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £103m and a 1-year increase in assumed life expectancy would increase the liabilities by approximately £189m. Estimation of the net liability to pay pensions depends on a number of complex assumptions relating to future experience – the main assumptions would be the discount rate used relative to assumed inflation (essentially the assumed real return on pension fund assets), the rate at which salaries are projected to increase, changes in retirement ages and future mortality rates. A firm of consulting actuaries (Mercer) is engaged to provide the authority with expert advice about the assumptions to be applied.

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

Note 6 - Contributions receivable

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

[1] Following the actuarial valuation in 2019, the Fund gave some employers the option of paying their 3-year future service rate and deficit contributions up front. A number of employers opted to do this and as a result the normal and deficit recovery contributions from the County Council and scheduled bodies for the year ended 31 March 2021 included £87.3m in relation to 2021/22 and £88.4m in relation to 2022/23.

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

Note 7 - Transfers in from other pension funds

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

Note 8 - Benefits payable

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

Note 9 - Payments to and on account of leavers

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

Note 10 - Management expenses

2021/22 £m		2022/23 £m
4.1	Fund administrative costs	4.2
162.6	Investment management expenses[3]	110.9
1.4	Oversight and governance costs[4]	1.7
168.1		**116.8**

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

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

Investment management expenses

31st March 2023

	Total £m	Management Fees[5] £m	Performance Related fees £m	Transaction Costs[6] £m
Pooled Investments	97.7	66.9	27.0	3.8
Pooled property investments	12.8	10.2	1.0	1.6
Property	0.2	0.2	-	
Cash Deposits	0.1	0.1		
	110.8	**77.4**	**28.0**	**5.4**
Custody Fees	0.1			
	110.9			

31st March 2022

	Total £m	Management Fees[5] £m	Performance Related fees £m	Transaction Costs[6] £m
Pooled Investments	148.1	84.7	61.8	1.6
Pooled property investments	9.8	6.4	0.3	3.1
Property	4.5	0.2	4.3	-
Cash Deposits	0.1			
	162.5	**91.3**	**66.4**	**4.7**
Custody Fees	0.1			
	162.6			

[5] 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.

[6] 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.

Note 11 - Investment income

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

Note 12 - Property income

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

Note 13 - Reconciliation of movements in investments

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

	Market value as at 1 April 2021 £m	Purchases at cost £m	Sales proceeds £m	Change in value during the year' £m	Market value as at 31 March 2022 £m
Fixed interest securities	44.5	118.1	(85.1)	(1.1)	76.4
Pooled investment vehicles	8,056.7	832.9	(572.9)	1,070.9	9,387.5
Pooled property investments	1,161.8	-	(353.7)	136.5	944.6
Private equity	12.5	-	-	-	12.5
Direct property	159.7	0.9	-	11.5	172.1
	9,435.2	**951.9**	**(1,011.7)**	**1,217.8**	**10,593.1**
Cash deposits	108.4				55.4
Loan investments	55.0				50.0
Investment income due	0.7				0.9
Net investment assets	**9,599.3**				**10,699.4**

Investments analysed by fund manager

31 March 2022			31 March 2023	
£m	% of net investment assets		£m	% of net investment assets
Private equity investments				
907.7	8.5%	LPPI Private Equity Fund	876.2	8.1%
Private equity investments managed outside of LPPI Private Equity Fund				
12.1	0.1%	Trilantic Capital Partners	7.8	0.1%
12.5	0.1%	Local Pensions Partnership Limited	12.5	0.1%
932.3	**8.7%**	**Total private equity investments**	**896.5**	**8.3%**
Long term credit investments				
1,342.2	12.5%	LPPI Credit Investments	1,571.2	14.5%
Credit investments managed outside of LPPI Credit Investments Fund				
31.1	0.3%	CRC	26.8	0.3%
26.6	0.3%	Neuberger Berman	21.9	0.2%
11.1	0.1%	Pimco Bravo	2.5	-
4.1	-	Bridgepoint[8]	3.4	-
1.5	-	Hayfin	0.2	-
1,416.7	**13.2%**	**Total long term credit investments**	**1,626.0**	**15.0%**
Fixed income investments				
398.6	3.7%	LPPI Fixed Income Fund	156.3	1.5%
Liquid credit investments managed outside of LPPI Fixed Income Fund				
182.6	1.7%	LPPI internal and LCC Treasury Management	88.3	0.8%
581.2	**5.4%**	**Total fixed income investments**	**244.6**	**2.3%**
Global equity investments				
5,164.5	48.3%	LPPI Global Equities Fund	5,191.3	47.9%
5,164.5	**48.3%**	**Total global equity investments**	**5,191.3**	**47.9%**

[8] Bridgepoint Credit formerly EQT Credit

31 March 2022			31 March 2023	
£m	% of net investment assets		£m	% of net investment assets
Infrastructure investments				
1,255.4	11.8%	LPPI Global Infrastructure Fund	1,605.5	14.9%
Infrastructure investments managed outside of LPPI Global Infrastructure Fund				
40.4	0.4%	Icon Infrastructure Partners	48.5	0.5%
66.9	0.6%	Arclight Energy	36.4	0.3%
5.5	0.1%	Pike Petroleum Holdings LLC	4.7	-
14.1	0.1%	Highstar Capital	2.4	-
3.7	-	Eastern Generation Holdings LLC	1.8	-
130.6	**1.2%**		**93.8**	**0.8%**
1,386.0	**13.0%**	**Total infrastructure investments**	**1,699.3**	**15.7%**
Diversifying strategy investments				
101.9	1.0%	LPPI Diversifying Strategies Fund	111.5	1.0%
101.9	**1.0%**	**Total diversifying strategies investments**	**111.5**	**1.0%**
Property investments				
Directly held properties				
172.1	1.6%	Knight Frank	152.8	1.4%
Pooled property funds				
Core property				
944.6	8.8%	LPPI Real Estate Fund	910.8	8.4%
1,116.7	**10.4%**	**Total property investments**	**1,063.6**	**9.8%**
10,699.4	**100.0%**	**Net investment assets**	**10,832.8**	**100.0%**

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

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Fixed interest securities

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

Pooled investment vehicles

31 March 2022 £m	UK funds:	31 March 2023 £m
398.6	Fixed income funds	156.3
185.6	Private equity	192.9
1,255.4	Infrastructure	1,605.5
1,343.8	Long term credit investments	1,571.4
944.6	Property funds	910.8
101.9	Diversifying strategies	111.5
	Overseas funds:	
68.8	Fixed income funds	-
734.2	Private equity	691.1
130.6	Infrastructure	93.7
4.1	Long term credit investments	54.6
5,164.5	Equity funds[9]	5,191.3
10,332.1		**10,579.1**

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

Direct property investments

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

Property holdings

The Fund's investment in property comprises of investments in pooled property funds along with a number of directly owned properties which are leased commercially to various tenants.

Details of these directly owned properties are shown in the table.

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

Leases

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

Residual asset risk

The independent valuation of the direct property portfolio considers the level of committed tenancies amongst other variables. Lessees do not have an option to purchase the properties at the expiry of their lease period and all rental contracts include market review clauses in the event that the lessee exercises an option to renew. Rental income is contractually secured against a wide range of tenants who in turn operate in a range of market sectors. Income generally reviewed to market rent five yearly, and there is also an element of the portfolio income that is indexed or has fixed uplifts (generally being in the range of 2-4% per annum). As at 31 March 2023, the Fund has the following future minimum lease payments due from tenants.

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

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

There are no contingent rents as all rents are fixed until the next rent review (generally on 5-year review patterns) and then are either reviewed to market rent, a fixed uplift or in line with an index.

Cash deposits

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

Note 14 - Financial instruments classification

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

Financial assets	Fair value through profit or loss £m	Financial assets at amortised cost £m	Financial liabilities at amortised cost £m
Fixed interest securities	22.2		
Loan investments		20.0	
Pooled investment vehicles	9,668.3		
Pooled property investments	910.8		
Directly held private equity	12.5		
Cash deposits		45.9	
Investment accruals	0.3		
Debtors		19.8	
Total financial assets	**10,614.1**	**85.7**	
Financial liabilities			
Creditors			**5.4**
Total financial liabilities			**5.4**

31 March 2022

Financial assets	Fair value through profit or loss £m	Financial assets at amortised cost £m	Financial liabilities at amortised cost £m
Fixed interest securities	76.4		
Loan investments		50.0	
Pooled investment vehicles	9,387.5		
Pooled property investments	944.6		
Directly held private equity	12.5		
Cash deposits		55.4	
Investment accruals	0.9		
Debtors		19.9	
Total financial assets	**10,421.9**	**125.3**	
Financial liabilities			
Creditors			7.8
Total financial liabilities			**7.8**

Note 15 - Net gains and losses on financial instruments

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

Note 16 - Financial instruments – fair value hierarchy

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Level 1 assets include Cash and Cash Equivalents, directly held Bonds and those held in the LPPI Global Equity Fund. Listed investments are shown at quoted prices.

Level 2

Level 2 investments are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. The only asset currently at level 2 is the holding in the LPPI Fixed Income Fund.

Level 3

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Instruments included in level 3 are private equity, infrastructure, property, long term credit and diversifying strategies investments, which are valued using various valuation techniques that require significant management judgement in determining appropriate assumptions, including earnings, public market comparatives and estimated future cash flows.

The values of the investment in private equity and infrastructure are based on valuations provided by the managers of the private equity and infrastructure funds in which Lancashire County Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines or equivalent, which follow the valuation principles of IFRS and US GAAP. Ordinarily, valuations are performed annually mainly, and at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

Fair value hierarchy

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into level 1 to 3 based on the level of which the fair value is observable.

31 March 2023

	Quoted market price Level 1 £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	5,213.7	156.3	5,244.1	10,614.1
Financial Assets at Amortised Cost[1]	45.9	34.4	-	80.3
Non-financial assets at fair value through profit and loss (property holdings)[1]	-	-	152.8	152.8
Net investment assets	**5,259.6**	**190.7**	**5,396.9**	**10,837.2**

31 March 2022

	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	5,240.3	398.6	4,783.0	10,421.9
Financial Assets at Amortised Cost[10]	55.4	62.1	-	117.5
Non-financial assets at fair value through profit and loss (property holdings)[10]	-	-	172.1	172.1
Net investment assets	**5,295.7**	**460.7**	**4,955.1**	**10,711.5**

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

Basis of valuation

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

Sensitivity of assets valued at level 3

Having consulted with the Fund's independent investment advisors; PIRC, the Fund has determined that the valuation methods described above are likely to be accurate to within the following ranges, and has set out below the consequent potential impact on the closing value of investments held at 31 March 2023.

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

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

Reconciliation of fair value measurements within level 3

	Fixed income funds	Private equity funds	Infrastructure funds	Long term credit funds	Property and Property funds	Diversifying strategies	Total level 3 investments
	£m	£m	£m	£m	£m	£m	£m
Market value 1 April 2022	**68.8**	**932.3**	**1,386.5**	**1,348.8**	**1,116.8**	**101.9**	**4,955.1**
Purchases during the year and derivative payments	-	76.6	329.2	220.0	50.1	-	675.9
Sales during the year and derivative receipts	(70.7)	(172.8)	(127.7)	(29.7)	(12.8)	(2.1)	(415.7)
Unrealised gains / (losses)	(3.7)	(24.3)	72.2	86.9	(90.4)	11.7	52.4
Realised gains	5.6	84.7	39.0	-	-	-	129.2
Market value 31 March 2023	**-**	**896.5**	**1,699.2**	**1,626.0**	**1,063.7**	**111.5**	**5,396.9**

Note 17 - Nature and extent of risks arising from financial instruments

Risk and risk management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flow.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's operations. Policies are reviewed regularly to reflect change in activity and in market conditions.

Market risk

Market risk is risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings.

The objective of the Fund's risk management strategy is to identify, manage and keep market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.

Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

The Fund is exposed to share and derivatives price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital.

The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the fund investment strategy.

Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, the Fund has determined that the following movements in market price risks are reasonably possible for the 2022/23 reporting period.

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

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

Asset type	31 March 2023 £m	Potential market movements (+/-) £m	Potential value on increase £m	Potential value on decrease £m
Investment portfolio assets:				
Total equities	6,088	12.6%	6,855	5,321
Alternatives	3,593	6.3%	3,820	3,367
Total property	1,064	6.6%	1,134	993
Total bonds (including index linked)	22	4.0%	23	21
Total assets available to pay benefits	**10,767**	**5.9%**	**11,402**	**10,132**

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

Please note that 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. Also, the sensitivity tables above exclude cash and loan investments.

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Direct Property – Price Risk

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

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

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

Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors. The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2023 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

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

Interest rate risk - sensitivity analysis

The Fund has recognised that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 100 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy (1BPS = 0.01%). The Fund's investment advisor has advised that long–term average rates are expected to move less than 100 basis points for one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 1% change in interest rates:

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

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

Currency risk

Currency risk represents the risk that the fair value cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£). The Fund holds both monetary and non-monetary assets denominated in currencies other than Sterling.

The Fund's currency rate risk is routinely monitored by the Fund and its investment advisors in accordance with the Fund's risk management strategy.

The following table summarises the Fund's currency exposure as at 31 March 2023 and as at the previous year end.

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

Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 6.5%. A 6.5% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant (2021/22: 5.5%).

A 6.5% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value at 31 March 2023 £m	Potential market movement £m	Value on increase £m	Value on decrease £m
Overseas equities	5,882.4	383.1	6,265.5	5,499.3
Overseas alternatives	148.5	9.7	158.2	138.8
Overseas bonds (including index linked)	22.2	1.4	23.6	20.8
Total assets available to pay benefits	**6,053.1**	**394.2**	**6,447.3**	**5,658.9**

Currency exposure - asset type	Asset value at 31 March 2022 £m	Potential market movement +/- 5.5% £m	Value on increase £m	Value on decrease £m
Overseas equities	5,898.7	323.1	6,221.8	5,575.6
Overseas alternatives	203.5	11.1	214.6	192.4
Overseas bonds (including index linked)	33.6	1.8	35.4	31.8
Total assets available to pay benefits	**6,135.8**	**336.0**	**6,471.8**	**5,799.8**

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

Currency	Asset value at 31 March 2023 £m	Potential market movement (+/-) [12] %	Value on increase £m	Value on decrease £m
Canadian Dollar	32.0	5.7	33.8	30.2
Euro	264.8	5.3	279.0	250.7
Singapore Dollar	9.1	5.7	9.6	8.6
Swedish Krona	1.2	6.0	1.3	1.1
US Dollar	554.7	9.1	605.3	504.1
Global Basket	5,191.3	6.9	5,547.9	4,834.6
Total Holdings in Foreign Currencies	**6,053.1**	**6.5**	**6,447.3**	**5,658.9**

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

Currency	Asset value at 31 March 2022 £m	Potential market movement (+/-) [13] %	Value on increase £m	Value on decrease £m
Canadian Dollar	28.2	6.2	30.0	26.5
Euro	297.6	5.6	314.2	281.0
Singapore Dollar	15.3	5.7	16.2	14.4
Swedish Krona	2.6	6.9	2.7	2.5
US Dollar	627.6	8.3	679.7	575.5
Global Basket	5,164.5	6.1	5,479.0	4,850.0
Total Holdings in Foreign Currencies	**6,135.8**	**5.5**	**6,471.9**	**5,799.7**

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

Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial asset and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimise the credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipts that remain outstanding, and the cost of replacing the derivatives position in the event of a counterparty default. The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivatives contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Deposits are not made with banks and financial institutions unless they are rated independent and meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.

The Fund's cash holding under its treasury management arrangements at 31 March 2023 was £45.9.m (31 March 2022: £55.4m) and was held with the following institutions:

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

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Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments. The Fund has immediate access to its cash holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flow. The appropriate strategic level of cash balances to be held forms part of the Funds investment strategy.

The Fund has financial liabilities of £5.4m at 31 March 2023, all of which is due within one year.

Note 18 - Additional voluntary contributions (AVC)

Members participating in AVC arrangements each receive an annual statement confirming the amounts held in their account and the movements during the year. A summary of the information provided by Utmost Life and Pensions and Prudential is shown below. (This summary has not been subject to review and the Pension Fund relies on the individual contributors to check deductions made on their behalf are accurately reflected in the statements provided by the AVC providers). The figures relate to the financial year 1 April 2022 to 31 March 2023 for Prudential and are the latest available to the fund due to delays in the production of the annual benefits statement by the AVC provider and 1 September 2019 to 31 August 2020 for Utmost Life and Pensions and are not included in the Pension Fund accounts, in accordance with Regulation 4(1) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

Note 19 - Current assets

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

Note 20 - Current liabilities

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

Note 21 - Contractual commitments

As at 31 March 2023 the commitments relating to outstanding call payments due to unquoted limited partnership funds held in the private equity and infrastructure part of the portfolio totalled £602.0m (2022: £526.1m). The amounts 'called' by these funds are irregular in both size and timing and commitments to these partnerships are drawn down over a number of years. The term of a fund investment is typically 10 years. Realisation of these investments in the form of distributions normally occurs in the second half of the fund life, when portfolio companies have built value and can be sold.

Commitments to outstanding call payments for credit strategies stood at £39.7m (2022: £65.2m). The majority of these amounts are expected to be called over the coming two years and relate to various different investments including direct lending and distressed credit opportunities which are expected to begin repaying capital after 5 years. In order to maintain a steady level of investment in the long term, the Fund will enter into further commitments to fund this type of strategy over the coming years.

There are no outstanding commitments on direct property development contracts relating to properties under construction held in the direct property part of the portfolio (2022: £0m).

There are no outstanding commitments in relation to the Pooled real estate fund (2022: £0m)

Note 22 - Related party transactions

In accordance with IFRS, the financial statements must contain the disclosures necessary to draw attention to the possibility that the reported financial position of the Pension Fund may have been affected by the existence of related parties and associated material transactions.

There are three groups of related parties; transactions between Lancashire County Council as administering authority and the Fund; between employers within the Fund and the Fund; and between members and senior officers and the Fund.

Lancashire County Council

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

The Council incurred costs of £1.0m (2021/22: £1.0m) in relation to the administration of the Fund. This includes a proportion of relevant officers' salaries in respect of time allocated to pension and investment issues. The Council was subsequently reimbursed by the Fund for these expenses.

The Council is also the single largest employer of the members of the Pension Fund and contributed £32.9m to the Fund in 2022/23. A prepayment of contributions for the 3-year period starting 1st April 2020 totalling £120.5m, of which, £40.2m relates to 2022/23. Total employer contributions from the Council in 2022/23 amounted to £73.1m. All monies owing to and due from the Fund were paid in year.

Lancashire County Council is a shareholder in the Local Pensions Partnership (LPP), having an ownership in the company equal to that of the London Pension Fund Authority. LPP manages the investment and administration functions of the Fund, and the Fund makes regular payments to LPP to cover investment management charges and scheme administration expenses. Payments made for the year to 31 March 2023 amount to £5.1m (2021/22: £4.9m).

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

Employers within the Fund

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 6 and in respect of March 2023 payroll, are included within current assets in note 19.

Pension Fund Committee, Pensions Board and Senior Officers.

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

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

Note 23 - Key management personnel

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

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

2022/23

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

2021/22

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

Note 24 - Funding arrangements

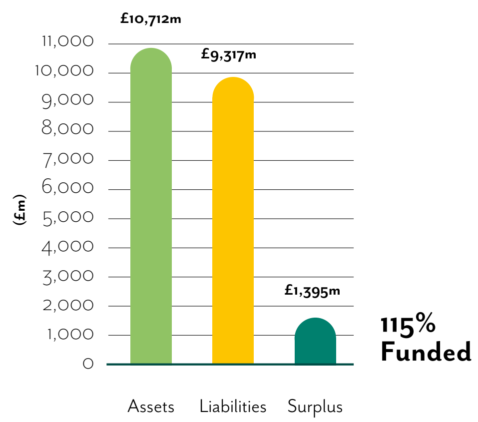
Lancashire County Pension Fund

Accounts for the year ended 31 March 2023 – Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2022 to determine the contribution rates with effect from 1 April 2023 to 31 March 2026.

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



The valuation also showed that a Primary contribution rate of 19.2% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

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

The FSS sets out the process for determining the recovery plan in respect of each employer. At the actuarial valuation the average recovery period adopted was 10 years for employers in deficit (16 years for employers in surplus). The total initial recovery payment (the "Secondary rate" for 2023/26) was an offset of approximately £27m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS), although this varies year on year.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2023.

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

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

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

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

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

The assets were assessed at market value.

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

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

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2023 (the 31 March 2022 assumptions are included for comparison):

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

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

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

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

	Liabilities
Start of period liabilities	£13,099m
Interest on liabilities	£363m
Net benefits accrued/paid over the period*	£197m
Actuarial (gains)/losses (see below)	(£4,458m)
End of period liabilities	£9,201m

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

Key factors leading to actuarial gains above are:

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

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

Leanne Johnston

Fellow of the Institute and Faculty of Actuaries

Mark Wilson

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

July 2023

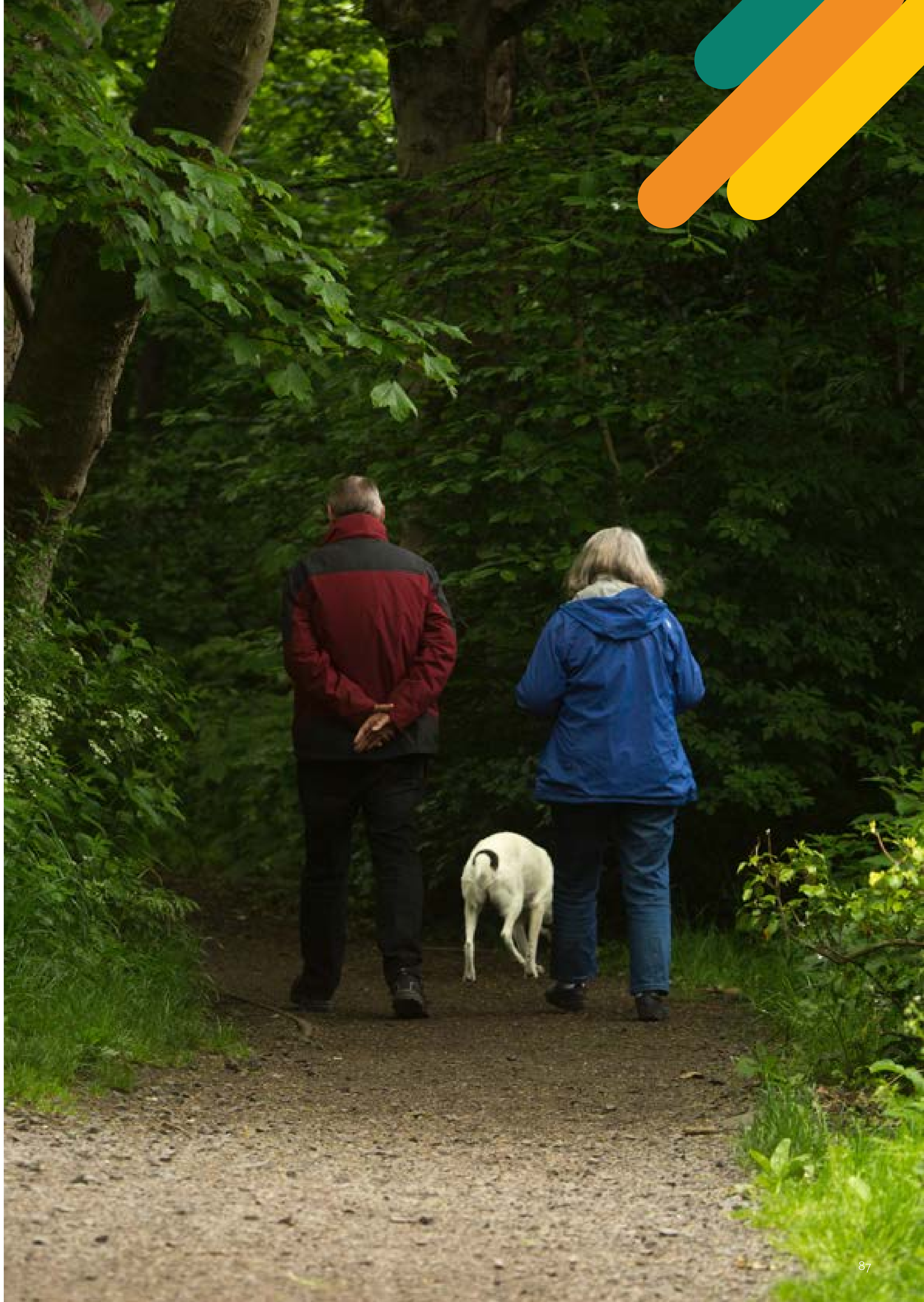
Additional considerations

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

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

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

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



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Lancashire Local Pension Board Annual Report

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

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

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

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

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

Membership of the Pension Board

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

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

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

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

The Board has a budget to cover both its expenses and to allow it to commission reports if required. During the year the cost of running the Board came to £11186.33.

Attendance of Board Members at Meetings

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

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

Changes to the Membership of the Board

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

Gayna Hart replaced Kathryn Haigh as a scheme member representative with effect from 1st April 2023.

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

Training

The Board is under a legal obligation to ensure its members maintain their levels of knowledge and understanding through regular training. We conduct an analysis of training needs once a year as part of our own annual efficiency review, which becomes an agenda item at our next meeting. Internal training workshops during this year were conducted on a hybrid basis in conjunction with the Committee, with recordings being made available for those unable to attend. Board members also have opportunities to attend external training events during the year and are expected to complete the online training modules from The Pension Regulator's Public Service toolkit. A comprehensive induction programme was arranged for the new Board members.

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

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

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

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

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

Activities

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

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

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

The core of the Board's work remains one of oversight. At every meeting, we look at any breaches of the regulations and consider the Key Performance Indicators agreed with LPPA as indicators or performance levels. This year we also reviewed statutory statements such as the Actuarial Valuation, the Funding Strategy Statement and the Communications and Breach Reporting policies. Board members are all users of the Fund, (either as employers or scheme members of the Fund), and in many cases have specific expertise which is the basis for providing useful and relevant feedback to the Committee.

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

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

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

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

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

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

Under the Board's Terms of Reference, I am required to make a statement in respect of my annual review of the Board's effectiveness. I conducted this in January 2023 and made recommendations which were discussed at our Board meeting in April 2023. I believe the Board operates effectively and efficiently and fulfils its legal and regulatory requirements.

The Board is supported by the Pensions Fund and the Democratic Services teams at Lancashire County Council. The Board's ability to function and the Fund's success in dealing with the considerable challenges it has faced during the last eight years relies on their efforts. On behalf of the Boards members as well as myself personally, I would like to finish by thanking them. I know they will provide the same level of support to my successor, which will make his or her role easier.

William Bourne, Independent Chair of the Lancashire Local Pension Board

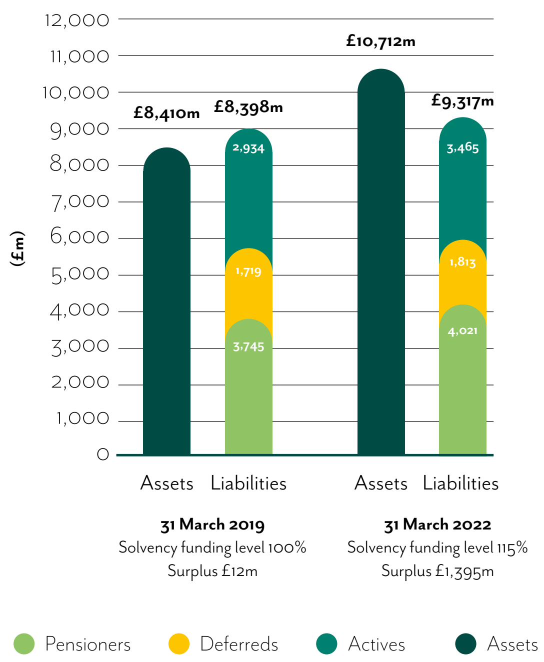
Actuarial Valuation

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

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

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

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



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

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Contacts

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www.lppapensions.co.uk/contact/contact-lppa/

Investment Management

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Custodian

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Legal advisors

Commercial & Procurement Team
Legal & Democratic Services
Lancashire County Council
www.lancashire.gov.uk

Bankers

National Westminster Bank
35 Fishergate
Preston PR1 2AD

Svenska Handelsbanken
Winckley Chambers
30 Winckley Square
Preston PR1 3JJ

AVC providers

Prudential
Lancing
BN15 8GB

Utmost Life and Pensions
Walton Street
Aylesbury
Buckinghamshire
HP21 7QW

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Glossary

A

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

Accounting policies
The specific principles, bases, conventions, rules and practices applied by the authority in preparing and presenting financial statements.

Accrual
The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid.

Actuarial strain
This is a charge paid by employers to the pension fund for paying pensions early.

Actuarial valuation
An investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits.

Actuary
An independent consultant who advises the scheme and every three years formally reviews the assets and liabilities of the scheme and produces a report on the scheme's financial position, known as the Actuarial Valuation.

Additional voluntary contributions (AVC's)
This is an extra contribution a member can pay to their own pension scheme to increase future pension benefits.

Administering authority
A local authority required to maintain a pension fund under LGPS Regulations. Within the geographical boundary of Lancashire this is Lancashire County Council.

Admitted bodies
An organisation which, under Pension Scheme Regulations, can apply to the administering authority to join the scheme (e.g. a contractor providing services to the council or another scheduled body). Upon acceptance, an admission agreement is prepared admitting the organisation and allowing its employees to join.

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

Asset-Based Lending
Providing a loan to a borrower that is secured against an asset.

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

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

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

B

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.

C

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.

Conflicts of interest
Real or apparent instances where a person or firm has an incentive to serve one interest at the expense of another. Some of those conflicts are inherent in any large, diversified organisation, while others stem from the nature of the services offered to clients. Those conflicts are managed through disclosure and with policies and procedures that are designed to protect client's interests. The appearance of a conflict of interest is present if there is a potential for the personal interests of an individual to clash with fiduciary duties.

Consumer price index (CPI)
CPI is a measure of inflation based on the change in the price of a fixed basket of goods and services. The difference between CPI and retail price index (RPI) is that CPI excludes some items used in RPI such as mortgage interest payments and council tax, and includes other items not used in RPI. The basket of goods and services on which CPI is based is expected to provide lower, less volatile, inflation increases.

Glossary

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

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

Corporate governance
The authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability.

Creditors
Amounts owed by the Pension Fund for work carried out, goods received, or services provided, which has not been paid by the date of the net assets statement.

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

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

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

D

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

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

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

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

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

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

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

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

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

E

Emerging markets
An emerging market economy is the economy of a developing nation that is becoming more engaged with global markets as it grows e.g. Latin America, Africa, Asia and the Middle East as well as areas of Europe and the Far East. Countries classified as emerging market economies are those with some, but not all, of the characteristics of a developed market. Investment returns within these markets tend to be more volatile than those in more established markets.

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

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

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

Investors who integrate the consideration of ESG characteristics are seeking insight into future risks and opportunities which may be financially material to the investments they are already holding or those that are under consideration.

Environmental criteria look at how a company performs as a steward of the natural environment both as a consumer of resources and a producer of goods, services and waste.

Social criteria examine how a company manages relationships with its employees, suppliers, customers and the communities where it operates.

Governance criteria examine a company's management and decision-making framework, the corporate culture this creates, and the quality of corporate leadership offered.

ESG is often used as a catch-all term for the approach to assessing these various criteria as part of being an informed and Responsible Investor.

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

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

F

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.

G

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

GDP (Gross Domestic Product)
Represents the total value of goods produced and services provided in a country for one year. It is often seen as a measure of the strength of a country's economy.

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

I

Index/Indices
An index is a statistical measure that tracks the performance of a group of assets in a standardised way. It produces a numeric score based on inputs such as a variety of asset prices. They are used for comparison purposes – as a benchmark – and references throughout the Annual Report to various benchmarks are contextual to the asset class being discussed. For example, the MSCI World Index is used as a benchmark for Private Equities.

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

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

Infrastructure
The public facilities and services needed to support residential development, including highways, bridges, schools and sewer and water systems. A term usually associated with investment in transport, power and utilities projects.

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

Investment management expenses
All expenses relating to managing the Fund's investments.

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

L

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

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

1. A best-in-class, end-to-end pensions services organisation for public sector funds; LPP currently provide pensions administration services to 13 funds, including LGPS, fire and police schemes.

Glossary

2. An FCA-regulated structure for asset pooling.
3. An organisation focused on managing assets and liabilities (risk) together in order to improve long-term fund performance, stabilise contributions and reduce deficits.
4. 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.

M

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

Maturity date
Agreed-upon date at which an investment ends.

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

O

On-balance sheet assets
Assets that LPPI have oversight of, but which are not held within one of LPPI's pooled funds.

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

P

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

Pension boards
The role of each board is to help ensure each scheme complies with governance and administration requirements. They may have additional duties, if scheme or other regulations so specify.

Pension boards need to have an equal number of employer representatives and member representatives. They may also have other types of members, such as independent experts. All pension board members have a duty to act in accordance with scheme regulations and other governing documents.

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

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

Private Equity
Shares in un-quoted companies.

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

Q

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

R

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

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

Relative Return
A measure of how the absolute return of an asset compares to the return its benchmark over the same given period of time.

Relative Value (RV) strategies
Those which seek to benefit from the relative mispricing of related securities.

Responsible Investment
An approach to investment which recognises that the consideration of ESG factors forms an important part of the evaluation of the future risks and opportunities facing investee companies. Responsible Investors seek to understand the influences that are likely to impact the performance of investments during their period of ownership in order to assess the balance of risks relative to returns.

Pension funds invest the retirement savings of scheme members in order to fund the benefits they are entitled to receive in the future. There is an underlying fiduciary duty to protect the financial interests of scheme beneficiaries which is exercised through the approach to investment and the evaluation of risks and opportunities as part of investment stewardship.

S

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.

T

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.

V

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

Appendices

1

Appendix 1

Scheme employers with active members at 31 March 2023

Employer Name	Contributions Receivable 2022/2023 Employer (£'000)	Employee (£'000)	Deficit (£'000)
(£'000)			
Total Active Employers (316[1])	**91,456**	**73,411**	**6,026**
Lancashire County Council	**32,323**	**29,789**	**-**
Lancashire C.C excl schools	2,447	19,528	-
Lancashire C.C Schools	29,876	10,260	-
Scheduled Bodies2 (205) as follows:	**44,492**	**37,636**	**5,441**
Blackburn With Darwen B.C.	6	5,213	-
Blackpool B.C exc Schools	7	4,664	-
Blackpool B.C Schools	0	497	-
Burnley B.C	1,247	471	316
Chorley Borough Council	1,453	612	-
Fylde Borough Council	314	478	-
Hyndburn B.C.	1,091	515	-
Lancaster City Council	777	1,396	-
Pendle B C	-	362	-
Preston City Council	0	1,038	-
Ribble Valley B.C	992	380	-
Rossendale B.C	-	300	-
South Ribble B.C	-	679	-

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

Employer Name	Contributions Receivable 2022/2023 Employer (£'000)	Employee (£'000)	Deficit (£'000)
(£'000)			
West Lancashire B.C	59	954	-
Wyre B.C	75	529	-
Blackpool Transport Servs.Ltd	-	25	-
Edge Hill University	4,560	1,840	410
University of Central Lancashire	6,313	2,615	227
Lancaster & Morecambe College	643	216	9
Blackpool & The Fylde College	1,842	742	-
Preston College	878	340	20
Runshaw College	973	338	-
Blackburn College	953	377	-
Burnley College	887	361	-
Nelson and Colne College	1,173	434	82
Myerscough College	1,195	417	85
Blackpool Sixth Form College	366	140	-
Cardinal Newman College	408	190	-
Blackburn St Mary's	28	11	801
QEGS Blackburn Academy (FS)	213	72	-
Lancashire Fire and Rescue Service	1	459	-
Penwortham Town Council	18	6	-
Blackpool Coastal Housing	821	371	-

Employer Name	Contributions Receivable 2022/2023 Employer (£'000)	Employee (£'000)	Deficit (£'000)
(£'000)			
Pilling Parish Council	9	2	-
Catterall Parish Council	9	2	-
Garstang Town Council	9	3	0
United Learning (Accrington Academy)	185	75	-
ANWET (Darwen Aldridge Comm)	416	176	-
Fulwood Academy	86	56	-
St Annes on Sea Town Council	16	5	4
Active Lancashire Limited	228	98	-
Lancaster Girls GS (Academy)	148	55	34
Lancaster RGS (Academy)	278	86	87
Clitheroe Royal GS (Academy)	213	65	56
Hodgson Academy	199	63	58
FCAT (Hambleton Primary Academy)	37	13	15
Ripley St Thomas C E (Academy)	358	116	71
St Michael's CE High (Academy)	152	48	17
ATCT (Bowland High Academy Trust)	110	34	41
St Wilfrid's C of E Academy	211	66	115
Lostock Hall Academy Trust	113	36	34
St Christopher's CE (Academy)	390	107	188
Bishop Rawstorne High Academy	126	37	40

Employer Name	Contributions Receivable 2022/2023 Employer (£'000)	Employee (£'000)	Deficit (£'000)
(£'000)			
Belthorn Primary Academy	59	18	11
Garstang Community Academy	152	42	40
Parbold Douglas CE Academy	46	14	15
FCAT (Westcliff Prim Academy)	44	14	20
All Saints CE Prim School (Academy)	49	15	30
Tarleton Academy	63	20	50
FCAT (Montgomery HS Academy)	203	64	92
Morecambe Town Council	32	10	-
Parklands High School Academy	214	74	49
Penwortham Priory Academy	155	62	21
Albany Academy	187	58	40
Norbreck Primary Academy	101	32	28
Waterloo Primary Academy	180	63	36
Hawes Side Academy	102	32	31
The Lancashire Colleges Ltd	19	7	-
Academy at Worden	89	32	14
Wensley Fold CE Primary Academy	95	30	53
Star Academies	689	369	53
Bacup Rawtenstall GS (Academy)	184	63	43
ATCT (Roseacre Primary Academy)	97	33	38

Appendix 1

Scheme employers with active members at 31 March 2023

Employer Name	Contributions Receivable 2022/2023 Employer (£'000)	Employee (£'000)	Deficit (£'000)
(£'000)			
Star Academies (Islam Boys HS)	59	25	7
Thames Primary Academy	153	49	47
Maharishi School (Free School)	62	18	4
Pendle Educ Trust-Colne Primet	153	46	9
Pendle Education Trust - Walter St	107	35	19
Moorside Community Academy	79	28	15
Fylde Coast Academy Trust	97	41	12
Blackpool MAT (Devonshire Academy)	130	40	53
Blackpool MAT (Park Academy)	205	82	86
Blackpool MAT (Anchorsholme Academy)	120	35	58
FCAT (Unity Academy)	237	80	124
Langdale Free School	11	25	1
Star Academies (Olive Blackburn)	78	34	5
Star Academies (Olive London)	58	26	4
Educ Partner Tr (The Heights)	71	28	41
Preesall Town Council	10	2	1
BFET (South Shore Academy)	183	62	78
Darwen Town Council	1	0	0
Habergham Eaves Parish Council	0	0	0
Old Laund Booth Parish Council	1	0	0
Police & Crime Commissioner	104	57	-

Employer Name	Contributions Receivable 2022/2023 Employer (£'000)	Employee (£'000)	Deficit (£'000)
(£'000)			
Blackpool MAT (Revoe)	113	39	73
Cidari Educ (St Georges)	136	42	63
ATCT (Witton Park Academy Trust)	185	60	74
Cidari Educ (Lukes & Philips)	39	13	41
Cidari Educ Ltd (St James)	57	18	30
Cidari Educ Ltd (St Barnabas)	33	12	29
Cidari Educ Ltd (St Aidans)	47	15	31
Blessed Edward MAT (St Marys)	213	70	74
Blessed Edward MAT (St Cuth)	55	17	38
FCAT (Aspire Academy)	177	47	73
Blessed Edward MAT (Christ)	59	18	19
ANWET (Darwen Vale Academy)	159	50	108
Star Academies Eden GS Waltham	51	24	4
Star Academies Eden GS Coventry	77	31	8
Star Academies Eden BS Bolton FS	59	21	8
Lancashire Chief Constable	15	4,400	-
BFET (Marton Primary Academy)	115	32	39
Educ Partner Tr (Burnley High FS)	58	24	2
Cliviger Parish Council	1	0	-

Employer Name	Contributions Receivable 2022/2023 Employer (£'000)	Employee (£'000)	Deficit (£'000)
(£'000)			
Star Academies Islam Girls HS	95	36	32
Cidari Education Trust	125	62	13
Cidari Edu Ltd(Baines Endowed)	125	40	65
Cidari Ed Ltd(Marsden St John)	43	13	10
ANWET (Sudell PS Academy)	39	11	29
Blackpool Housing Company Ltd	158	71	23
Pendle Edu Trust (Castercliff)	81	26	33
Educ Partner Tr (Coal Clough)	111	38	16
Star Academies (Eden BS Preston)	45	20	2
Star Academies (Eden GS Slough)	82	36	8
Star Academies (Eden BS Birming)	54	21	9
FCAT (Blackpool Gateway Academy)	71	24	12
Eden School	53	22	4
Whittle le Woods Parish Council	3	2	0
Educ Partner Tr (Pleckgate HS)	190	70	108
Freckleton Parish Council	1	0	-
PET (West Craven)	120	40	13
Star Academies Highfield Humanities	146	45	48
Pendle Education Trust	52	27	-
Education Partnership Trust	82	46	56

Employer Name	Contributions Receivable 2022/2023 Employer (£'000)	Employee (£'000)	Deficit (£'000)
(£'000)			
Blessed Edward Trust	26	12	-
Star Academies Olive Bolton	36	16	-
Star Academies Olive Preston	47	19	-
Star Academies Olive Birmingham	67	27	-
Clayton-Le-Woods Parish Council	6	2	-
FCAT (Mereside)	122	35	53
Tor View SLC	417	155	61
FCAT (Westminster Primary Academy)	110	34	22
Mosaic Academy Trust	117	43	20
Cidari (Newchurch PSM)	13	3	2
Star Academies - Eden Girls Manchester	74	31	-
Cidari Educ (St Silas)	52	16	14
Bay Learning Tr (Morecambe Bay Academy)	208	73	-
Star Academies (The Valley Leadership Academy)	90	32	-1
Star Academies (Eden Boys LA Birmingham East)	37	13	-
Learning Together Trust (Adlington PS)	32	9	5
Blackpool Waste Services	636	230	-
Nelson Town Council	5	3	-
Bay Learning Tr (Central Lancaster HS)	93	35	-

Appendix 1

Scheme employers with active members at 31 March 2023

Employer Name	Contributions Receivable 2022/2023 Employer (£'000)	Employee (£'000)	Deficit (£'000)
(£'000)			
Star Academies (Eden Girls LA Birm)	58	24	-
Star Academies (Eden Boys LA Bradford)	40	16	-
Educ Partner Tr (The Heights Burnley)	63	24	-
Romero (St Mary's RC)	57	19	-
Champion Educ Tr (Blackburn Central HS)	255	89	29
Champion Educ Tr (Crosshill Specialist Sch)	79	26	10
Romero Catholic Academy Trust (St John the Baptist	53	19	-
Romero CAT (St Augustine's)	54	19	-
Romero CAT (All Saints RC HS)	89	32	-
Romero CAT (Blessed Trinity RC)	269	97	-
Endeavour Learning Trust (Northbrook PS)	49	17	-
Champion Educ Tr (Lotus School)	26	9	-
Cidari Educ (St Pauls CE PS)	18	6	-
Cockerham Parish Council	0	0	-
Nether Wyresdale Parish Council	1	0	-
United Learning (The Hyndburn Academy)	142	47	16
Pendle Education Trust (Casterton Primary Academy)	79	26	11
Bay Learning Tr (Carnforth High School)	132	41	23
Star Academies (Bay Leadership Academies)	174	54	30
FCAT (Armfield Academy)	170	63	-

Employer Name	Contributions Receivable 2022/2023 Employer (£'000)	Employee (£'000)	Deficit (£'000)
(£'000)			
Endeavour LT (Burscough Priory Academy)	74	22	14
United Learning (Marsden Heights)	141	49	-
Endeavour Learning Trust (Ormskirk School)	128	46	-
Forward as One (St Johns with St Michael)	18	6	-
LET Education Trust	28	13	-
Farington Parish Council	4	1	-
LET Education Trust (The Hollins)	187	64	-
Cidari Education Ltd (St Matthews C of E Primary)	78	26	-3
LET Education Trust (Oswaldtwistle West End)	57	19	-
LET Education Trust (Accrington Huncoat)	54	18	-
LET Education Trust (Rhyddings)	119	43	-
Romero CAT (St Mary Magdalene)	43	15	-
The Rigby Education Trust (Lancaster Uni)	3	1	-
Cidari Education Limited (Castle View)	24	8	-
Blessed Edward MAT (Sacred Heart Thorntons)	12	4	-
Blessed Edward MAT (St Marys CP)	12	4	-
Blessed Edward MAT (St Wulstans & St Edmunds)	31	10	-
Blessed Edward MAT (St Kentigerns)	40	13	2

Employer Name	Contributions Receivable 2022/2023 Employer (£'000)	Employee (£'000)	Deficit (£'000)
(£'000)			
Blessed Edward MAT (St Teresa's)	15	5	-
MECMAT (St Augustine's)	6	2	-
MECMAT (St Clare's)	4	1	-
MECMAT (Blessed Sacrament)	7	2	-
MECMAT (St Joseph's)	8	3	-
MECMAT (St Teresa's)	4	1	-
MECMAT (Our Lady and St Edward's)	4	1	-
MECMAT (St Bernard's)	4	1	-
ROMERO CAT (Christ The King)	16	6	-
ROMERO CAT (Sacred Heart)	18	6	-
Rowan LT (Farington PS)	42	14	-
Endeavour Learning Trust (Central Team)	223	84	-
MATER CHRISTI MAT ST JOSEPH'S CATHOLIC PRIMARY	61	20	-
Chorley Leisure Ltd	131	62	-
South Ribble Leisure Ltd	230	84	-
Star Academies - Eden Boys Manchester	80	33	-
Admitted Bodies (110) as follows:	**14,641**	**5,986**	**585**
UCST (AKS Arnold)	25	11	4
Lancaster University	5,732	2,342	-

Employer Name	Contributions Receivable 2022/2023 Employer (£'000)	Employee (£'000)	Deficit (£'000)
(£'000)			
Lancashire County Branch Unison	12	4	-
NW Inshore Fisheries & Conserv	113	39	-
UCST (AKS Lytham)	24	8	-
University of Cumbria	1,916	766	326
Whitworth Town Council	8	3	2
Kirkham Grammar School (Ind)	71	19	1
Caritas Care Limited	257	85	44
Community Council of Lancashire	35	12	-
Progress Housing Group	227	102	-
Pendle Leisure Trust Ltd	312	136	-
Together Housing Assoc Ltd	2,089	826	-
Leisure in Hyndburn	244	91	29
Adventure Hyndburn	37	11	23
Blackpool Zoo (Grant Leisure)	17	15	-
Rossendale Leisure Trust	-	24	-
Marketing Lancashire Ltd	31	31	-
Liberata UK Ltd (Pendle)	33	64	-
West Lancashire Community Leisure	7	3	-
Community Gateway Assoc Ltd	197	91	-
Chorley Community Housing Ltd	99	37	-

Appendix 1

Scheme employers with active members at 31 March 2023

	Contributions Receivable 2022/2023		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit (£'000)**
(£'000)			
Capita(Rossendale BC Transfer)	15	9	-
Consultant Caterers Ltd	-1	-0	-
Alternative Futures Group Ltd	-	3	-
Creative Support Ltd	-	10	-
Community and Business Partn	52	22	-
I Care (Home)	-	2	-
Fylde Coast YMCA (Fylde TUPE)	-	1	-
Cofely FM Ltd (Lend Lease)	4	5	-
Creative Support Ltd (Midway)	12	5	-
Mellor's (Bishop Rawstorne)	11	3	1
Andron (formerly Solar)	-	1	-
Cofely FM Ltd (Pleckgate)	3	2	-
Liberata UK Ltd (Burnley)	202	68	-
Elite Cleaning and Environment	4	1	1
Eric Wright FM - Site Supervisors Highfield HC	10	3	-
Mellors (Little Hoole)	3	1	-
Mellors (Holy Cross)	9	3	-
Lancashire Care Foundation	-	2	-
Burnley Leisure	390	155	-
CG Cleaning (Kennington Road)	3	1	0

	Contributions Receivable 2022/2023		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit (£'000)**
(£'000)			
Compass Contract Services (UK) Ltd	30	8	-
Service Alliance (St Wilfrid)	2	1	-
Blackpool, Fylde and Wyre CU	8	3	-
Service Alliance (Whalley PS)	1	0	-
County Councils Network	23	30	5
Urbaser Ltd	56	14	2
Service Alliance (ClithPendle)	2	1	-
I Care	13	4	-
Ind Living Fund (Blackpool BC)	10	2	0
Elite CES Ltd (Carr Hill)	2	1	-
5AM Contract Cleaning (Blackpool Coastal)	3	1	-
RCCN (Burscough)	2	1	-
Elite CES (Hambleton)	3	1	0
Elite CES Ltd (St Annes)	1	0	-
Bulloughs (BFET Marton)	1	0	-
Mellors (Delph Side)	2	1	-
Mellors (Lostock Hall Academy)	2	1	0
Capita (Property & Infrastructure)	14	6	-
Maxim (St Georges CE PS)	1	0	-
Greenwich Leisure Limited (Preston City)	40	13	-
Clarets in the Community Ltd	4	1	-
Mellors (Parklands High School)	4	1	-
Noonan (Hyndburn CCTV)	4	2	-
Mellors (St Michaels CE Academy Trust)	14	4	-

	Contributions Receivable 2022/2023		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit (£'000)**
(£'000)			
Maxim (St Augustines)	1	0	-
Laneshaw Bridge Primary School	44	13	8
Andron (Cidari - St Georges School)	5	1	-
Blacko Primary School	23	6	5
Colne Park High School	176	55	34
Lord Street Primary School	104	32	20
The Pennine Trust	19	9	-
Wolseley UK	4	1	-
Local Pensions Partnership Inv.	114	73	42
CG Cleaning Ltd (Burnley St Peters)	1	0	-
CG Cleaning Ltd (Moorside PS Lancaster)	2	1	-
CG Cleaning Ltd (St Wulstans & St Edmunds)	2	1	-
Bulloughs (Balshaw HS)	4	1	-
Mellors (Cidari - Multi Academies)	11	2	-
Mellors (Cidari - St Silas)	3	1	-
Orian Solutions Ltd (Layton PS)	1	0	-
Maxim FM (St James PS Clitheroe)	1	0	-
Lancashire Care NHS Foundation Trust (EIS)	6	2	-
Aspens Services Ltd (AE - Sudell Primary School)	4	1	-
Progress Housing Association	454	145	-
Aspens Services Ltd - (AE - DACA/DAES)	12	4	-
Aspens Services Ltd - (AE - Darwen Vale HS)	1	0	-
Maxim (Deepdale PS)	1	0	-

	Contributions Receivable 2022/2023		
Employer Name	**Employer (£'000)**	**Employee (£'000)**	**Deficit (£'000)**
(£'000)			
Bulloughs Cleaning Services Ltd- (AE - Sudell Prim	1	0	-
Local Pensions Partnership Admin	1,054	482	38
Tenon FM Ltd (Clayton Brook PS)	3	1	-
Midshire Services Ltd (Southlands HS)	10	2	-
Safenet Domestic Abuse and Support Services	3	1	-
CG Cleaning Ltd (St Johns PS Poulton-le-Fylde)	0	0	-
Cater Link Ltd (Hyndburn and Accrington Academies)	63	16	-
5am Contract Cleaners Ltd (Roseacre Primary Acad)	4	1	-
The MCL Group (Int) Ltd	16	7	-
Riverside Truck Rental Ltd	7	3	-
Andron Contract Services Limited (Frenchwood PS)	12	4	-
Orian Solutions Limited Tarleton Community Primary	4	1	-
Tenon FM Ltd (Morecambe Bay PS)	1	0	-
Orian Solutions Limited (Broughton Primary School)	3	1	-
Veolia ES (UK) Ltd (Wyre BC)	22	6	-
Bulloughs (Blessed Edward MAT)	-	-	-
Orian Solutions Ltd (Banks MS)	-	-	-
Taylor Shaw (LCC Sch & Res)	-	-	-
Maxim FM (St Cecilia's RC High)	-	-	-
Mellors (Moorside Academy)	-	-	-
PPA Facilities CIC	-	-	-

Appendix 1

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

	Contributions Receivable 2022/2023		
Employer Name	Employer (£'000)	Employee (£'000)	Deficit (£'000)
Terminated Employers (9)	**-254**	**9**	**211**
Kirkland Parish Council	2	-	-
Preston Care and Repair	2	-	215
NSL Ltd.(Lancaster)[1]	-43	-	-
Essential Fleet Services Ltd[2]	-246	-	-2
Service Alliance Ltd (Altham)	0	0	-
FCC Environment	9	3	-
CG Cleaning Ltd (Mary Magdalens CE PS)	1	0	-
The Floorbrite Group Ltd (Lancaster Royal Grammar)	21	6	-
Orian Solutions Limited (St Peters CEP)	0	0	-
Cofely FM Ltd (Blake/Cross)	-	-	-2

[2] Surplus payments paid to terminated employers

LPP

Local Pensions Partnership
Administration

Lancashire County Pension Fund

Annual Administration Report

1st April 2022 – 31st March 2023

lppapensions.co.uk

ANNUAL PLAN

✓ COMPLETED   DUE

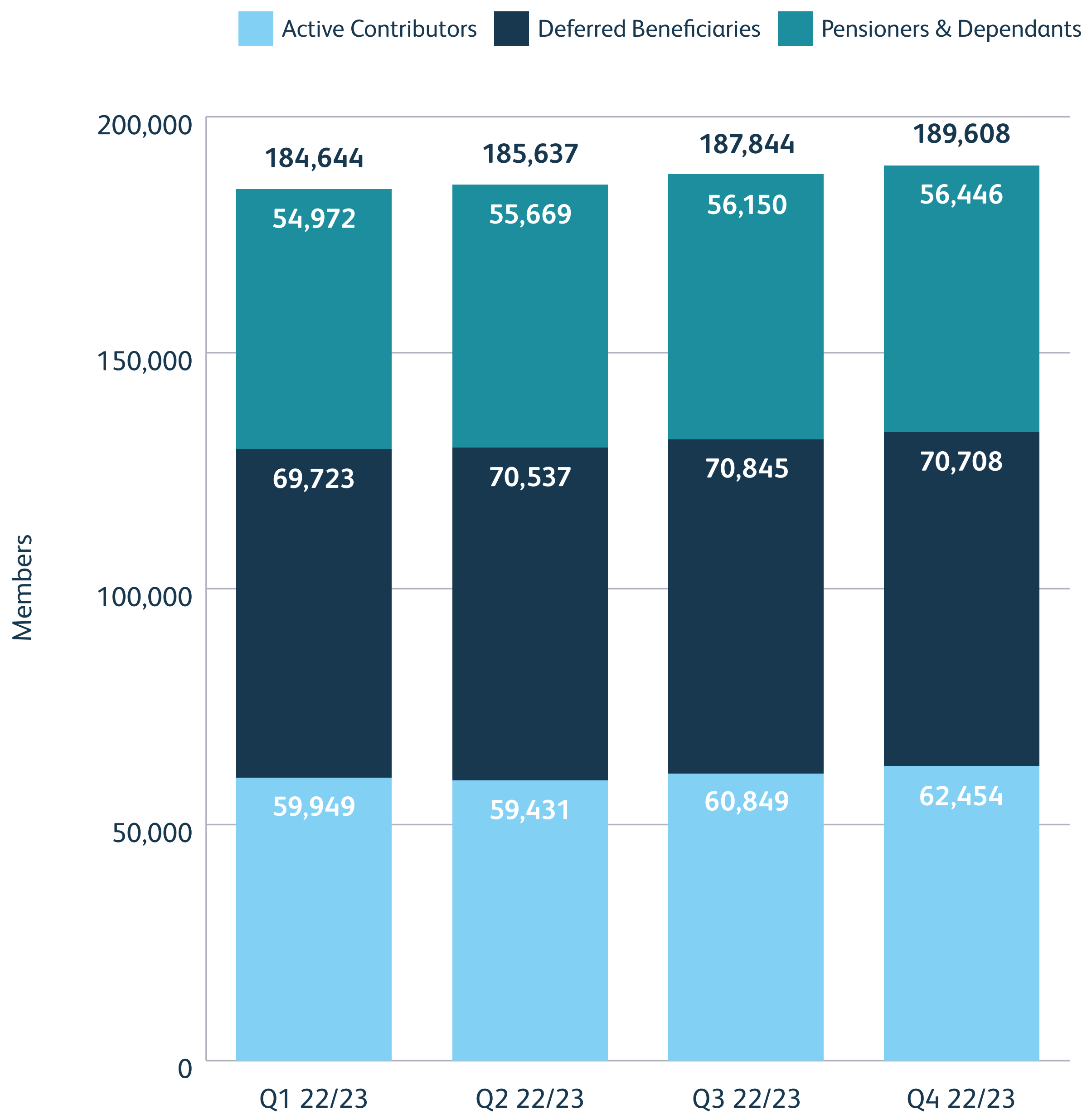
	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23
Annual Benefit Statement and Newsletter to Deferred Members			✓									
Pension Increases		✓										
P60s and Newsletter to Pensioners		✓										
Annual Benefit Statement and Newsletter to Active Members					✓							
Pension Saving Statements							✓					
HMRC Scheme Returns							✓					
IAS19 data			✓								✓	

1

TOTAL FUND MEMBERSHIP

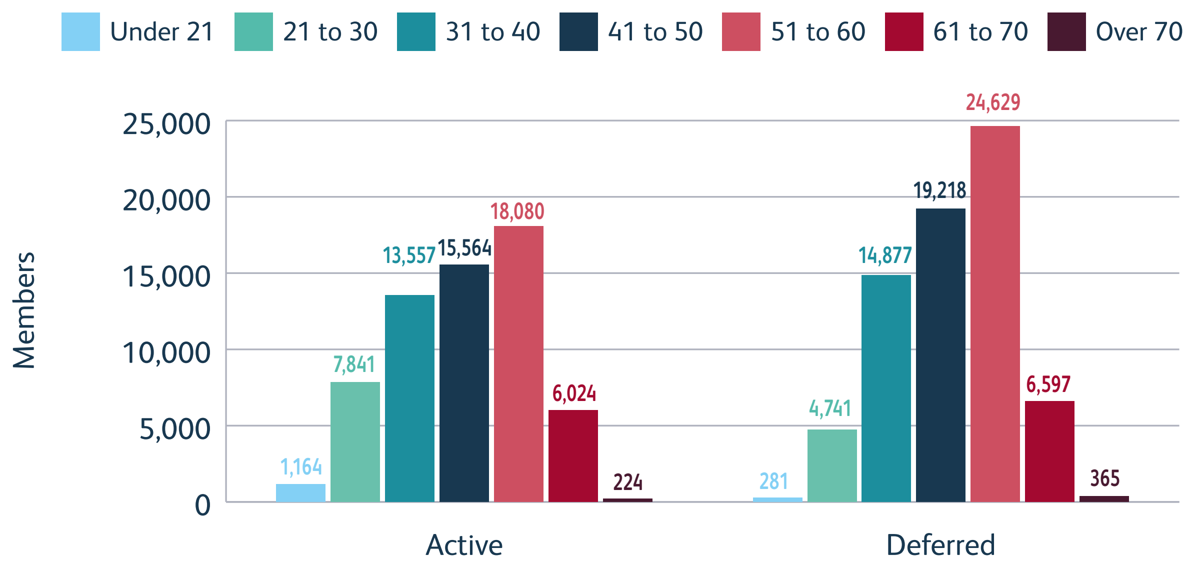
TOTAL FUND MEMBERSHIP

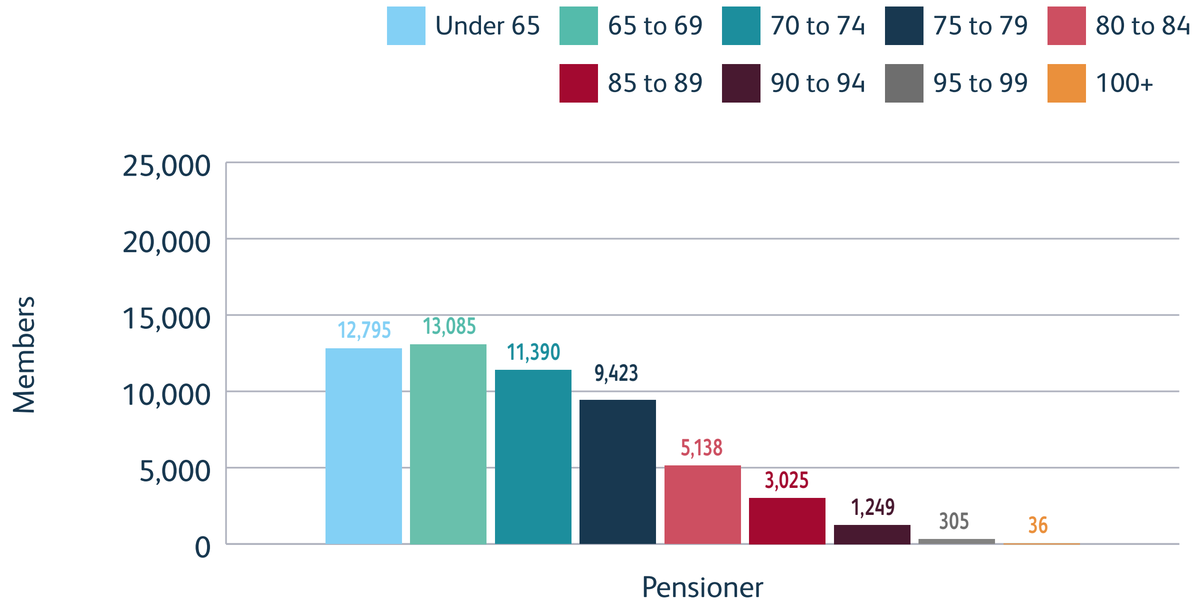
CLIENT SPECIFIC



CURRENT AGE DEMOGRAPHIC

CLIENT SPECIFIC



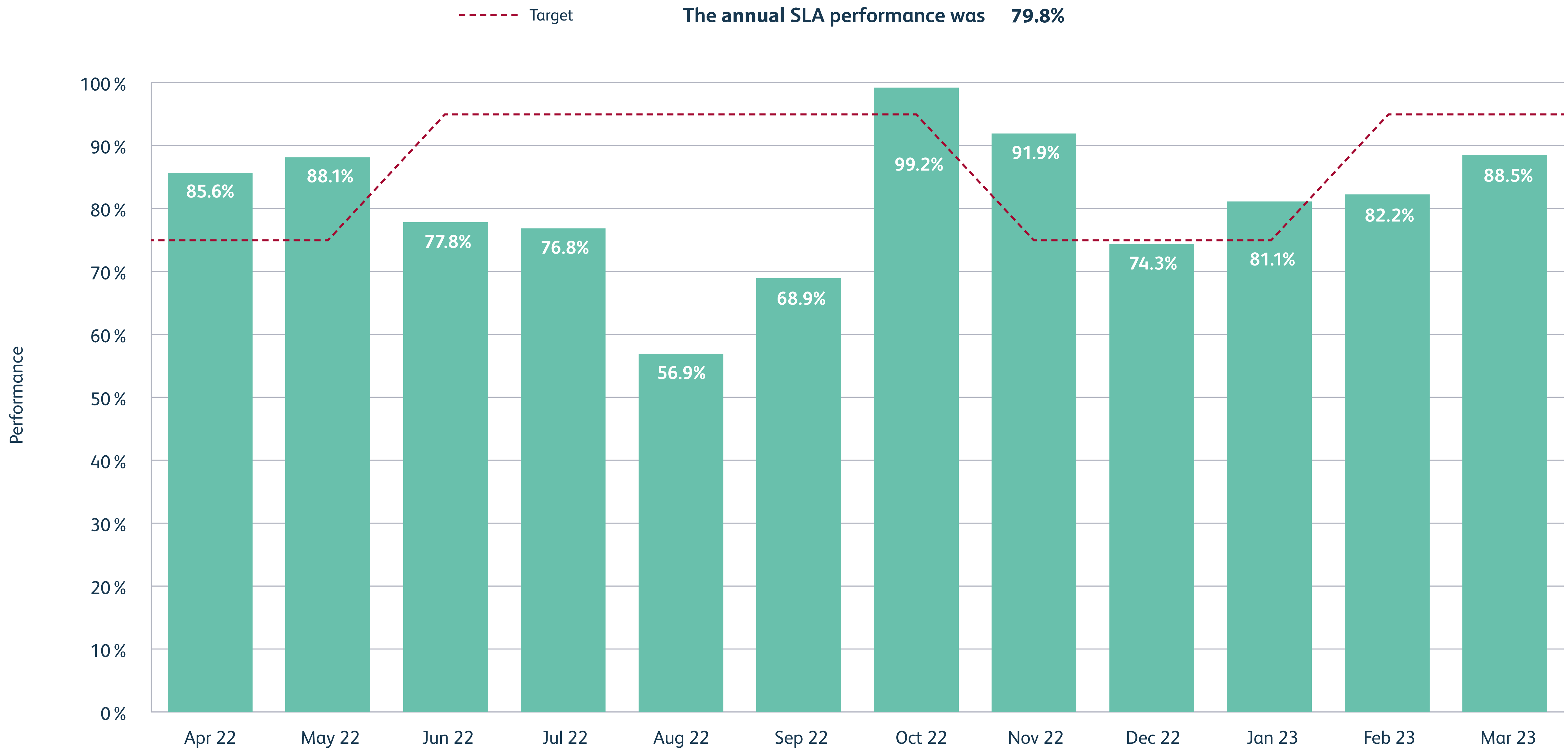


2

CASEWORK PERFORMANCE AGAINST SLA

PERFORMANCE – ALL CASES

CLIENT SPECIFIC

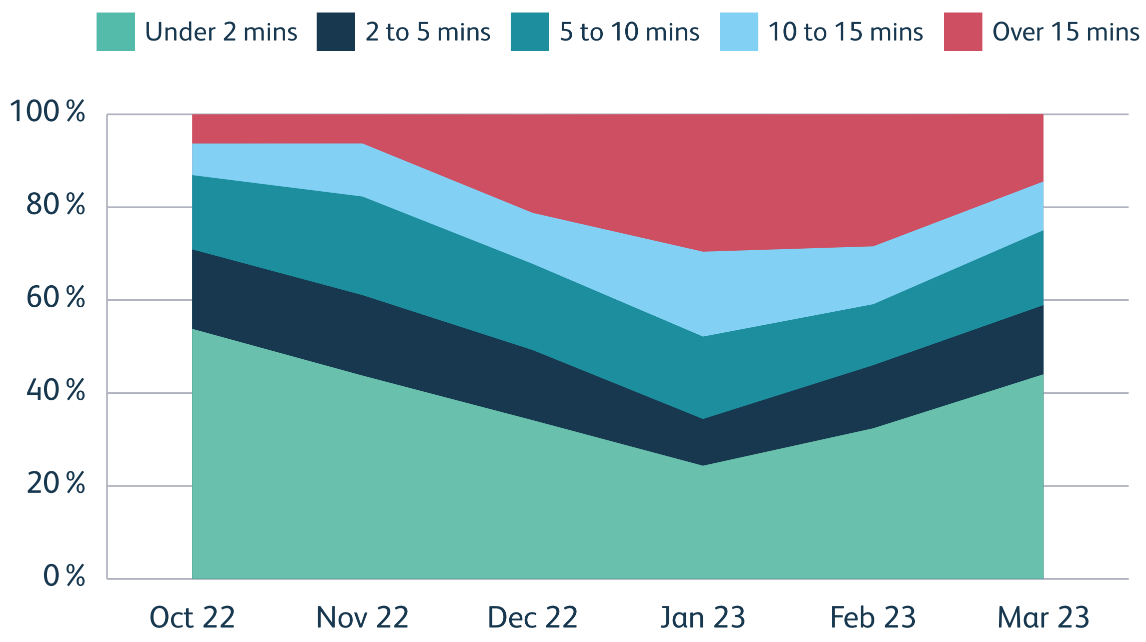


3

HELPDESK CALLS PERFORMANCE

WAIT TIME RANGE

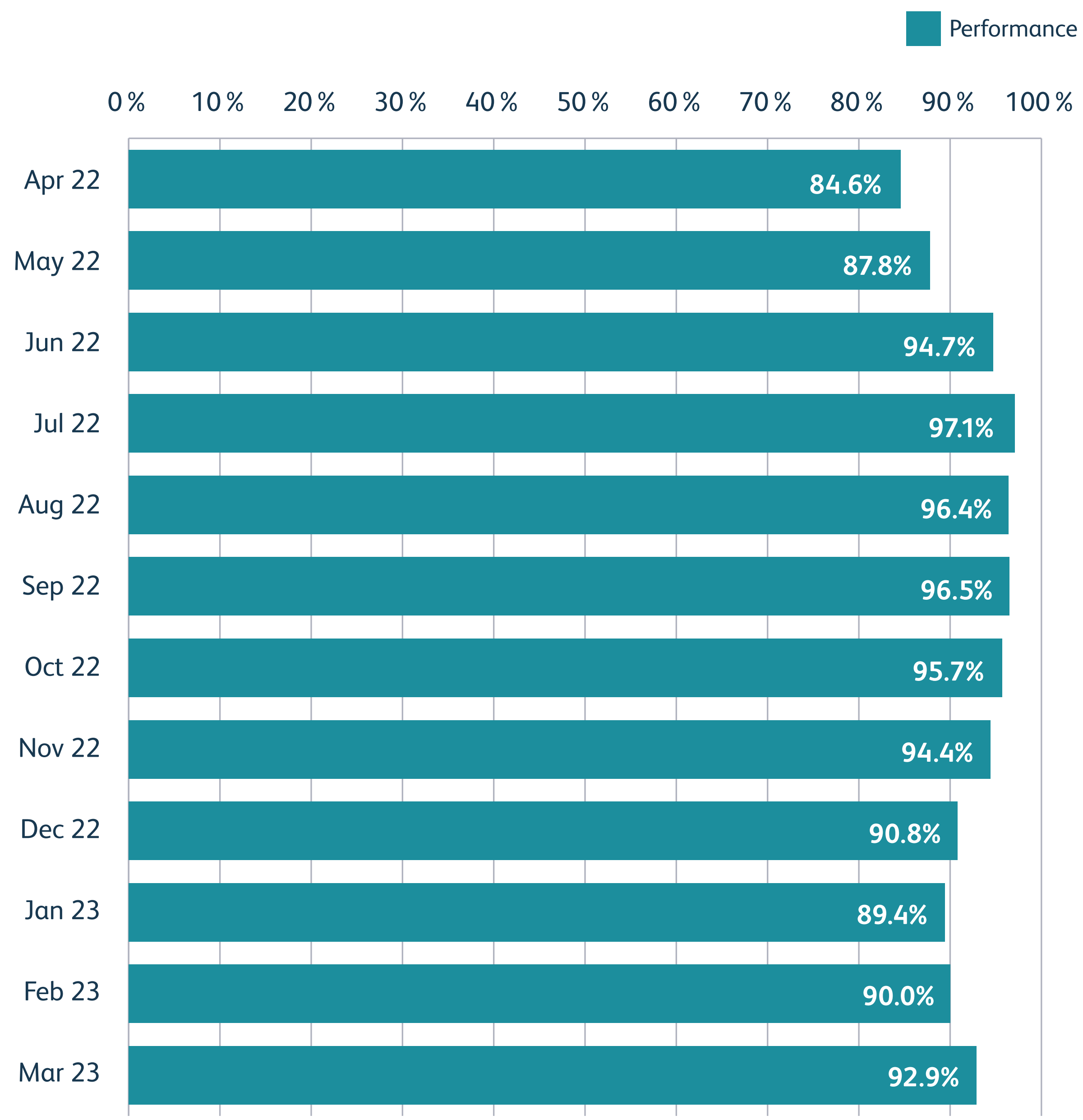
ALL LPPA



	Under 2 mins	2 to 5 mins	5 to 10 mins	10 to 15 mins	Over 15 mins
Oct 22	53.8 %	17.1 %	16.0 %	6.8 %	6.3 %
Nov 22	43.8 %	17.3 %	21.2 %	11.4 %	6.3 %
Dec 22	34.2 %	15.1 %	18.6 %	11.0 %	21.2 %
Jan 23	24.4 %	10.0 %	17.8 %	18.3 %	29.6 %
Feb 23	32.4 %	13.6 %	13.1 %	12.5 %	28.4 %
Mar 23	44.1 %	14.9 %	16.1 %	10.5 %	14.5 %

CALLS ANSWERED (%)

ALL LPPA

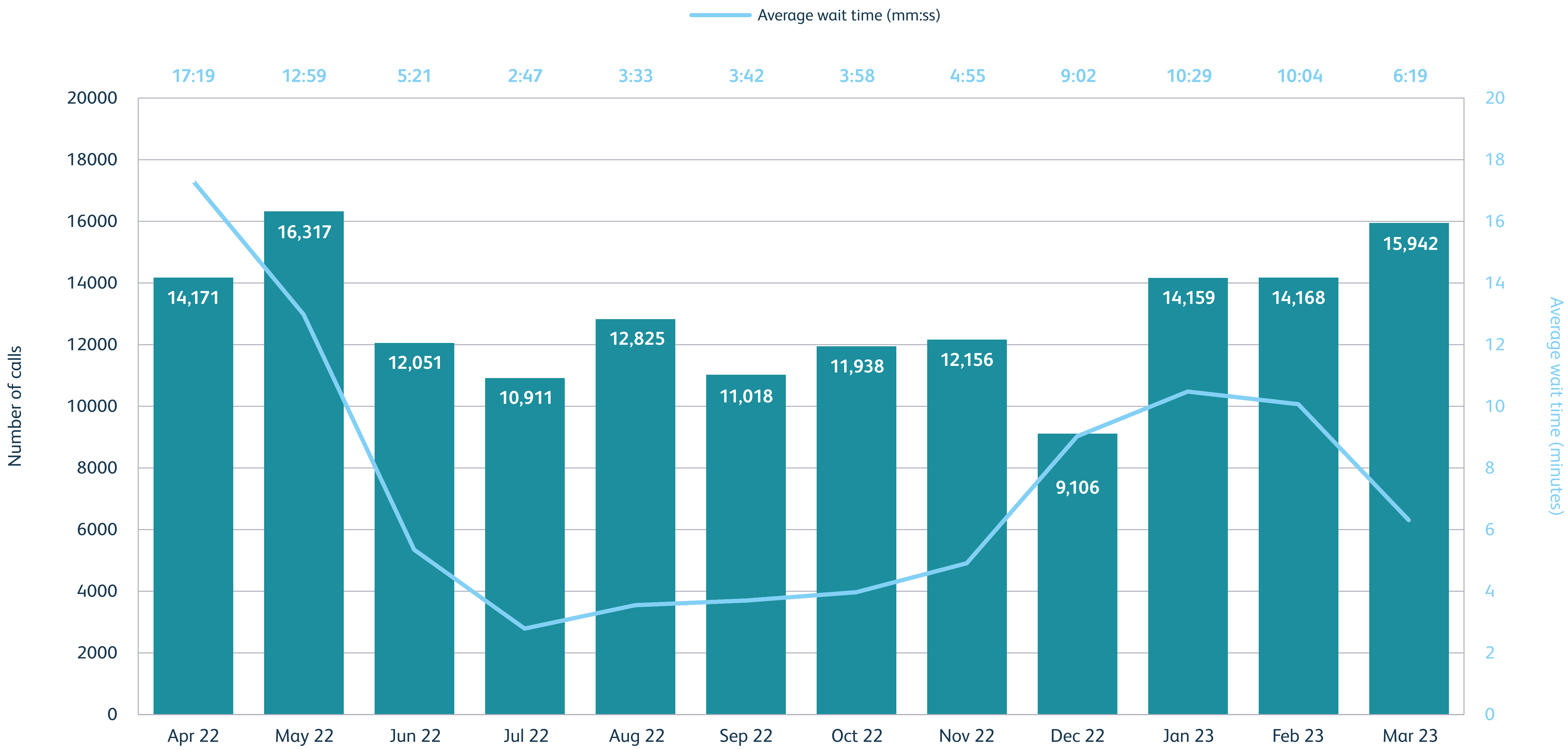


4

HELPDESK CALLS PERFORMANCE

TOTAL CALLS

ALL LPPA

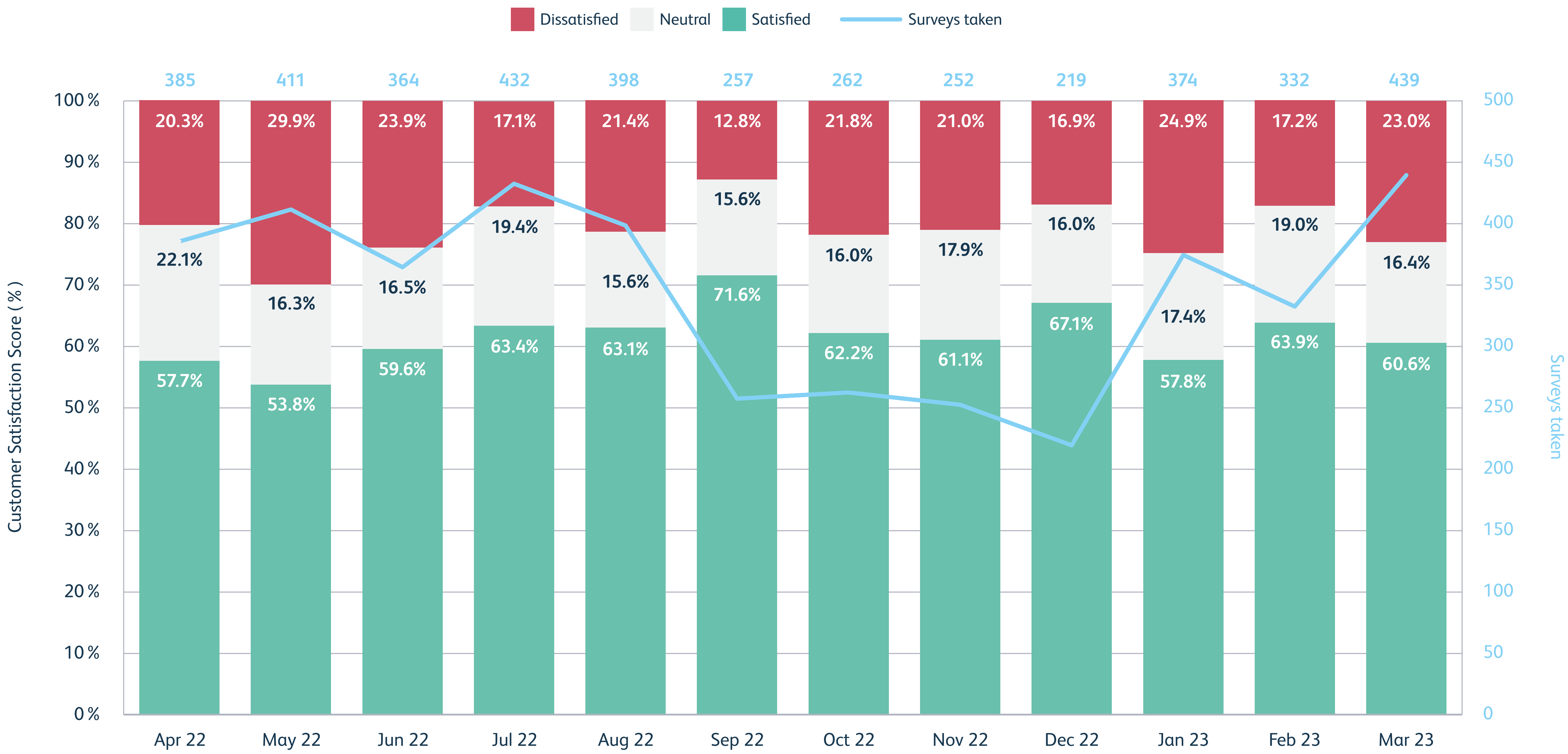


5

CUSTOMER SATISFACTION SCORES

HELPDESK CALLS SATISFACTION

ALL LPPA



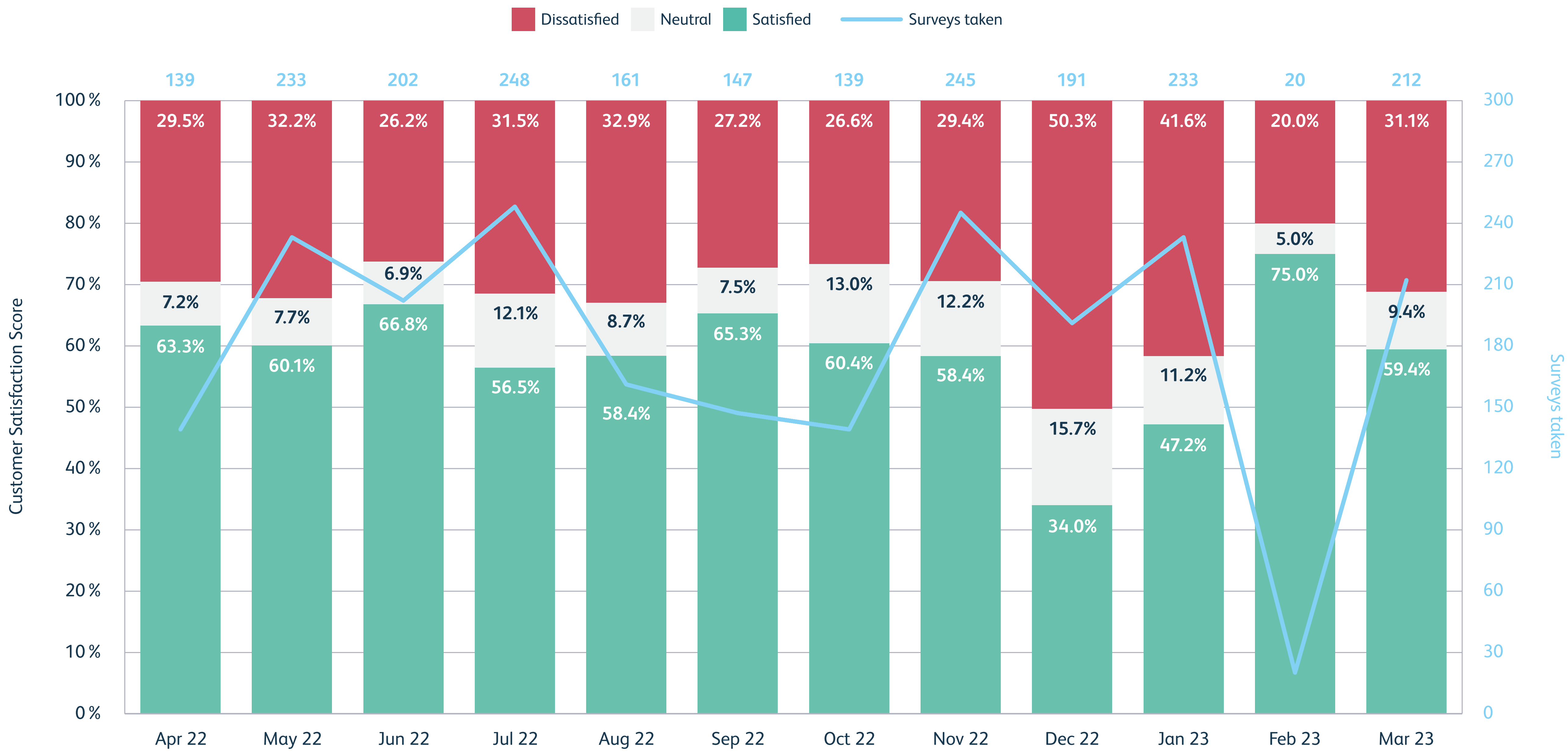
6

CUSTOMER SATISFACTION SCORES

Please note:
Surveys were paused in February and reinstated in March, following a review of the process. Some surveys were being issued before payment had been made to the member – the timing of the survey has now been updated to correct this.

RETIREMENTS

ALL LPPA

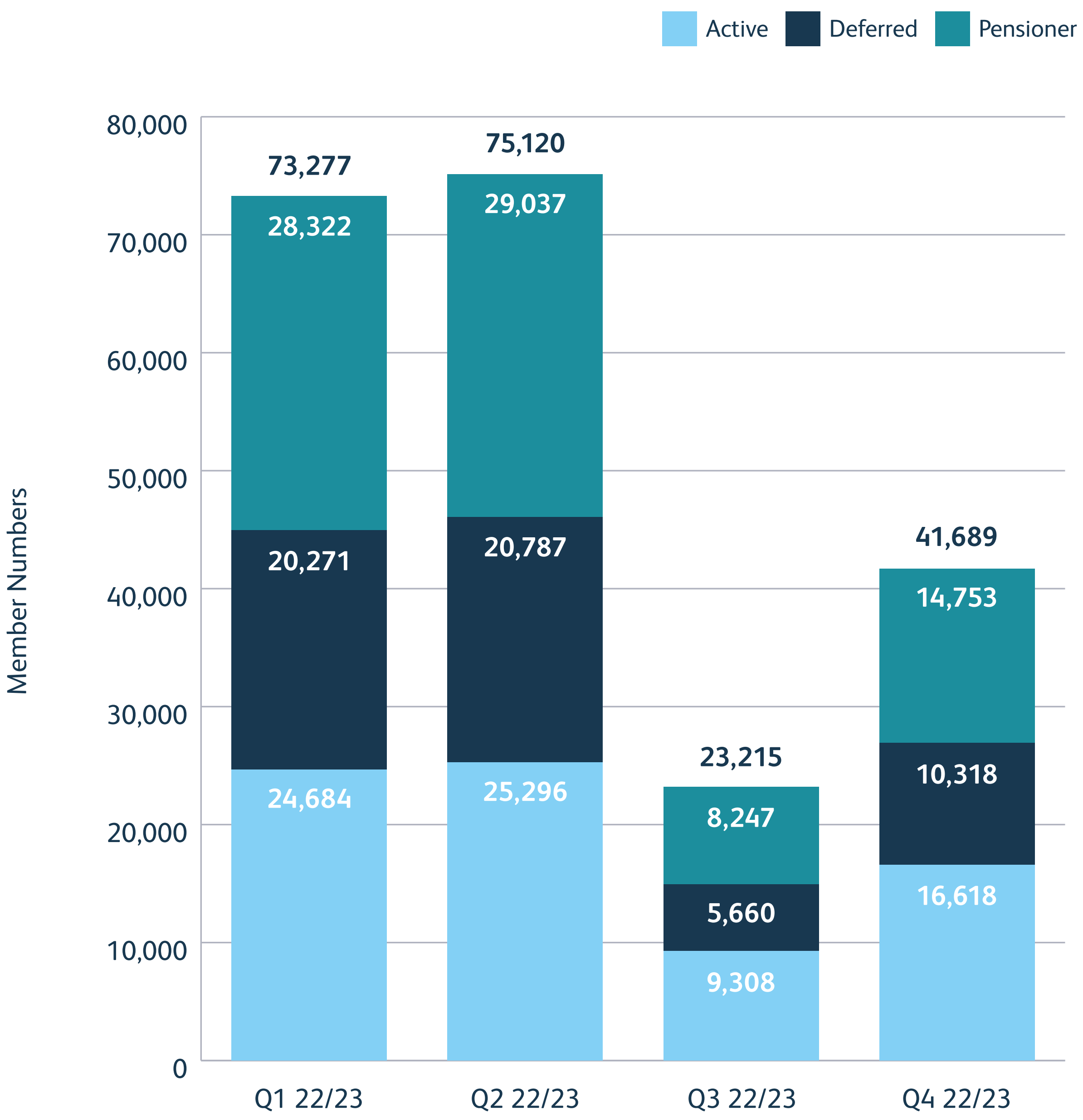


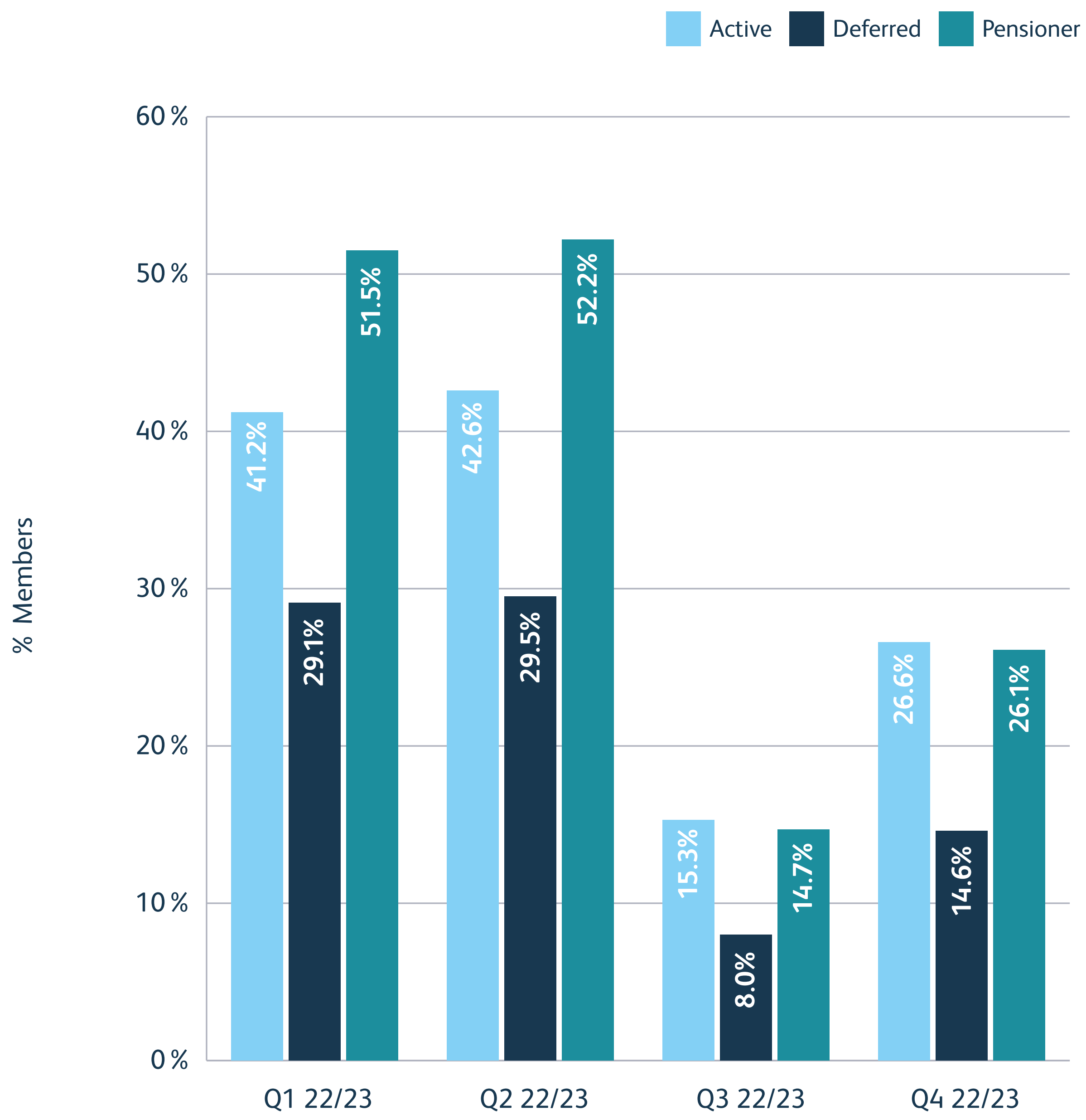
7

PensionPoint MEMBER ONLINE PORTAL

MEMBERS REGISTERED

CLIENT SPECIFIC





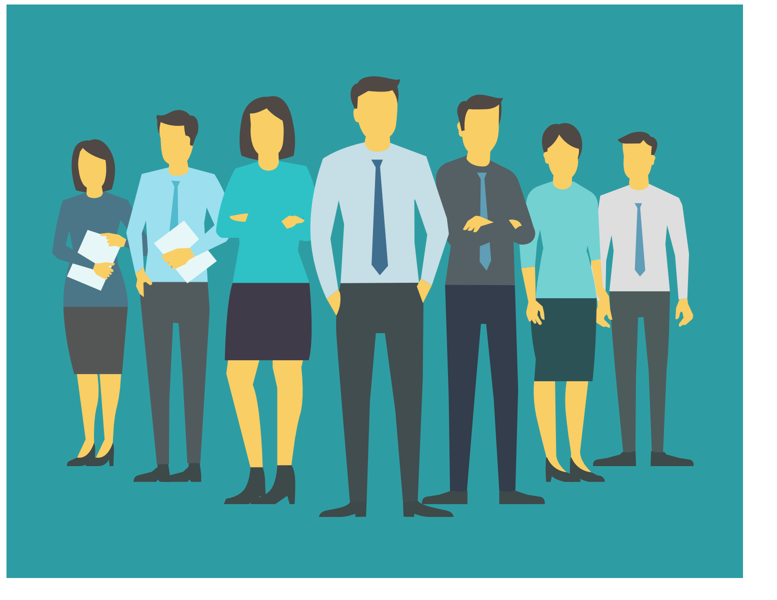
8

EMPLOYER ENGAGEMENT & COMMUNICATION ACTIVITY

ENGAGEMENT COMMUNICATIONS

CLIENT SPECIFIC

- Virtual employer visits were held with 11 LCPF employers over 19 separate sessions
- Scheme leavers training was delivered with 3 employers attending
- 2 LCPF employer attended LGPS Scheme Essentials employer training
- Monthly returns training sessions were delivered with 16 employers attending across 7 sessions
- 2 LCPF employers attended PensionPoint awareness training
- UPM employer portal training was delivered with 4 employers attending across 2 sessions
- Retirement planning sessions were delivered via the LPPA retirement essentials monthly program and alongside third party to 185 Lancashire County Pension Fund members
- 21 Lancashire County Pension Fund members attended a Scheme Essentials presentation



DATA QUALITY (TPR SCORES)

COMMON DATA

CLIENT SPECIFIC

Data Item	Active	Deferred	Pensioner / Dependant
Invalid or Temporary NI Number	31	120	38
Duplicate effective date in status history	5	34	53
Gender is not Male or Female	27	0	0
Duplicate entries in status history	36	152	104
Missing (or known false) Date of Birth	0	0	0
Date Joined Scheme greater than first status entry	6	3	0
Missing Surname	0	0	0
Incorrect Gender for members title	0	0	0
Invalid Date of Birth	35	0	0
No entry in the status history	4	0	0
Last entry in status history does not match current status	60	12	20
Member has no address	202	2,582	61
Missing Forename(s)	0	0	0
Missing State Retirement Date	26	0	0
Missing postcode	201	2,604	83
Missing Date Joined Pensionable Service	3	0	0
Total Fails	636	5,507	359
Individual Fails	373	2,841	247
Total Members	62,461	70,722	56,452
Accuracy Rate	99.4%	96.0%	99.6%
Total accuracy rate			98.2%

CONDITIONAL DATA

CLIENT SPECIFIC

Data Item	Fails
Divorce Records	0
Transfer In	221
AVC's/Additional Contributions	122
Deferred Benefits	6
Tranches (DB)	0
Gross Pension (Pensioners)	49
Tranches (Pensioners)	0
Gross Pension (Dependants)	21
Tranches (Dependants)	215
Date of Leaving	1,223
Date Joined Scheme	1,272
Employer Details	18
Salary	788
Crystallisation	1,176
Annual Allowance	1,332
LTA Factors	315
Date Contracted Out	9
Pre-88 GMP	611
Post-88 GMP	1,723
Total Fails	9,101
Individual Fails	6,438
Total Members	189,635
Accuracy Rate	96.6%

10

Appendix 3

Local Government Pension Scheme - Communication Policy

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 communicationson 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 SchemeMembers

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).

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, website 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	Ongoing	Email/internet/telephone
Member Guides	Members	Website	On or before employment. On request	Via employer HR/payroll departments
Employer Updates	Employer	Website, online	As required	email/internet
Pensioner payslips/P60's	Member	Online self service, paper	Annually	email/mail
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	Paper/website	On request	Mail/email/ internet
Individual member information	All Stakeholders	Paper, Online self service	As required	Mail, email
Employer information pack	Employer	Paper/website	On Admission	Mail/email/internet
Newsletters	Members	Website	Annual	Online
Scheme change and legislative change	All Stakeholder	Presentation/webcast Website	As required and on request	Online/post on request
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

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 administrationstrategy-statement-rev-mar-21.pdf

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. Next review of Policy due November 2021.

Appendix 4

Lancashire County Pension Fund
Pension Administration Strategy Statement

March 2021

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;
- 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.

Appendix 4

Lancashire County Pension Fund
Pension Administration Strategy Statement

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.

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.

Appendix 4

Lancashire County Pension Fund
Pension Administration Strategy Statement

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%

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 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.	At the time of deciding to tender so that information can be provided to assist in the decision.
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.	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.
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.

Appendix 4

Lancashire County Pension Fund
Pension Administration Strategy Statement

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 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 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.
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.
Notify the Pension Fund of the death of a scheme member.	Submitted online and as soon as practicable, but within 5 working days of the employer becoming aware of the death.
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 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.

Appendix 4

Lancashire County Pension Fund
Pension Administration Strategy Statement

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 4

Lancashire County Pension Fund
Pension Administration Strategy Statement

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.

Funding Strategy Statement

March 2023

lancashirecountypensionfund.org.uk

Lancashire County Council as administering authority of Lancashire County Pension Fund

1. Guide to the FSS and Policies

The information required by overarching guidance and Regulations is included in Sections 2 and 3 of the Funding Strategy Statement. This document also sets out the Fund's policies in the following key areas:

1. Actuarial Method and Assumptions (Appendix A)

The actuarial assumptions used for assessing the funding position of the Fund and the individual employer contributions – the "Primary" contribution rate (to cover new benefits as they are accrued by active members), and the "Secondary" rate in respect of any underlying surplus or deficit – are set out **here**.

2. Deficit Recovery, Surplus Offsets and Contribution options (Appendix B)

The key principles when considering deficit recovery and surplus offset plans as part of the valuation are set out **here**.

3. Admission and Termination Policy

The Fund has a separate Admission and Termination Policy (that can be found **here**), governing the approaches that apply when employers join and leave the Fund under various circumstances. The policy forms part of the Funding Strategy Statement.

4. Inter-valuation Contribution review Policy

In line with the Regulations, the Fund has the discretion to review employer contributions between valuations in prescribed circumstances. The Fund's policy on this is **here**, and forms part of the Funding Strategy Statement.

5. Employer Risk Policy

The Fund operates a separate approach in respect of employers who do not have taxpayer backing (either directly or via a guarantee from another Fund employer with such direct backing). These employers are referred to as Category B employers, with taxpayer backed employers in Category A. The key differences in the funding approach for Category B employers are noted in this document but the full policy is found **here**, and forms part of the Funding Strategy Statement.

6. Notifiable Events Framework

Employers are required to proactively notify the Administering Authority of any material changes to their covenant, and this policy sets out when this may happen and the notifiable events process. This relates mainly to Category B employers and so is contained within the Employer Risk Policy. However, all employers should notify the Fund of any material changes to their covenant, circumstances or future plans regarding their Fund participation.

7. Ill Health Captive Arrangement (Appendix C)

The Fund has a captive insurance arrangement which pools the ill-health risks for smaller employers. The captive arrangement is reflected in the employer contribution rates (including on termination) for the eligible employers. More details are set out **here**.

This document including the above policies makes up the Fund's Funding Strategy Statement. While the Funding Strategy Statement lays out the Fund's default approaches and strategies in various areas, the Fund may apply an alternative approach where individual circumstances warrant this (as determined by the Head of Fund acting on the advice of the Fund Actuary (or other advisers as appropriate)).

A glossary of the key terms used throughout is available at the end of this document

This Funding Strategy Statement has been prepared by Lancashire County Council (the Administering Authority) to set out the funding strategy for the Lancashire County Pension Fund ("the Fund"), in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended) and guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

1. Background

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 Fund is critical in achieving this. The Administering Authority has taken advice from the actuary in preparing this Statement.

The purpose of this Funding Strategy Statement ("FSS") is to set out a clear and transparent funding strategy regarding how each Fund employer's pension liabilities are to be met.

Given this, and in accordance with governing legislation, all interested parties connected with the Fund have been consulted and given the opportunity to comment prior to this Funding Strategy Statement being finalised and adopted. This statement takes into consideration all comments and feedback received.

Integrated Risk Managed Strategy

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 to meet the objective for all employers over different periods. The funding strategy includes appropriate margins to allow for the possibility of adverse events (e.g. material reduction in investment returns, economic downturn and higher inflation outlook) leading to a worsening of the funding position which would result in greater volatility of contribution rates at future valuations if these margins were not included. This prudence is required by the Regulations and guidance issued by professional bodies and Government agencies to assist the Fund in meeting its primary solvency and long term cost efficiency objectives. Individual employer results will also have regard to their own circumstances.

The Regulations

The Local Government Pension Scheme Regulations 2013 ("the 2013 Regulations"), the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 ("the 2014 Transitional Regulations") and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (all as amended) (collectively: "the Regulations") provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS).

The Solvency Objective

The Administering Authority's long-term objective is for the Fund to achieve and then maintain 100% solvency level over a reasonable time period. Contributions are set in relation to this objective which means that once 100% solvency is achieved, if assumptions are borne out in practice, there would be sufficient assets to pay all benefits earned up to the valuation date as they fall due.

However, because financial and market conditions/outlook change between valuations, the assumptions used at one valuation may need to be amended at the next valuation in order to meet the Fund's objective. This in turn means that contributions will be subject to change from one valuation to another. This objective translates to an employer specific level when setting individual contribution rates.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen with sufficient prudence for this objective to be reasonably achieved in the long term at each valuation.

Long Term Cost Efficiency

Employer contributions are also set in order to achieve long-term cost efficiency. Long-term cost efficiency requires that any funding plan must provide equity between different generations of taxpayers. This means that the contributions must not be set at a level that is likely to give rise to additional costs in the future which fall on later generations of taxpayers or put too high a burden on current taxpayers. The funding parameters and assumptions (e.g. deficit recovery period) must have regard to this requirement which will underpin the decision-making process. Furthermore, 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 two 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 Scheme so far as it relates to the Fund.

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.

Lancashire County Pension Fund

3. Responsibilities of the Key Parties

The efficient and effective management of the Fund can only be achieved if all parties (including pensions committee, investment managers, auditors and legal advisors, investment advisors, pension board etc) exercise their statutory duties and responsibilities conscientiously and diligently. The key parties and their roles for the purposes of the FSS are set out below:

Key Parties To The FSS

The Administering Authority should:	The Individual Employer 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 with 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 Investment Strategy Statement ("ISS), both after proper consultation with interested parties • 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 scheme employer, and • 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.	• deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations), unless they are a Deferred Employer • pay all contributions, including their own, as determined by the actuary, promptly by the due date (including any exit payments upon ceasing participation where applicable) • 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 scheme benefits and early retirement strain • have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context • notify the Administering Authority promptly of any changes to membership or their financial covenant to the Fund, which may affect future funding, and comply with any particular notifiable events specified by the Fund. • understand the pensions impacts of any changes to their organisational structure and service delivery model. • understand that the quality of the data provided to the Fund will directly impact on the assessment of the liabilities and contributions. In particular, any deficiencies in the data may result in the employer paying higher contributions than otherwise would be the case if the data was of high quality. • comply with Regulations in the case of a bulk transfer of staff (noting that any costs incurred by the Fund will be recharged to the receiving / transferring employer).

Key Parties To The FSS

The Fund Actuary should:	A Guarantor* 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 its FSS and the Regulations • prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as early retirement strain costs, ill health retirement costs, etc • provide advice and valuations on the termination of admission agreements • provide advice to the Administering Authority on the use of 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.	• notify the Administering Authority promptly of any changes to its guarantee status, as this may impact on the treatment of the employer in the valuation process or upon termination. • provide details of the agreement, and any changes to the agreement, between the employer and the guarantor to ensure appropriate treatment is applied to any calculations. • be aware of all guarantees that are currently in place • work with the Fund and the employer in the context of the guarantee • receive relevant information from the fund on the employer and their funding position in order to fulfil its obligations as a guarantor.

* In this context, "guarantor" means an employer who acts as guarantor to another employer in the Fund, and so would subsume their residual assets and liabilities on exit (after any final termination assessment)

Lancashire County Pension Fund

4. Key Funding Principles

Purpose of the FSS

Funding is making advance provision to meet the cost of pension and other benefit promises. Decisions taken on the funding approach therefore determine the 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 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 long-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.

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 pension liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay where appropriate.

Each employer's contributions are set at such a level to achieve long-term cost efficiency and full solvency in a reasonable timeframe.

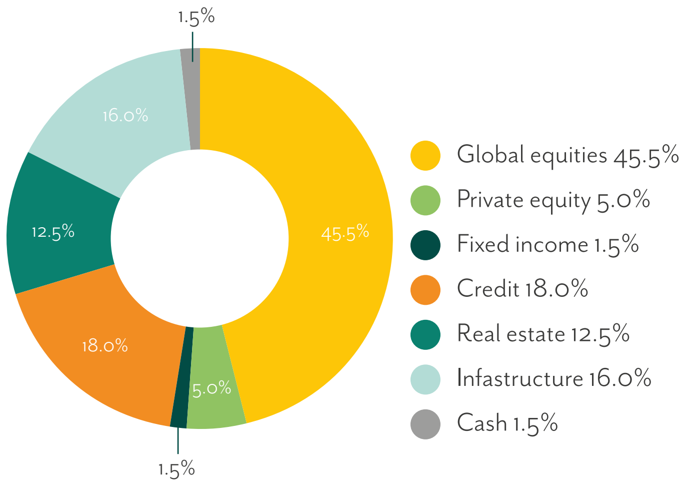
The Aims of the Fund are to:	The Purpose of the Fund is to:
• manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due • enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, mandatory, 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.	• receive monies in respect of contributions, transfer values and investment income, and • pay out monies in respect of scheme benefits, transfer values, exit credits, costs, charges and expenses as defined in the Regulations.

Link to Investment Policy and the Investment Strategy Statement (ISS)

The results of the 2022 valuation show the liabilities to be 115% covered by the assets, with the funding surplus of 15% used in part to offset future service contributions, with the remainder being retained as a buffer against future adverse experience (see Appendix B).

In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance taking into account the investment strategy adopted by the Fund, as set out in the ISS.

The overall strategic asset allocation is set out in the ISS. The current strategy is included below.



Risk Management Strategy

In the context of managing various aspects of the Fund's financial risks, the Administering Authority will consider implementing investment risk management techniques where appropriate.

Climate Change

An important part of the risk analysis underpinning the funding strategy will be to identify the impact of climate change transition risk (shorter term) and physical risks (longer term) on the potential funding outcomes. In terms of the current valuation there will be an analysis of different climate change scenarios at the Whole Fund level relative to the baseline position (i.e. assuming that the funding assumptions are played out).

The analysis will consider a projection of the funding level under two different scenarios which are designed to illustrate the transition and physical risks, depending on what actions are taken globally on climate change. One of the scenarios will be consistent with global temperature increases of c1.5°C above pre-industrial levels, with the other covering higher increases of c4°C. (The scenarios are not meant to be predictors of what may happen and are only a small subset of a very wide range of scenarios that could arise depending on the global actions taken in relation to climate change.)

1. Rapid Transition - there is a sudden divestment across multiple securities in 2025 to align portfolios to the Paris Agreement goals, this will have disruptive effects on financial markets with sudden repricing followed by stranded assets and a sentiment shock. Average temperature increase stabilises at 1.5°C around 2050.
2. Failed Transition - The world fails to meet the Paris Agreement goals and global warming reaches c4°C above pre-industrial levels by 2100. Physical climate impacts cause large reductions in economic productivity and increasing impacts from extreme weather events.

Results will be considered over a period of 20 years to ensure there is sufficient recognition of the transition and physical risks of climate change.

The key metrics are the relative impact on the funding level as this illustrates the impact of climate related market shocks on the funding plan and the analysis will provide the Fund with additional information regarding the resilience of the funding strategy and adequacy of prudence margins. Whilst these scenarios are only two out of a considerable range of potential outcomes, it shows that climate change can have far reaching effect on the Fund.

The actuarial assumptions (versus the best estimate) include a level of prudence which implicitly allows for the climate risk and other risks to support future contribution stability and the Actuary has concluded that the level of prudence is currently sufficient in the context of the scenarios considered. However, any climate related impacts will potentially put significant stress on the funding plan, especially when taken into account with other risk factors, and so the analysis will be further developed and monitored over time. A summary of the output of the analysis will be set out in the Fund Actuary's report on the valuation.

Identification o f Risks And Counter-Measures

The funding of defined benefits is by its nature uncertain. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next actuarial assessment and may require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the 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. The Actuary's formal valuation report includes a quantification of the key risks in terms of the effect on the funding position.

Financial	Demographic
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 than anticipated · An employer ceasing to exist without prior notification, resulting in a large exit credit requirement from the Fund impacting on cashflow requirements 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. In addition, the implementation of the risk management framework will help to reduce the key financial risks over time.	The demographic risks are as follows:- · Future changes in life expectancy (longevity) that cannot be predicted with any certainty. Increasing longevity potentially results in a greater liability for pension funds · Potential strains from ill health retirements, over and above what is allowed for in the valuation assumptions for employers · Unanticipated acceleration of the maturing of the Fund (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund) resulting in materially negative cashflows and shortening of liability durations. The Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy. · Early retirements for reasons of redundancy and efficiency do not immediately affect the solvency of the Fund because they are the subject of a direct charge.

Governance	Regulatory
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 a bond / security which is not adequate 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.	The key regulatory risks are as follows:- · Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to scheme · Changes to national pension requirements and/or HMRC Rules · Political risk that the guarantee from the Department for Education for academies is insufficient, removed or modified along with the operational risks as a consequence of the potential for a large increase in the number of academies in the Fund due to Government policy · Uncertainty about the Government's policy with regard to higher and further education bodies, with the result that the Fund is unsure about the security within which these bodies operate and may therefore be taking undue risk when setting contribution rates Membership of the Local Government Pension Scheme 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.

Monitoring and Review

A full review of this Statement will occur no less frequently than every 3 years, to coincide with completion of a full statutory actuarial valuation. The Statement would also be reviewed if there is a reassessment of employer contributions (covering all or the majority of the Fund employers) in between statutory valuations (although in practice we would expect this to be rare). 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 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 Scheme 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
- if there have been material changes in the ISS

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employers will be contacted.

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Appendix A
- Actuarial Method and Assumptions

The key whole Fund assumptions used for calculating the funding target and the cost of future accrual for the 2022 actuarial valuation are set out below.

Financial Assumptions			
	2022 Valuation Assumption		Description
Investment return / discount rate	Category A employers*	4.5% p.a. (past) and 5.0% p.a. (future)	Derived from the expected return on the Fund assets based on the long term strategy set out in the ISS, including appropriate margins for prudence. For the 2022 valuation this is based on an assumed return of 1.4% p.a. above CPI inflation (past) and 1.9% p.a. above CPI inflation (future) for category A employers, with a 0.25% p.a. reduction for category B*. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.
	Category B employers*	4.25% p.a. (past) and 4.75% (future)	
Inflation (Market Implied Retail Prices Index)	3.90% p.a.		The investment market's expectation 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 whole Fund's accrued liabilities).
Inflation (Consumer Prices Index)	3.10% p.a. (includes an adjustment of 0.80% p.a. to market implied RPI)		RPI inflation (above) reduced to reflect the expected long-term difference between RPI and CPI measures of inflation (reflecting the profile and duration of the whole Fund's accrued liabilities and 2030 RPI reform) – c0.3% on average (broadly 0.7% pre 2030 and 0% post), and adjusted to incorporate an Inflation Risk Premium ("IRP") of 0.5%. The adjustment to the RPI inflation assumption will be reviewed from time to time to take into account any market factors which affect the estimate of CPI inflation.

Financial Assumptions		
	2022 Valuation Assumption	Description
Salary increases	4.60% p.a.	Pre 1 April 2014 benefits (and 2014 to 2022 McCloud underpin) - the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.50% p.a. over the inflation assumption as described above. This includes allowance for promotional increases.
Pension Increases and Deferred Revaluation	Assumed to be in line with the CPI inflation assumption above (noting that pension increases cannot be negative as pensions cannot be reduced). At the 2022 valuation, an adjustment has been made to the liabilities to allow for the known inflation for the period 30 September 2021 to 31 March 2022, and where material, allowance will continue to be made for inflation as it emerges when assessing funding positions between valuations.	
Indexation of CARE benefits	Assumed to be in line with the CPI inflation assumption above. For members in pensionable employment, indexation of CARE benefits can be less than zero (i.e. a reduction in benefits).	

* Category A and B employers are defined in the employer risk policy, but essentially Category A employers have direct taxpayer backing (or are guaranteed by another Fund employer with such backing), and Category B employers do not. Category B employers who provide a suitable bond / security as required by the Fund will have the Category A discount rates applied

Lancashire County Pension Fund

Demographic Assumptions

Mortality/Life Expectancy

The derivation of the mortality assumption is set out in separate advice as supplied by the Actuary. 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) including a loading reflecting Fund specific experience and will make allowance for future improvements in longevity and the experience of the scheme.

A specific mortality assumption has also been adopted for current members who retire on the grounds of ill health.

For all members, it is assumed that the trend in longevity seen over recent time periods (as evidenced in the 2021 CMI analysis) 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 2021 projections and a long term improvement trend of 1.75% per annum.

As an indication of impact, we have set out the life expectancies at age 65 based on the 2019 and 2022 assumptions:

	Male Life Expectancy at 65		Female Life Expectancy at 65	
	2019	2022	2019	2022
Pensioners	22.2	21.3	24.9	25.2
Actives aged 45 now	23.7	22.8	26.7	25.7
Deferreds aged 45 now	22.3	22.3	25.6	25.2

For example, a male pensioner, currently aged 65, would be expected to live to age 86.3. Whereas a male active member aged 45 would be expected to live until age 87.8. The difference reflects the expected increase in life expectancy over the next 20 years in the assumptions above.

The mortality before retirement has also been reviewed based on LGPS wide experience.

Lancashire County Pension Fund

Life expectancy assumptions

The post retirement mortality tables adopted for this valuation are set out below:

	Base Table	Improvements	Adjustments (M/F)
Current pensioners:			
Normal health	S3PMA / S3PFA_M	CMI_2021 1.75%	113% / 105%
Ill-health	S3IA	CMI_2021 1.75%	141% / 172%
Dependants	S3PMA / S3DFA	CMI_2021 1.75%	137% / 122%
Future dependants	S3PMA / S3DFA	CMI_2021 1.75%	137% / 122%
Current active / deferred:			
Active normal health	S3PMA / S3PFA_M	CMI_2021 1.75%	119% / 105%
Active ill-health	S3IA	CMI_2021 1.75%	256% / 337%
Deferred	S3PMA / S3PFA_M	CMI_2021 1.75%	126% / 113%
Future dependants	S3PMA / S3DFA	CMI_2021 1.75%	134% / 123%

* using sk=7.5, zero initial improvements and no allowance for 2020 or 2021 data

	Other Demographic Assumptions
Commutation	It has been assumed that, for each benefit tranche, members take 75% of the total maximum tax-free cash available at retirement (so for pre 2008 benefits this would include the statutory lump 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 remain in line with the assumptions adopted for the 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.
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 from participating employers. This 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.

Further details on the demographic assumptions are set out in the Actuary's formal report which can be found **here.**

Lancashire County Pension Fund

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 scheme 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. Employers who move from open to closed may see an increase in contributions as a result of this change.

The assumptions to be used in the calculation of the funding target are set out above. 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.

There will be a funding plan for each employer. In determining contribution requirements the Administering Authority, based on the advice of the Actuary, will consider whether the funding plan adopted for an employer is reasonably likely to be successful having regard to the particular circumstances of that employer (potentially taking into account any material changes after the valuation date up to 31 March 2023).

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. As indicated above, 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 in the Fund.

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 Primary rate should take account of the market conditions applying at future dates, not just the date of the valuation. In addition, the associated benefits being built up are paid out over a longer time horizon than benefits already accrued; thus it is justifiable to use a slightly higher expected return from the investment strategy.

Employer Asset Shares

The Fund is a multi-employer pension scheme 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 as calculated by the Actuary based on relevant financial information, 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 involves applying the investment strategy to each employer unless this is varied by agreement 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. In addition, the asset shares maybe restated for changes in data or other policies.

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.

McCloud

All employer liabilities include the estimated cost of the McCloud judgment.

The above appendix lays out the Fund's default approach to the actuarial assumptions and method. However the Fund may apply an alternative approach where individual circumstances warrant this (as determined by the Head of Fund acting on the advice of the Fund Actuary).

A specific example of this would be where the Fund perceives a particular risk or believes the employer may soon exit (see the Employer Risk Policy) for details.

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Appendix B – Deficit Recovery, Surplus Offsets, and Contribution Options

Employers In Deficit

If the funding level of an employer is below 100% at the valuation date (i.e. the assets of the employer are less than the liabilities), a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

It is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford.

Employers In Surplus – Including Funding Buffers

For the 2022 valuation the Fund has set a funding buffer of 110%. If the funding level of a category A employer is above the buffer at the valuation date, then surplus above this level can be used to reduce future service contributions via a "surplus offset". (In most circumstances, category B employers cannot receive surplus offsets – see the employer risk policy for detail).

Surplus below the buffer is to be retained within the Fund as a margin against future adverse experience, to increase the long-term stability of contributions.

The size of the buffer will be reviewed at each valuation.

Employer Recovery Plans – Key Principles

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible. This will determine the minimum contribution requirement and employers will be free to adopt any recovery period that results in and higher contributions if they wish.

Deficit contributions paid to the Fund by each employer will be expressed as cash amounts. Surplus offsets will be expressed as a percentage of pay.

Recovery periods will be set using the following principles:

Category	Normal Deficit Recovery Period	Derivation
Open employers in deficit	10-13 years (in most cases)	Period from the preceding valuation less 3 years
Open employers in surplus	13-16 years (in most cases)	Equal to the period from the preceding valuation
New open employers in deficit	13 years	Fixed value
New open employers in surplus	16 years	Fixed value
Closed Employers	Varies by employer	Determined by the future working life of the membership.
Employers with a limited participation in the Fund (where appropriate)	Determined on a case by case basis	Length of expected period of participation in the Fund.

Employers will be notified of their individual deficit recovery period as part of the provision of their individual valuation results.

Contributions Options

The following contribution options may be made available at the discretion of the Fund:

1. Employers facing an increase in total contributions may be allowed to phase in increases in equal steps, so that the full target rate is paid in year three of the plan. This is achieved by an adjustment to the secondary contributions.
2. Employers may have the option of prepaying contributions their % and / or £ contributions in a single lump sum either on an annual basis or a one-off payment, in return for a reduction to reflect the assumed rate of return on the invested amounts (determined using the past service discount rate). The total amount paid in each year must be in line with the certified contribution rates, and a top up payment may be required each year.
3. Prepayment of employee contributions is not permitted

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

Appendix C – Ill-Health Captive Arrangement

Overview

For smaller employers the Fund operates a captive insurance arrangement which was established by the Administering Authority to cover additional costs arising from ill-health retirements involving the early payment of benefits.

The captive arrangement operates as follows:

- "Premiums" are paid by the eligible employers into the captive arrangement, which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer's primary rate. The premium for 2023/26 is 0.5% pa.
- The captive arrangement is then used to meet strain costs emerging from ill-health retirements in respect of active members to limit the impact on the deficit position for employers within the captive, so that any subsequent impact should be manageable.
- The premiums are set with the expectation that, allowing for the existing captive assets, they will be sufficient to cover the costs in the 3 years following the valuation date.
- If any excess premiums over costs are built up in the captive, these will be used to offset future adverse experience and/or result in lower premiums at the discretion of the Administering Authority based on the advice of the Actuary.
- In the event of poor experience over a valuation period any shortfall in the captive fund is effectively underwritten by the other employers within the Fund. However, the future premiums will be adjusted to recover any shortfall over a reasonable period with a view to keeping premiums as stable as possible for employers. Over time the captive arrangement should therefore be self-funding and smooth out fluctuations in the contribution requirements for those employers in the captive arrangement.
- Premiums payable are subject to review from valuation to valuation depending on experience and the expected ill health trends. They will also be adjusted for any changes in the LGPS benefits. They will be included in employer rates at each valuation or on commencement of participation for new employers.

Employers

The employers included in the captive fund are those with less than 150 active members (excluding major Councils). The membership is set based on this criteria at each valuation (or date of admission for new employers). Where an employer moves above (below) the threshold during the inter-valuation period, they will normally remain in (out) of the captive up to the next valuation, at which point they will be reclassified. However, the Fund (acting on advice from the Fund Actuary) may reclassify individual employers at other points where circumstances warrant.

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.

Lancashire County Pension Fund

Appendix D - Glossary of Terms

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 (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.

Benefits: The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to within the FSS. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members.

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 scheme benefits in relation to the member only and pay 50% of the normal member contribution.

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 and the method of calculation is different. The CPI is expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

Cpih: An alternative measure of CPI which includes owner occupiers' housing costs and Council Tax (which are excluded from CPI).

Contingent Assets: assets held by employers in the Fund that can be called upon by the Fund in the event of the employer not being able to cover the debt due upon termination. The terms will be set out in a separate agreement between the Fund and employer.

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.

Deferred Debt Agreement (DDA): A written agreement between the Administering Authority and an exiting Fund employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the assessed Secondary rate until the termination of the DDA.

Deferred Employer: An employer that has entered into a DDA with the Fund.

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.

Derivatives: Financial instruments linked to the performance of specific assets which can be used to magnify or reduce exposure to those 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 i.e. the liabilities. A higher discount rate means lower liabilities and vice versa.

Early Retirement Strain: the additional cost incurred by a scheme employer as a result of allowing a Scheme Member aged 55 or over to retire before Normal Retirement Age and to receive a full pension based on accrued service at the date of retirement without full actuarial reduction.

Employer's Future Service Contribution Rate ("Primary Rate"): the contribution rate payable by an employer (expressed as a % of pensionable pay) which is set at a level which should be 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. See also "Primary Rate" below.

Employing Bodies: Scheme employers that participate in the LGPS.

Equities: shares in a company which are bought and sold on a stock exchange.

Equity Protection: an insurance contract which provides protection against falls in equity markets. Depending on the pricing structure, this may be financed by giving up some of the upside potential in equity market gains.

Exit Credit: the amount payable from the Fund to an exiting employer where the exiting employer is determined to be in surplus at the point of cessation based on a termination assessment by the Fund Actuary.

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 which the Administering Authority is obliged to prepare and publish that outlines how the Administering Authority will manage employer's contributions and risks to the Fund.

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.

Ill Health Captive: this is a notional fund designed to protect certain employers against excessive ill health costs in return for an agreed insurance premium.

Investment Strategy: the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

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.

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 those employing bodies which are eligible to participate, members' contribution rates, benefit calculations and certain governance requirements.

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Liabilities: the actuarially calculated present value of all benefit entitlements i.e. scheme cashflows of all members of the Fund, accumulated 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.

Long Term Cost Efficiency: this is a measure of the extent to which the Fund's policies properly address the need to balance immediate budgetary pressures with the undesirability of imposing an excessive debt burden on future generations.

Mandatory 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 Scheme Employers. For example, these include councils, colleges, universities and academies.

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.

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.

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: an approach where the discount rate used to assess the liabilities is determined based on the market yields of Government bond investments based on the appropriate duration of the liabilities being assessed. This can be used as a benchmark to assess the level of reliance on future investment returns in the funding strategy and therefore the level of risk appetite in a Funds choice of investment strategy.

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.

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. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates. See also "Employer's future service contribution rate" above.

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 compared to 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 sufficiently 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.

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 2022 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.

Scheme Employers: organisations that participate in the Lancashire County Pension Fund.

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 Levelling Up, Housing and Communities (DLUHC) in connection with reviewing the 2022 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

Secondary Rate Of The Employers' Contribution: 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.

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.

Strain Costs: the costs arising when a members retire before their normal retirement date and receive their pensions immediately without actuarial reduction. So far as the Fund is concerned, where the retirements are not caused by ill-health, these costs are invoiced directly to the retiring member's employer at the retirement date and treated by the Fund as additional contributions. The costs are calculated by the Actuary.

SWAPS: a generic term for contracts put in place with financial institutions such as banks to limit the Fund's investment and other financial risks where financial obligations on one basis are "swapped" for financial obligations on another basis.

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.

Investment Strategy Statement

Updated June 2023

lancashirecountypensionfund.org.uk

Lancashire County Council as administering authority of Lancashire County Pension Fund

Contents

Lancashire County Pension Fund

Introduction

Lancashire County Council ("LCC") is the administering authority of the Lancashire County Pension Fund (the "Fund"). The investment strategy of the Fund plays a critical role in ensuring that there are sufficient funds to meet the pensions obligations to its Fund members. This document is the Investment Strategy Statement ("ISS") adopted by the Fund and it outlines:

- **Investment objectives –** objectives which reflect the long-term nature of the pension obligation and are focused on ensuring the long-term sustainability of the Fund;
- **Investment beliefs –** reflecting the beliefs upon which the Fund investments are governed, and ensuring alignment with the investment management ethos of our investment manager;
- **Risk management –** outlining how the Fund will manage the risks associated with its investments;
- **Asset allocation –** assets that the Fund intends to invest in, such as equities, bonds and property, and the relative proportions of each; and
- **Environmental, social, and governance ("ESG") –** setting out the Fund's approach to responsible investment, stewardship, ESG factors and the Fund's Responsible Investment ("RI") Policy.

Investment Objectives and Beliefs

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. To meet this overriding objective, the Pension Fund Committee ("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; and
- Contribute towards achieving and maintaining a future funding level of 100%; and
- Enable employer contribution rates to be kept as stable as possible.

Investment beliefs

A number of investment beliefs have been identified by the Fund and these are recognised in the development of the investment strategy. These investment beliefs set out core principles that guide the investment strategy of the Fund and serve as a framework for our asset allocation decisions, investment manager monitoring and dialogue and overall strategic direction including our approach to responsible investing. The investment beliefs were derived from guiding principles that govern the asset allocation and governance process in place at the Fund. The beliefs were developed by the Investment Panel (made up of the Head of Fund (as Chair) and independent advisers who provide expert professional independent advice to the Committee in relation to investment strategy), with reference to best practice among peers in the LGPS. The principles contained reflect accepted practices of institutional investing.

These are outlined in Appendix A.

Lancashire County Pension Fund

Investment Governance

Lancashire County Council delegates responsibility for the administration and management of the Fund to the Committee who, in turn, delegates certain responsibilities to the Head of Fund which includes leading and delivering strategy, accountability to the Committee and Local Pension Board and financial and investment management of the Fund.

The Investment Panel is made up of the Head of Fund (as Chair) and independent advisers who provides expert professional independent advice to the Committee in relation to investment strategy and supports the Head of Fund with specialist advice as required by the PFC. All decisions in relation to the Fund's strategic asset allocation are subject to Investment Panel advice.

Local Pensions Partnership Investments Limited ("LPPI")[1] is responsible for the implementation of investment strategy, including day to day decision-making around the appointment of asset managers, the selection of investment products, and the exercise of ownership responsibilities. LPPI is responsible for managing 100% of the assets of the Fund, the majority of which have been transitioned into investment pooling vehicles, also managed by LPPI. A small minority of assets remain on the balance sheet of the Fund as "legacy assets."

Further detail on roles and responsibilities is provided in Appendix B.

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 Investment Panel and LPPI which is a FCA regulated investment manager with specific expertise and regulatory permissions to provide advice on investments.

Compliance with Myners

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. These principles cover:

- Arrangements for effective investment management decision-making;
- Setting and monitoring clear investment objectives;
- Focus on asset allocation;
- Arrangements to receive appropriate expert advice;
- Explicit manager mandates;
- Shareholder activism;
- Use of appropriate investment benchmarks;
- Measurement of performance;
- Transparency in investment management arrangements; and
- Regular reporting.

The Fund has considered the principles and considers that it is compliant with them.

Regulatory environment

This ISS is prepared in accordance with regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the "Regulations") and associated guidance. The regulations ensure that the Fund is managed in a way that is consistent with its long-term obligations to members, while also considering the Fund's risk tolerance and funding level.

Under the Regulations, a written investment strategy must be put in place, which sets out the asset allocation policy and investment strategy for the Fund and this is to be reviewed at least every 3 years and revised, as necessary. Also, in the event of a significant change – for example, following actuarial valuations, investment performance reviews, relevant legislation changes, or significant changes to the Funding Strategy Statement - changes will be reflected within six months of the change occurring.

[1] LPPI is wholly owned by Local Pensions Partnership Limited (LPPL), a joint venture between Lancashire County Council (LCC) as Administering Authority and London Pensions Fund Authority (LPFA).

Economic Landscape

Macroeconomic factors play a critical role in shaping the asset allocation of the Fund. The key macroeconomic factors that influence asset allocation are summarised below:

- **Interest Rates:** have a direct impact on, amongst others, the fixed income asset class, as they affect the yield on bonds and other fixed income securities. Rising interest rates can lead to a decrease in bond prices, while declining interest rates can increase bond prices. Interest rates also have an impact on the Fund's liabilities;
- **Inflation:** has a direct impact on the purchasing power of money, and it can affect the performance of different asset classes in different ways. For example, equities may perform well during periods of low inflation, as companies can increase their earnings without having to raise prices. Inflation, like interest rates, also has an impact on the Fund's liabilities;
- **Economic Growth:** can impact the performance of different asset classes in different ways. For example, during periods of strong economic growth, equities may perform well as companies benefit from increased sales and profits; and
- **Exchange Rates:** can have a significant impact on the performance of international investments, as they affect the value of investments made in foreign currencies.

Asset Allocation Framework

One of the key decisions that must be made when managing the Fund is the asset allocation strategy, which determines how the Fund's assets will be invested across different asset classes. Further detail on asset classes is in Appendix C. It is important to understand the overall investment objective of the Fund and the asset allocation strategy should be designed to meet the objectives. It should also take into account the broader economic and market environment.

To pay benefits over time the Fund needs to generate a rate of return that is at least equal to the actuarial discount rate (this is the rate of interest used to convert a cash amount, e.g. benefit payments occurring in the future, to a present value). 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.

To prudently diversify sources of risk and return, the Fund allocates capital across a wide variety of different asset classes with different risk return expectations.

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;
- they have to make a significant contribution to the portfolio by improving overall return and risk characteristics; and
- so that the Fund benefits from increased diversification.

The Fund has identified a total of eight asset classes that will be invested in.

The eight asset classes shown on the next page 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 Allocation Framework

The table below sets out the strategic asset allocation including:

- **Weightings (or target weightings) for each asset class** - the Committee, advised by the Investment Panel and LPPI, has determined benchmark weights to each asset class which it believes to be best suited to meeting the long-term objectives of the Fund;
- **Minimum and maximum tolerance ranges** - the Committee 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;
- **Investment return benchmark** – this is a measure against which asset class performance is to be judged; and
- **Target rate of return** (or investment objective) for each asset class.

Additional Assets

Assets in respect of members' additional voluntary contributions are held separately from the main Fund assets.

Day to day custody

The Fund has appointed a custodian with regard to the safekeeping of the Fund's assets and other investment administrative requirements.

Table 1: xx Strategic Asset Allocation

Asset Class	Asset Allocation	Tolerance Range	Benchmark	Investment Objective
Global Equity	45	40 to 52.5	MSCI All Country World (net dividends reinvested) Index (GBP)	Benchmark +2.0% p.a. over a full market cycle, at least seven years
Private Equity	5	0-to 10	MSCI World SMID (net dividends reinvested) Index (GBP)	Benchmark +2.0% - 4.0% p.a. over a rolling ten year period
Fixed Income	5	0 to 10	Bloomberg Barclays Global Aggregate Bond Index (GBP Hedged)	Benchmark +0.25% p.a. over a full market cycle, at least seven years
Credit	18	12.5 to 22.5	50% Morningstar/LSTA US Leveraged Loans Index (GBP Hedged), 50% Bloomberg Barclays Multiverse Corporate Index (GBP Hedged)	Benchmark +1.0% - 3.0% p.a. over a full market cycle, at least seven years
Real Estate	11	6 to 16	MSCI UK Quarterly Property Index (GBP)	UK CPI +3.0% - 5.0% p.a. over a rolling ten year period
Infrastructure	15	10 to 20	UK CPI + 4% Per Annum.	
Diversifying Strategy	0	0 to 3	HFRI Fund of Funds Conservative Index (GBP Hedged)	Benchmark +1.0% p.a. over a rolling even year period
Cash	1	0 to 5	SONIA	n/a

Risk Management

Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. The overriding objective of the Fund in respect of its investments is to maximise return within an acceptable and understood level of risk. The Fund outlines its attitude to risk in a risk appetite statement. Risk Appetite refers to the Fund's willingness to tolerate a particular level of exposure to specific risks or risk groups. It is also an expression of the capacity to bear risk, which should not be exceeded. This is regularly monitored by the Investment Panel.

Also, key risks to the Fund are considered within the Fund's risk framework and risk register. The risk register covers member, operational, investment and transitional risk connected with management of the Fund and is subject to regular review and monitoring.

Key investment risks are summarised below:

- **Investment Strategy -** inappropriate investment strategy leading to volatility and under performance against the Fund's investment objectives;
- **Portfolio construction, Implementation and Performance -** the portfolio fails to deliver the required return within risk tolerances;
- **Custody of Fund assets -** failure to ensure the security and safe custody of Fund assets, leading to a loss of assets and/or income, and therefore a breach;
- **Actuarial Valuation and Monitoring of Funding -** asset / liability mismatch leads to insufficient assets to fund liabilities;
- **Cash-Flow Management -** insufficient funds to meet payments from the Fund;
- **Management of Employer risk -** Employers are unable to pay in full any shortfall of their share of the overall deficit on leaving the Fund;
- **ESG Risks -** the Fund's asset values are adversely impacted by environmental, social and governance risks.

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 Investment Panel meetings.
- Performance for LPPI is measured against the policy portfolio benchmark. LPPI 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 LPPI to identify and remedy the cause of any underperformance.

Lancashire County Pension Fund

ESG

The Fund's approach to responsible investment is set out below and further detailed in its Responsible Investment Policy. Key points from the RI policy are:

- **RI priorities -** identifying core priorities for RI is an important part of focussing the attention of LPPI on the issues of greatest importance to the Fund. It also helps the Committee to monitor the stewardship activities that LPPI undertake on behalf of the Fund. The issues identified as being of primary concern to the Fund as asset owners are outlined in the RI Policy;
- **Investment management -** implementation of LCPF's RI policy is through the activities of LPPI;
- **Engagement -** the Fund considers engagement to be a route for exerting a positive influence over investee companies and encouraging responsible corporate behaviour; and
- **Voting -** all aspects of shareholder voting are conducted in line with the LPPI 'Shareholder Voting Policy' which covers voting arrangements, 'reporting and disclosures' and voting philosophy.

Appendix A – Investment Beliefs

1 We believe that our investment horizon should be long-term, due to the fact that our liabilities as a pension fund are long-term in nature. Our primary investment objective as a fund is to have sufficient assets to meet our long-term liabilities as they become due. Comparing our portfolio to benchmarks and target returns is a critical part of our governance and will take our long-term objectives into account.

2 We should only allocate to those assets which are adjudged to offer an appropriate risk/return, and we believe that asset allocation is a key driver of investment returns. Our asset allocation is set forth in our Investment Strategy Statement, as approved by the Pension Fund Committee and as modified from time to time.

3 We believe that diversification can improve returns and reduce risk, particularly global diversification where appropriate. There are some circumstances where we may prefer not to build global exposure (e.g., in the Fund's property portfolio). Diversification by manager type (internal and external providers) is also desirable to avoid overly concentrated investment styles and key person risk.

4 We believe in the benefits of active management as opposed to passive management across most asset classes, particularly where such management can be proven via evidence to deliver persistent excess return on a net of fee basis.

5 We recognize that within asset classes, equities provide the highest risk and return potential and that risk aware exposure to this asset class is essential to ensure that our strategic investment objectives are met over time.

6 We believe that our long-term investment horizon facilitates investment, where appropriate, in long-dated illiquid assets. Such assets should provide an illiquidity premium on returns and be subject to the appropriate level of specialist due diligence and monitoring that their complexity requires.

7 We believe in managing costs across our investment portfolio (including fund structuring and implementation costs as well as management fees and performance fees) and believe that our size as an institutional investor should be taken into account when negotiating fees. We note that returns should be assessed on a net of fees basis and recognise that the lowest cost option may not always be the most suitable option for our portfolio. We believe that our managers should offer competitive fee structures and that investments should deliver value for money.

8 We recognise the importance of cash flow to meeting our liabilities on an annual basis and intend that a portion of the portfolio will generate investment income to meet these needs. A coordinated approach with our investment manager whereby we have a clear understanding of cash needs and cash flow generation is essential to achieve this.

9 We believe that robust risk management and mitigation improves risk adjusted returns. In addition to investment risk, operational, counterparty, conflicts of interest and reputational risk should be assessed and managed. We note that risks are both quantitative and qualitative and that both should be taken into account in the risk management process. We believe that all investments should be made based on data-based evidence which is frequently updated and validated.

10 We have adopted a Responsible Investment Policy and believe management of climate change risk, good stewardship, proactive engagement with underlying companies should be a key element of our investment strategy.

11 We believe that strong and effective governance, and a collegial corporate culture, both within the Fund and our investment managers (primarily LPPI) is a key requirement for long-term investment performance and broader organisational success.

Appendix B – Roles & Responsibilities

Roles and responsibilities of the different bodies in the governance structure are outlined below.

Pension Fund Committee	• To determine the strategic asset allocation policy, giving due recognition to the options made available by LPPI • To monitor the performance of the Fund's investments and ensure that best practice is being adopted and value for money is being delivered • 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 • 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 • To have overall responsibility for the Fund's investment policy.
Investment Panel	• To review the Fund's long term Investment Strategy and where necessary make recommendations to the Pension Fund Committee • To advise on strategic and/or tactical asset allocations proposed by the LPPI • To restrict and control the range of asset allocations used by LPPI as set out in the Investment Strategy Statement • To 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 • To consider foreign exchange hedging strategies relating to the equity and/or other asset allocations and where necessary make recommendations to the Pension Fund Committee • To monitor and review the investment activity • To review and report on the performance of the Fund and where necessary make recommendations to the Pension Fund Committee As part of the above, the Independent Investment Advisers provide advice to the Pension Fund Committee and Head of Fund in their own capacity as well as reviewing and developing advice from LPPI (see below).

Appendix B – Roles & Responsibilities

Roles and responsibilities of the different bodies in the governance structure are outlined below.

Head of Fund	· To place any monies not allocated to investments on short term deposit in accordance with arrangements approved by the Pension Fund Committee. · In consultation with the Investment Panel, monitor and review the performance of investments made by LPPI and report to each meeting of the Pension Fund Committee on the exercise of this delegation. · To prepare and submit to the Pension Fund Committee an Investment Strategy Statement (to include policy on the management of cash balances). · In addition, responsibilities are delegated to the Head of Fund including leading and delivering strategy, accountability to the Committee and Local Pension Board and financial and investment management of the Fund.
LPPI	· To implement the Fund's investment approach, including making decisions to invest the assets of the Fund in accordance with the Fund's investment objectives and strategic asset allocation. · To provide advice from time to time; the advice model operated by the Fund is that LPPI is required, as appropriate, to provide advice to the Fund. In practice, this is done via the Investment Panel. This input by LPPI supports the Investment Panel in delivering its professional advice to the Pension Fund Committee and Head of Fund.
Custodian	· The Fund has appointed a custodian with regard to the safekeeping of the assets in the Fund and other investment administrative requirements.
Local Pensions Board	· 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. Local Pensions Board does not have any decision-making powers.

Lancashire County Pension Fund

Appendix C – Asset Classes

Choice of asset classes has a significant impact on the risk and return profile of the Fund, and it is therefore important to understand the different types of assets that the Fund invests in.

- **Public equities:** Equities represent ownership in a company. Public equities are publicly traded stocks and shares in companies that are listed on a public stock exchange, for example the FTSE 100 Index in the UK. They are often considered to be one of the riskiest asset class due to their volatility. However, they also offer the potential for higher returns over the long term and represent the largest asset class exposure for the Fund.
- **Private equity:** Private Equity refers to owning part of a company whose stock is not listed on a public exchange. Compared to Public Equity, Private Equity typically offers a higher return and risk profile. Private Equity is also a less liquid asset class, meaning that investors capital is locked up for a period of time - a 10-year fund life is not uncommon – although this is compensated for by the expected higher returns.
- **Fixed Income:** Fixed Income assets are broadly those types of assets where an investor lends an amount of money to an entity (often a government or company) and, in exchange for this, receives a set of cashflows back in the form of fixed interest or dividend payments, until a given maturity date in the future. At the maturity date the investor is also repaid the original amount they had invested. Fixed income securities, such as bonds, are considered to be a lower-risk asset class.
- **Real Estate:** Real Estate as an asset class involves investing in property, land and the buildings on it. As well as changes in the value of the underlying properties driving performance, income generation, for example from rental payments from tenants in the properties, also plays a key role. However, real estate investments are also considered to be relatively illiquid.
- **Credit:** Credit as an asset class refers to company lending and accepting the debt of issuing companies/Governments with a view to benefiting from favourable repayment strategies.
- **Infrastructure:** Infrastructure assets are those which are necessary for society and the economy to function. Examples include assets in energy generation (gas, electricity and renewable), transport and health care/ hospitals. Infrastructure assets typically offer long-term returns whilst also providing portfolio diversification and cashflows with a degree of inflation-linkage. Infrastructure assets are also typically illiquid in nature, meaning that investors' capital is locked up for a period of time, although this is compensated for by expected higher returns.
- **Diversifying strategies:** The Fund's allocation to Diversifying Strategies seeks to generate a diversifying source of return to complement the Fund's funding objective, whilst maintaining a low correlation to Public Equities (especially in times of market stress).
- **Cash:** Cash investments, such as bank deposits, offer low risk and low returns. They may be used as a short-term holding place for funds that are waiting to be invested in other asset classes.

Appendix D – Future Review

This Strategy will next be reviewed in detail as part of the next triennial valuation due 31 March 2025. Key principles will be reviewed and monitored on an annual basis and updated appropriately and as a matter of course in the event of significant change (for example, in scheme regulation/guidance and/or funding and investment developments).

0.1	Initial draft	15.02.2023
0.2	Feedback from LPPI	28.02.2023
0.3	Feedback from LPPI and Investment Advisers at Investment Panel meeting on 9th March 2023	22.03.2023
0.4	Feedback from Investment Advisers at Investment Panel meeting on 3rd April 2023. Updated Strategic Asset Allocation table on page 8 with information from LPPA Triennial Review of Strategic Asset Allocation paper	05.05.2023

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Report on the actuarial valuation as at 31 March 2022

Lancashire County Pension Fund

30 March 2023

A business of Marsh McLennan

Contents

Section 1

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 2022 and the decisions reached as a result.

The purpose of the actuarial valuation is for the Administering Authority to determine:

1. 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”).
2. 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’).
3. An appropriate plan for achieving and maintaining a 100% solvency funding level. This plan will cover the amounts which will need to be paid (the ‘Secondary Contribution Rate’) and the timeframe over which they will be paid (‘the Recovery Period’).

Signature		
Name	Mark Wilson	Leanne Johnston
Qualification	Fellow of the Institute and Faculty of Actuaries	Fellow of the Institute and Faculty of Actuaries
Date	30 March 2023	

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 in 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.

Section 2

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 have 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 3 of this report. The past service liabilities at the valuation date include an estimated allowance for the proposed McCloud remedy. As the remedy end date is 31 March 2022, the Primary Contribution Rate effective from 1 April 2023 does not include an allowance for McCloud.
- **Assumed rate of future long term average CPI inflation** – 3.1% p.a., based on the yields available on fixed and index-linked gilts of appropriate duration less an adjustment of 0.8% p.a. (reflecting an average RPI/CPI structural gap and an inflation risk premium).
- **Real investment returns over and above CPI for past service** – 1.40% 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** – 1.90% 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 2021 model with a long term improvement trend of 1.75% p.a.
- **Allowance for known observed CPI inflation** between 1 September 2021 and 31 March 2022 to refine the estimate of the 2023 pension increase order and liability cash flows.

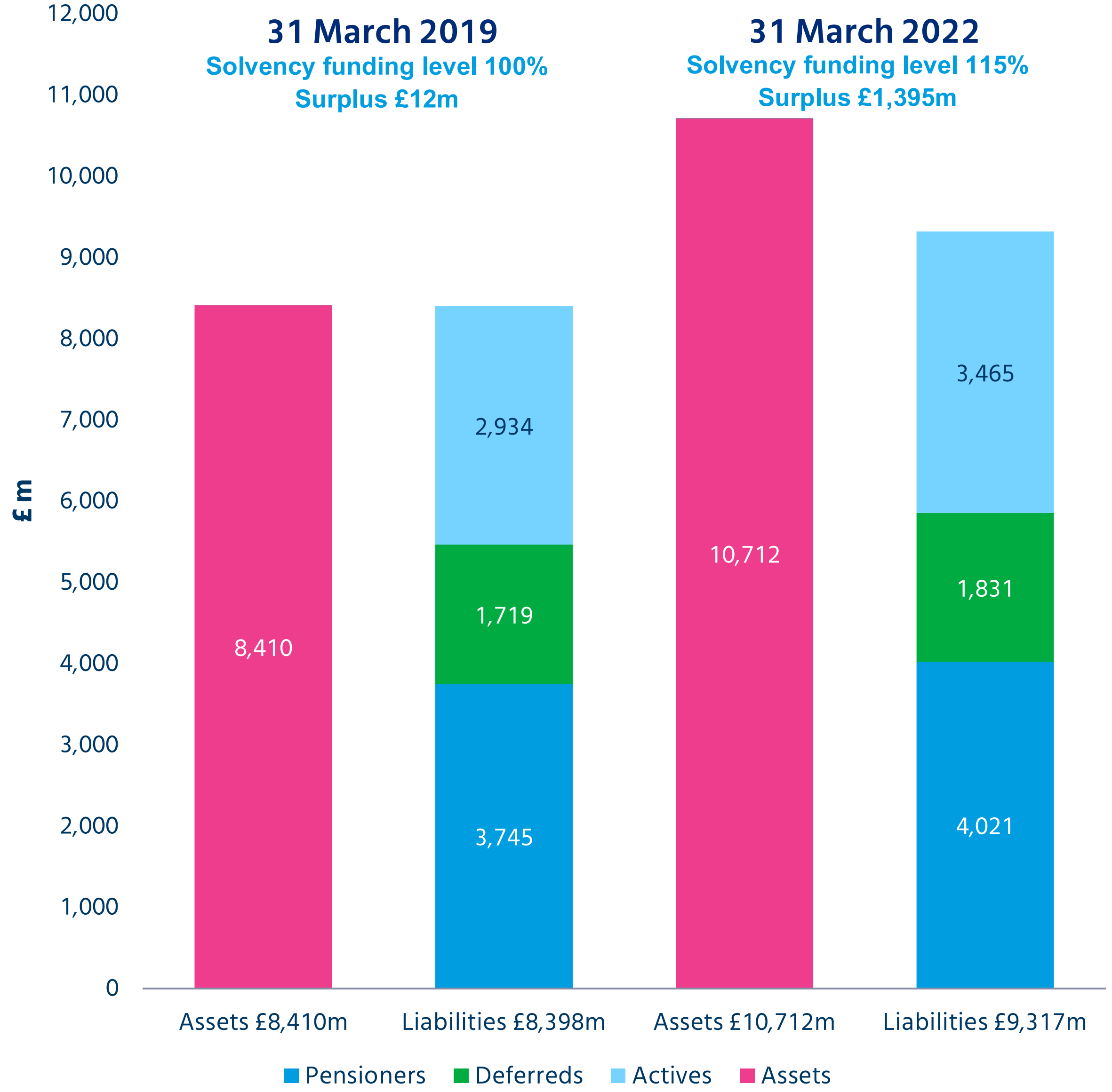
- **Introduction of a surplus buffer** of 110% of liabilities to reflect current economic uncertainty and aid future contribution stability. Only surplus above the funding level buffer can be refunded to employers through offsetting future service contributions
- **Existing recovery period target** reduced by 3 years for open employers in deficit, with no change for employers in surplus. For closed employers, the recovery period reduced in line with the average future working lifetime
- Continuation of an **ill health "captive" arrangement** for certain employers to help manage the funding risks associated with ill health retirements. The FSS sets out further details of how this arrangement operates
- Introduction of a different, more prudent, set of assumptions to use for employers without taxpayer backing – known as Category B employers. For these employers the assumption for the real investment return above CPI for both past and future service is reduced by 0.25% p.a. In most circumstances, for this category of employer no surplus offsets have been applied.

Section 3

Key results of the funding assessment

Solvency funding position

The table below compares the assets and liabilities of the Fund at 31 March 2022. Figures are also shown for the last valuation as at 31 March 2019 for comparison.



The 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 achieve and maintain a solvency funding level of 100%, based on the funding parameters outlined in Section 2 above.

The liability value at 31 March 2022 shown in the chart 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 chart shows that **at 31 March 2022 there was a surplus of £1,395m** against the Fund's solvency funding target. An alternative way of expressing the position is that **the Fund's assets were sufficient to cover 115% of its liabilities** – this percentage is known as the solvency funding level of the Fund.

At the previous valuation at 31 March 2019 the surplus was £12m, equivalent to a solvency funding level of 100%. The key reasons for the changes between the two valuations are considered in Section 4.

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 table below gives a breakdown of the Primary Contribution Rate at 31 March 2022 and also shows the corresponding rate at 31 March 2019 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).

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.

Primary Contribution Rate	% of Pensionable Pay	
	31 March 2019	**31 March 2022**
Normal Contribution rate for retirement and death benefits	23.1	25.0
Allowance for administrative expenses	0.6	0.6
Total normal contribution rate	23.7	25.6
Average member contribution rate	6.3	6.4
Primary contribution rate*	17.4	19.2

** In line with 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 in some circumstances it might be appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

The "Secondary rate" of an individual employer's contribution is an adjustment to the Primary Contribution Rate to reflect any past service deficit (or surplus where appropriate), to arrive at the rate the employers are required to pay.

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 for employers in deficit is 10 years, and for employers in surplus is 16 years. The total initial recovery payment (the "Secondary rate" for 2023/24) is an offset of 2.3% of salaries - approximately £27m per annum in £ terms (which allows for the contribution plans which have been set for individual employers under the provisions of the FSS, including allowance for some employers to phase in any increases).

The McCloud Judgment

As described in Section 2 of this report, we have carried out a stand-alone estimate of the cost of the McCloud Judgment. We estimate that the cost is an increase in past service liabilities at the valuation date of £107 million. This represents 1.1% of total past service liabilities and is included in the 2022 liability figure above. Provision for these estimated McCloud costs has been included within the Secondary Contribution Rate shown above and in the corresponding Secondary Contribution Rate for each individual employer.

The "McCloud Judgment" refers to a legal challenge in relation to historic benefit changes for all public sector schemes being age discriminatory. The Government published a consultation in July 2020 including a proposed remedy for the LGPS. This is likely to result in increased costs for some employers. We are expecting remedial regulations to take effect from October 2023, with a retrospective effect back to April 2014 in England and Wales and a remedy end date of 31 March 2022.

Section 4

Experience since last valuation

Summary of key inter-valuation experience

The last actuarial valuation was carried out with an effective date of 31 March 2019.

The average Pensionable Salary increase for the Fund members who were in service for the whole of the inter-valuation period was 3.4% per annum.

Pensions in payment (in excess of Guaranteed Minimum Pensions (GMPs)) were increased as guaranteed under the Fund as follows:

1. April 2020 1.7%
2. April 2021 0.5%
3. April 2022 3.1%

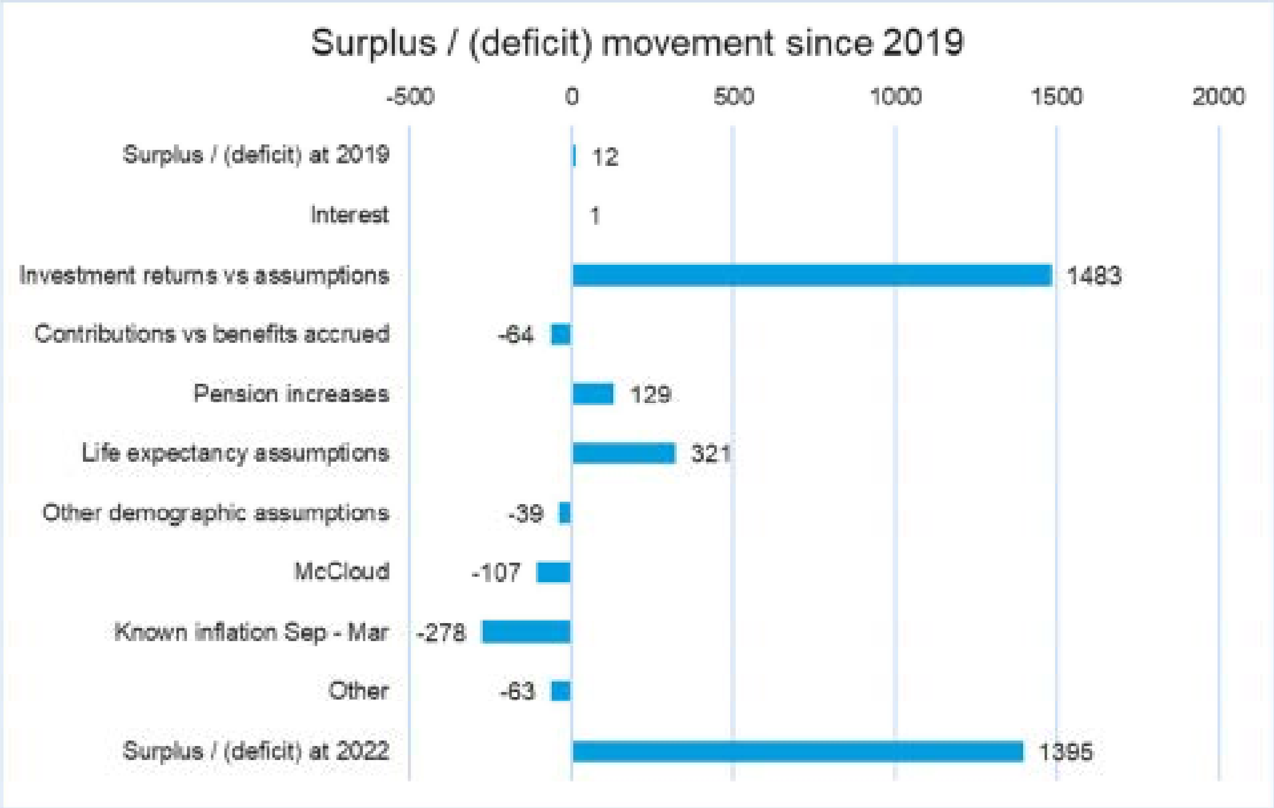
The outcomes from the valuation are determined both by the assumptions adopted for the future, and the Fund's historic experience relative to assumptions made in the past. In this section we consider the effect of the Fund's experience over the last three years.

Over the inter-valuation period, benefit inflation has averaged 1.8% p.a. Over the three years to 31 March 2022 the gross investment return on the Fund's assets has averaged 9.0% p.a., meaning that the average real return over CPI inflation has been about 7.2% p.a.

In addition to the published pension increase orders, we have made allowance for known observed CPI inflation over the period 1 September 2021 to 31 March 2022 as this will be reflected in the April 2023 pension increase order.

Reasons for the change in funding position since the last actuarial valuation

The surplus at the last valuation date was £12m. The chart below sets out the main reasons for the change in the surplus between 31 March 2019 and 31 March 2022 (figures shown in £m).

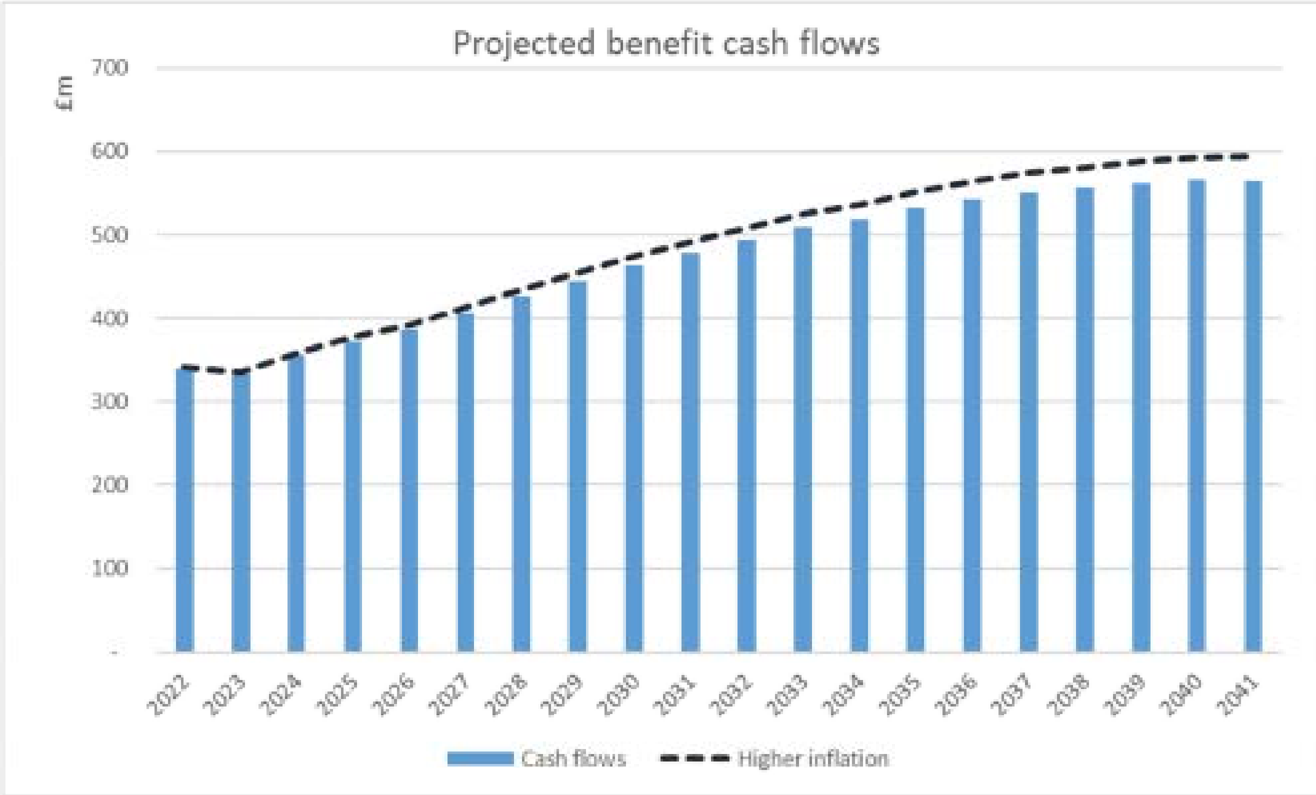


Cash flows, risks and alternative funding positions

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 long-term average assumption of 3.1% 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 c£260m.

> 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 the next actuarial valuation

As part of this valuation, the Administering Authority has set an average recovery plan of approximately 10 years for employers in deficit and 16 years for employers in surplus where a surplus offset applies. The next actuarial valuation will take place with an effective date of 31 March 2025. 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 2025 of c£1,504m, equivalent to a funding level of 114%.

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 may 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. The Fund has also assessed the liabilities for some employers using a different, more prudent set of assumptions
- If CPI inflation is greater than assumed over a prolonged period this means that the benefit payments and therefore Fund liabilities will be greater than expected leading to potentially higher employer contributions at future valuations. The Fund invests in assets which have some correlation to inflation so to some degree the impact will be mitigated and the Administering Authority keeps this under review on an ongoing basis
- 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.

Post valuation date experience and contribution sustainability

The valuation results and employer contributions shown in this report are assessed as at 31 March 2022. We have seen substantial financial market volatility as a combination of the continued impact of the COVID19 pandemic on life expectancy, the Russia Ukraine conflict, the September 2022 "mini-budget" and spikes in short/medium term inflation. 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. In particular, we have considered these factors when deciding on the final assumptions to adopt and also highlighted to employers the potential risks around contribution sustainability. 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.

Recognising this uncertainty, where surplus offsets are granted the Administering Authority has introduced a surplus buffer of 110% of liabilities to reflect current economic uncertainty and aid future contribution stability. Only surplus above the funding level buffer can be refunded to employers through future surplus offsets.

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 2022 would have differed given small changes in the key assumptions.

Assumption change	Loss (gain) at 31 March 2022 (£m)	Resultant surplus (deficit) at 31 March 2022 (£m)
Original solvency funding position	-	1,395
Real investment return e.g. return above inflation 0.25% p.a. lower than assumed	409	986
Pensionable Salary growth 0.25% p.a. higher than assumed	51	1,344
Long term improvement rate in life expectancy increased by 0.25% p.a.	70	1,325
Assets fall by 25%	2,678	(1,283)

The figures above consider each impact in isolation. In practice the Fund's risk management framework will mitigate the financial risks to varying degrees.

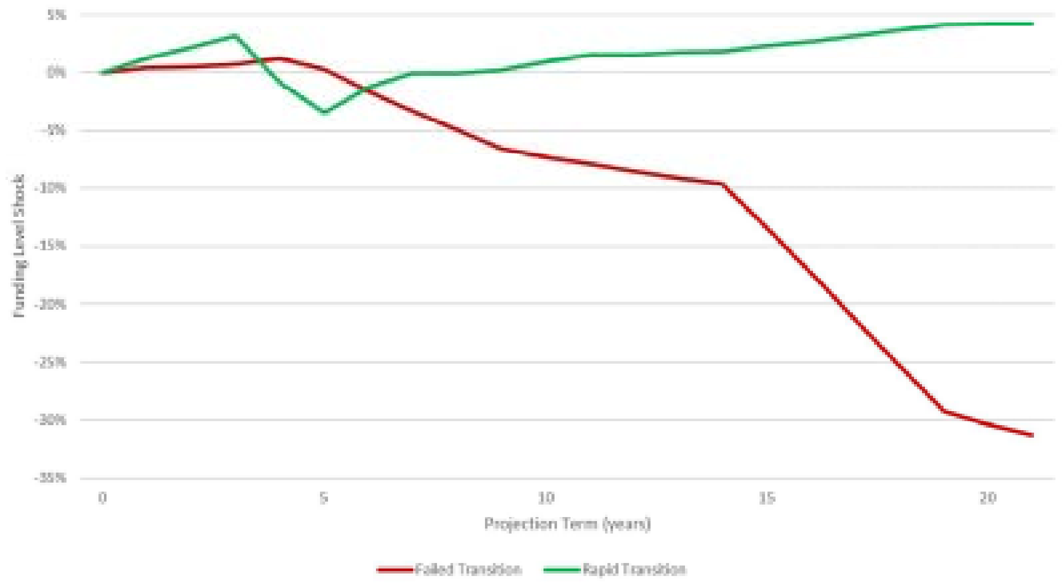
Climate change

Climate change has the potential to be a material financial risk to the Fund – whether that be the costs of moving to a low carbon economy, the cost of physical damages caused as a result of climate change or even as a result of litigation/regulation to address past practices. Climate change is expected to affect most if not all of the risks highlighted above, however, the extent of and interaction between these impacts are uncertain. As part of the valuation the Administering Authority has considered the relative impact on funding over time of the following climate change scenarios and a summary of the output is set out below (the key assumptions underpinning these scenarios is included in Appendix A).

In practice, the impact of climate change cannot be known at this stage as the ultimate effects will depend on a wide variety of factors. This in turn means that a wide variety of outcomes are possible, depending on the speed and degree to which climate change is addressed. As part of the valuation we have considered two potential scenarios from the range of possible outcomes – these are not meant to be predictors of the impact of climate change but are meant to show the risks associated with the transition risks (short term) and physical risks (long term) of two different scenarios. The analysis specifically includes a negative (although not worst-case) scenario that allows for a failure of global climate policy and so a significant increase in global temperatures, as it is important to understand the potential impact on the Fund when taking decisions on the prudence margins to incorporate as part of the overall Funding Strategy.

Further detail on the analysis has been provided to the Administering Authority in our separate advice report and the information provided here is a summary of that report. This will form part of the Fund's overall work on climate change as it develops its approach to climate risk going forward. The potential risks associated with climate change have been considered when setting the assumptions in this report. The two scenarios considered are as follows:

- Rapid transition - Policy and technology developments come together to deliver the rapid reduction in emissions to limit heating to below 1.5°. There are material transition costs associated with this that reduce returns.
- Failed transition - Transition is limited and not co-ordinated. Emissions continue to rise. Transition risks are very small but significant physical risks come in to play.



Mercer supports limiting warming to 1.5 degrees Celsius but recognises that given the current warming trajectory, based on existing policies and actions, this pathway may represent a short term shock to investment portfolios. Investors should position their portfolios in line with their objectives whilst also understanding the potential impact of transition risks and physical damages.

The Fund will continue to monitor climate risk going forward, and develop its climate risk reporting (in line with the LGPS specific guidance from Government currently being considered).

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 relative to 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).

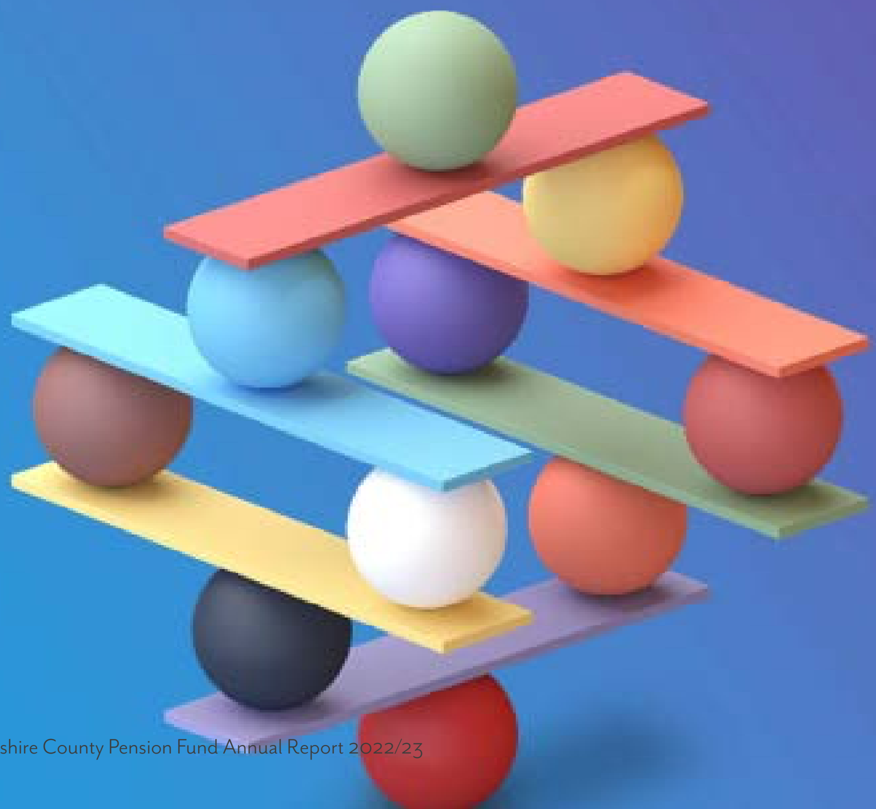
If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to make any allowance for out-performance of the Fund investments nor allow for an inflation risk premium as inflation risk would be fully hedged. In this event the value of the Fund liabilities would have increased substantially, to £17,633m, and the funding level would have reduced correspondingly to 61%. 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 remain at 61%.

The value of the liabilities on the ongoing solvency funding target assumptions was £9,317m, which is £8,316m less than the value on the minimum risk basis. The funding plan is therefore making a prudent allowance for future investment returns of £8,316m 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.

Managing investment risk and other risks e.g. employer covenant is a key objective for the Administering Authority. The policies to manage these risks are set out in the Funding Strategy and Investment Strategy Statements.

Mercer

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 and member CARE pension pots 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. Equally, pay growth will impact on the potential liabilities in relation to the McCloud Judgment as the assumption affects the value of the final salary underpin.
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.

Financial assumptions used to calculate the solvency funding target

The table below summarises the key financial assumptions used in the calculation of the solvency funding target at whole Fund level and those used for the 31 March 2019 actuarial valuation. Full yield curves were used in calculating the liabilities. Approximate single equivalent rates have been shown below for information purposes. Section 2 of this report sets out how these assumptions might vary from one employer to another.

Financial assumptions	31 March 2019	31 March 2022
Discount rate:		
Category A employers*:	3.80% p.a.	4.50% p.a.
Category B employers*:	N/A	4.25% p.a.
Price inflation (CPI)	2.40% p.a.	3.10% p.a.
Salary increases (long term)	3.90% p.a.	4.60% p.a.
Pension increases in payment:	2.40% p.a.	3.10% p.a.

**Definitions are contained within the FSS, but broadly speaking Category A employers have taxpayer backing / a taxpayer guarantee, and Category B employers do not*

The key financial assumption is the expected long term investment return above CPI inflation as this is usually the principal factor which determines the long term cost to employers via their contributions. In determining this we consider first the long term real returns (i.e. returns above CPI) which the Fund's investment strategy can be expected to deliver based on market outlook at the valuation date taking into account the projected cash flow position of the Fund. This analysis then helps us recommend and agree with the Administering Authority on a suitably prudent assumption for the valuation discount rate based on the investment strategy, any risk management framework in place, and reasonably allowing for the likely changes in investment strategy as the Fund matures.

Our analysis of expected future real investment returns uses a Monte Carlo simulation (stochastic) model, based on 4,000 simulations. Within the overall analysis we specify and calibrate a range of economic and asset class models. Our analysis uses an asset correlation matrix to help generate each stochastic simulation. The model includes estimates for long term expected returns and inflation along with volatilities each asset class and inflation.

In order to consider the level of prudence we look at the likelihood of the expected real return from the Fund's assets exceeding the assumption made. We measure this by considering the percentile expected return from the analysis. A return assumption higher than the 50th percentile return from the analysis can be deemed to be prudent and retain margins to provide some protection against increases in contributions at future valuations.

At this actuarial valuation the real discount rate which we have used is 1.4% p.a., which is the 78th percentile return from our analysis. At the previous valuation the real discount rate used was 1.4% p.a., which at the time was the 71st percentile.

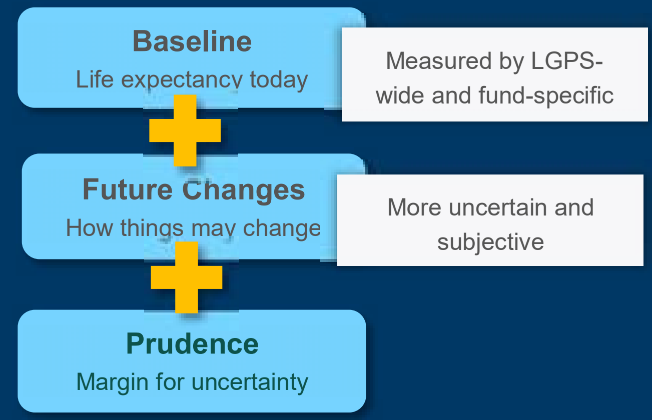
Demographic assumptions used

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.

There are two separate decisions on mortality assumptions:

- The baseline table for the current rates of mortality; and
- The allowance for future improvements.



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. This has been based on our detailed study using Longevitas which considers a range of lifestyle factors to derive the weightings. Full details are set out in our separate report.

As for the 2019 valuation, we have generally used the S3PA tables ("middle" tables for females), other than for female dependants where the S3DA tables have been used and for members retiring in ill health, where the S3IA tables have been used.

The weightings and age ratings applied to the above are set out in the table below.

Current Status	Retirement Type	2019 weighting/age rating	2022 weighting/age rating
Annuitant	Normal Health	103% males, 91% females	113% males, 105% females
	Dependant	137% males, 92% females	137% males, 122% females
	Ill Health	125% males, 129% females	141% males, 172% females
	Future Dependant	132% males, 110% females	137% males, 122% females
Active	Normal Health	110% males, 94% females	119% males, 105% females
	Ill Health	126% males, 144% females	256% males, 337% females
Deferred	All	133% males, 109% females	126% males, 113% females
Active/ deferred	Future Dependant	132% males, 110% females	134% males, 123% 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 2021 model with a 1.75% p.a. long term improvements trend (Smoothing Parameter (Sk) of 7.5, with all other parameters core, i.e. zero initial improvements parameter and no allowance for 2020 or 2021 data).

At the 2019 actuarial valuation the CMI 2018 model with 1.75% p.a. long term trend was used.

The mortality assumptions used for the 31 March 2022 valuation result in the following life expectancies.

	Years
Life expectancy for a male aged 65 now	21.6
Life expectancy at 65 for a male aged 45 now	23.1
Life expectancy for a female aged 65 now	23.9
Life expectancy at 65 for a female aged 45 now	26.0

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 2022
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) 70% (female) to reflect the Fund's membership profile
Allowance for Future Improvements	CMI_2015 [1.5%]	CMI_2021 [1.75%]

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 75% of the maximum tax-free cash available at retirement. This is slightly less than the assumption at the 2019 actuarial valuation, which was equivalent to members taking about 80% of the maximum tax-free cash available.

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 age 65, a proportion of the active membership is assumed to retire in normal health, 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

Otherwise, all other benefits are assumed to be payable from age 65 and the appropriate early retirement factors are applied to the relevant tranche of benefits in line with the Government Actuary's Department (GAD) guidance.

These are the same assumptions as the 2019 valuation.

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	0.034	0.030
45	0.093	0.089
55	0.414	0.362

The assumption has been changed since the last valuation. The 2019 assumption is set out in our 2019 valuation report

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 (which is the same assumption as used in the 2019 valuation):

	Tier 1	Tier 2	Tier 3
Males	75%	12.5%	12.5%
Females	75%	12.5%	12.5%

These assumptions are also used to derive the premium included in the captive ill health insurance arrangement for certain employers. Further details of this arrangement are set out in the FSS and the employers in the arrangement are covered on the schedule in Appendix H.

Withdrawal

This assumption relates to those members who leave the Fund with an entitlement to a deferred pension or transfer value. It has been assumed that active members will leave the Fund at the following sample rates:

	% leaving per annum	% leaving per annum
Age	Males	Females
25	20.25	22.38
35	5.09	6.27
45	2.54	3.89

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.

These are the same assumptions as the 2019 valuation

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	51
35	69	68
45	72	68
55	74	68
65	76	62

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.

The assumption has been changed since the last valuation. The 2019 assumption is set out in our 2019 valuation report.

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 1.90% per annum (for Category A employers, 1.65% for Category B). This represents a reduction of 0.25% per annum compared to the 2019 valuation (for Category A, 0.5% for Category B), which increases the estimated cost of providing LGPS benefits. With a long term average assumption for price inflation of 3.1% per annum, this gives rise to an overall discount rate of 5.0% p.a. for Category A and 4.75% for Category B (the corresponding discount rate at the 2019 actuarial valuation was 4.55% 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 1.90% p.a., which is the 72nd percentile return from our analysis. At the previous valuation the real discount rate used was 2.15% p.a., which at the time was at the 61st percentile.

Climate change modelling

The ongoing funding level includes implicit allowance for climate change to the extent that this is expected and priced into markets. We have illustrated how other climate change scenarios could impact on the projection of funding level in section 4, and the assumptions underpinning that analysis are shown below.

Modelling Assumptions – cumulative return impacts

	Failed Transition	Rapid Transition
	30/06/2022	
Asset Class	20 Years	20 Years
MSCI World Equity	-27.80%	-8.70%
MSCI ACWI Equity	-28.90%	-7.80%
UK Equity	-22.80%	-5.70%
Europe Equity	-26.90%	-8.60%
Emerging Markets Equity	-34.90%	-8.10%
UK Sovereign Bonds	-0.40%	0.50%
World Private Infrastructure	-25.10%	3.60%
UK Real Estate	-28.90%	-1.30%
Private Infrastructure Equity Europe	-17.00%	0.10%
Private Infrastructure Debt EU	-2.20%	0.30%
Global Private Debt	-2.70%	-6.90%
Absolute Return Fixed Income	-1.10%	-2.60%
MSCI Paris Aligned Equity	-29.20%	-1.10%
MSCI ACWI ESG Equity	-29.60%	-4.40%

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 2022
Active members		
Number	53,644	56,406
Total Pensionable Salaries (£000s p.a.)	935,050	1,076,687
Average Pensionable Salary (£ p.a.)	17,431	19,088
Average age (pension weighted)	50.1	50.6
Deferred pensioners (including undecideds)		
Number	69,292	72,411
Total deferred pensions revalued to valuation date (£000s p.a.)	87,113	97,527
Average deferred pension (£ p.a.)	1,257	1,347
Average age (pension weighted)	49.2	50.1
Pensioners (including dependants)		
Number	49,535	54,617
Total pensions payable (£000s p.a.)	232,766	260,029
Average pension (£ p.a.)	4,699	4,761
Average age (pension weighted)	70.9	71.5

Appendix C
Assets

The market value of the Fund's assets was £10,711.5m on the valuation date.

The Administering Authority's investment strategy is to apportion 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 2022	
	%	£000s	%
Public equities	45.5%	5,165	48.2%
Fixed income	1.5%	399	3.7%
Diversifying strategies	0.0%	102	1.0%
Credit	18.0%	1,417	13.2%
Infrastructure	16.0%	1,386	12.9%
Private equity	5.0%	936	8.7%
Real Estate	12.5%	1,117	10.4%
Cash / Net current assets	1.5%	190	1.8%
Total	100%	10,712	100%

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
Benefit Summary

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:

Scheme Regulations

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).

GMP Equalisation/Indexation

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, Treasury issued a consultation on the equalising and indexation of GMPs in all the public service pension schemes, including the LGPS and this was concluded on 23 March 2021 (23.03.2021_Response_to_GMP_consultation_final__002_.pdf (publishing.service.gov.uk)).

The outcome is that all members whose State Pension Age is after 5 April 2016 will receive full CPI indexation on the GMP elements of their benefits resulting in their total pension increasing in line with CPI inflation which will address the equalisation issues identified in the view of the Government.

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).

This has been fully allowed for in this valuation when assessing the liabilities. When compared to the 2019 valuation outcomes, we have made allowance for the directions being extended to require the LGPS to now be responsible for increases to GMPs for members reaching State Pension Age after 5 April 2021.

Consideration is being given to whether any adjustment needs to be made in relation to a small number of exceptional cases (as set out in the consultation response) along with historic transfer payments made to members leaving the Fund and all parties are awaiting further guidance from the Government. No explicit allowance has been made in this valuation for these potential liabilities and this will be considered once the guidance and data is available. We would not expect it to be material in the context of the total Fund liabilities but this can only be considered once the full details are available.

Compensatory Added Years (CAY)

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.

Additional Voluntary Contributions (AVCs)

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.

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, is therefore required as announced by the Government.

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 Government published a consultation in July 2020 including a proposed remedy for the LGPS. This is likely to result in increased costs for some employers. We are expecting remedial regulations to take effect from October 2023, with a retrospective effect back to April 2014 in England and Wales and a remedy end date of 31 March 2022.

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 be extended to apply to younger members who joined the Fund before 1 April 2012 (the cut-off date for the protections to apply). 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) up to 31 March 2022.
- Compare this to the actual post 31 March 2014 benefits accrued up to 31 March 2022.
- 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 2022. Given the nature of the underpin we expect any costs for this group of members to be immaterial at whole Fund level. We also believe the approach applied to active members and the assumptions underlying the actuarial valuation contain prudent margins which are sufficient to cover the vast majority of such costs for the affected employers.

As the regulations have not yet been laid we cannot be certain that the allowance made is reflective of the final underpin agreed. However, we are content that the approach above represents a reasonable allowance for the expected remedy. The position will be reassessed at the 2025 valuation (or earlier contribution review for some employers) when we expect all relevant data to be available and the final remedy will be known.

Appendix E
Analysis of membership experience

The analysis below compares the actual experience over the 3 year period with the assumptions used for the 2022 valuation.

	Actual	Expected	%
Ill Health Retirements	389	476	82%
Withdrawals	17,400	9,595	181%
Pensioner Deaths	4,666	3,130	149%

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

2022 Past service funding position - local funding basis	
Funding level (assets/liabilities)	115%
Funding level (change since last valuation)	+15%
Asset value used at the valuation (£m)	10,712
Value of liabilities (£m)	9,317
Surplus (deficit) (£m)	1,395
Discount rate – past service	4.5 % p.a.
Discount rate – future service	5.0% p.a.
Assumed pension increases (CPI)	3.1% 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	21.6
Average life expectancy for current pensioners - women currently age 65	23.9
Average life expectancy for future pensioners - men currently age 45	23.1
Average life expectancy for future pensioners - women currently age 45	26.0

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 (for comparison purposes only)		
Market value of assets	10,712	
Value of liabilities	8,118	
Funding level on SAB basis (assets/liabilities)	132%	
Funding level on SAB basis (change since last valuation)	+10%	
Contribution rates payable	2022 valuation	2019 valuation
Primary contribution rate	19.2%	17.4%
Secondary contributions:		
Secondary contribution rate - 1st year of rates and adjustment certificate (£m)	-26.8	0.4
Secondary contribution rate – 2nd year of rates and adjustment certificate (£m)	-27.0	2.2
Secondary contribution rate – 3rd year of rates and adjustment certificate (£m)	-27.2	3.4
Giving total expected contributions:		
Total expected contributions - 1st year of rates and adjustment certificate (£m figure based on assumed payroll)	199.0	171.1
Total expected contributions - 2nd year of rates and adjustment certificate (£m figure based on assumed payroll)	209.2	179.6
Total expected contributions - 3rd year of rates and adjustment certificate (£m figure based on assumed payroll)	220.0	187.8
Assumed payroll (cash amounts in each year)		
Total assumed payroll - 1st year of rates and adjustment certificate (£m)	1,176	981
Total assumed payroll – 2nd year of rates and adjustment certificate (£m)	1,230	1,019
Total assumed payroll – 3rd year of rates and adjustment certificate (£m)	1,287	1,059

3-year average total employer contribution rate	17.0%	17.6%
Average employee contribution rate (% of pay)	6.4%	6.3%
Employee contribution rate (£m figure based on assumed 1st year payroll)	75.0	61.8
Deficit recovery and surplus spreading plan:	2022 valuation	2019 valuation
Latest deficit recovery period end date	2040	2036
Earliest surplus spreading period end date	2024	2033
The time horizon end date (where this methodology is used by the fund's actuarial advisor)	n/a	n/a
The funding plan's likelihood of success (where this methodology is used by the fund's actuarial advisor)	n/a	n/a
Percentage of liabilities relating to employers with deficit recovery periods of longer than 20 years	0%	0%
Additional information		
Percentage of total liabilities that are in respect of Tier 3 employers	16%	
Included climate change analysis/comments in the 2022 valuation report	Yes	
Value of McCloud liability in the 2022 valuation report (on local funding basis)	£107m	

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 2023 is 19.2% of pensionable pay. The primary rate of contribution for each employer for the three year period beginning 1 April 2023 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 2023 is an **addition** of the following:

2023/24 £2.3 million less 2.5% of pensionable pay

2024/25 £2.4 million less 2.4% of pensionable pay

2025/26 £2.5 million less 2.3% of pensionable pay

The secondary rate of contribution for each employer for each of the three years beginning 1 April 2023 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 three 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)

In accordance with Regulation 62(8) of the regulations, we have calculated the contributions that should be paid into the fund over the period 1 April 2023 to 31 March 2026 in order to maintain the solvency of the Fund.

The assumptions underpinning the calculation of the contribution rates included in this certificate are set out in the Funding Strategy Statement and summarised in Appendix A of the Fund Actuary's report on the 31 March 2022 Actuarial Valuation. These assumptions determine our estimate of the number of members (and associated pensions and liabilities) who will become entitled to a pension under the provisions on the LGPS.

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:	Mark Wilson	Leanne Johnston
Qualification:	Fellow of the Institute and Faculty of Actuaries	Fellow of the Institute and Faculty of Actuaries
Date of signing:	30 March 2023	

Appendix H

Schedule to the Rates and Adjustments Certificate dated 30 March 2023

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
Major Authorities									
2	Blackburn with Darwen Borough Council		18.8%	-1.1%	-1.1%	-1.1%	17.7%	17.7%	17.7%
3	Blackpool Borough Council		18.8%	-2.2%	-2.2%	-2.2%	16.6%	16.6%	16.6%
7	Burnley Borough Council		19.4%	-4.8%	-4.8%	-4.8%	14.6%	14.6%	14.6%
12	Chorley Borough Council		18.3%	Nil	Nil	Nil	18.3%	18.3%	18.3%
14	Fylde Borough Council		19.2%	-4.0%	-4.0%	-4.0%	15.2%	15.2%	15.2%
15	Hyndburn Borough Council		20.5%	-6.9%	-6.9%	-6.9%	13.6%	13.6%	13.6%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
17	Lancashire County Council		19.4%	-3.1%	-3.1%	-3.1%	16.3%	16.3%	16.3%
18	Lancaster City Council		18.8%	-2.5%	-2.5%	-2.5%	16.3%	16.3%	16.3%
30	Pendle Borough Council		20.0%	Nil	Nil	Nil	20.0%	20.0%	20.0%
32	Preston City Council		20.1%	-7.3%	-7.3%	-7.3%	12.8%	12.8%	12.8%
33	Ribble Valley Borough Council		20.0%	-5.3%	-5.3%	-5.3%	14.7%	14.7%	14.7%
34	Rossendale Borough Council		18.7%	-4.1%	-4.1%	-4.1%	14.6%	14.6%	14.6%
36	South Ribble Borough Council		18.7%	-0.8%	-0.8%	-0.8%	17.9%	17.9%	17.9%
38	West Lancashire District Council		20.4%	-3.7%	-3.7%	-3.7%	16.7%	16.7%	16.7%
41	Wyre Borough Council		20.0%	-6.5%	-6.5%	-6.5%	13.5%	13.5%	13.5%
362	Lancashire Chief Constable		17.9%	-2.6%	-2.6%	-2.6%	15.3%	15.3%	15.3%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
318	Police & Crime Commissioner		17.0%	-5.0%	-5.0%	-5.0%	12.0%	12.0%	12.0%
124	Lancashire Fire & Rescue Service		18.6%	-15.7%	-15.7%	-15.7%	2.9%	2.9%	2.9%
Other Scheduled Employers									
88	Blackburn College		20.7%	-4.5%	-3.8%	-3.0%	16.2%	16.9%	17.7%
85	Blackpool & The Fylde College		20.6%	-2.7%	-1.3%	Nil	17.9%	19.3%	20.6%
163	Blackpool Coastal Housing		18.9%	-4.3%	-4.3%	-4.3%	14.6%	14.6%	14.6%
386	Blackpool Housing Company Ltd		16.3%	Nil	Nil	Nil	16.3%	16.3%	16.3%
94	Blackpool Sixth Form College		18.2%	-1.7%	-0.8%	Nil	16.5%	17.4%	18.2%
90	Burnley College		17.9%	Nil	Nil	Nil	17.9%	17.9%	17.9%
95	Cardinal Newman College		18.6%	-0.7%	-0.3%	Nil	17.9%	18.3%	18.6%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
66	Edge Hill University		17.8%	Nil	Nil	Nil	17.8%	17.8%	17.8%
84	Lancaster & Morecambe College		21.1%	-1.6%	-0.7%	Nil	19.5%	20.4%	21.1%
20	Lancaster University		19.2%	-2.5%	-1.2%	Nil	16.7%	18.0%	19.2%
92	Myerscough College		20.8%	-1.3%	-0.6%	Nil	19.5%	20.2%	20.8%
91	Nelson and Colne College		20.7%	-1.4%	-0.6%	Nil	19.3%	20.1%	20.7%
86	Preston College		20.2%	-2.2%	-1.0%	Nil	18.0%	19.2%	20.2%
87	Runshaw College		20.4%	-1.7%	-0.8%	Nil	18.7%	19.6%	20.4%
67	University of Central Lancashire		20.4%	-2.4%	-1.2%	Nil	18.0%	19.2%	20.4%
37	University of Cumbria		20.8%	Nil	Nil	Nil	20.8%	20.8%	20.8%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
Academies									
265	Academy @ Worden		19.5%	Nil	Nil	Nil	19.5%	19.5%	19.5%
235	Accrington St Christopher's CE HS (Academy)		20.5%	£154,100	£161,200	£168,600	20.5% plus £154,100	20.5% plus £161,200	20.5% plus £168,600
256	Albany Learning Trust		19.3%	£17,200	£18,000	£18,800	19.3% plus £17,200	19.3% plus £18,000	19.3% plus £18,800
187	Aldridge Education - Darwen Aldridge Community Academy		16.9%	-1.4%	-1.4%	-1.4%	15.5%	15.5%	15.5%
356	Aldridge Education - Darwen Vale HS (Academy)		19.5%	£78,000	£81,600	£85,300	19.5% plus £78,000	19.5% plus £81,600	19.5% plus £85,300
383	Aldridge Education - Sudell PS (Academy)		21.3%	£16,000	£16,700	£17,500	21.3% plus £16,000	21.3% plus £16,700	21.3% plus £17,500
245	All Saints CE Primary School (Academy)		19.5%	£25,700	£26,900	£28,100	19.5% plus £25,700	19.5% plus £26,900	19.5% plus £28,100
230	ATCT (Bowland High Academy)		20.7%	£9,500	£9,900	£10,400	20.7% plus £9,500	20.7% plus £9,900	20.7% plus £10,400
278	ATCT (Roseacre Primary Academy)		18.3%	£12,500	£13,100	£13,700	18.3% plus £12,500	18.3% plus £13,100	18.3% plus £13,700

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
280	ATCT (Thames Primary Academy)		19.6%	£7,800	£8,200	£8,500	19.6% plus £7,800	19.6% plus £8,200	19.6% plus £8,500
334	ATCT (Witton Park Academy)		17.6%	£29,200	£30,500	£31,900	17.6% plus £29,200	17.6% plus £30,500	17.6% plus £31,900
277	Bacup & Rawtenstall Grammar School (Academy)		19.9%	£3,100	£3,200	£3,400	19.9% plus £3,100	19.9% plus £3,200	19.9% plus £3,400
241	Belthorn Primary Academy		18.9%	-0.4%	-0.4%	-0.4%	18.5%	18.5%	18.5%
363	BFET (Marton Primary Academy)		19.7%	£31,500	£32,900	£34,500	19.7% plus £31,500	19.7% plus £32,900	19.7% plus £34,500
310	BFET (South Shore Academy)		18.8%	£56,600	£59,200	£61,900	18.8% plus £56,600	18.8% plus £59,200	18.8% plus £61,900
236	Bishop Rawstorne C of E High Academy		20.6%	£16,100	£16,800	£17,600	20.6% plus £16,100	20.6% plus £16,800	20.6% plus £17,600
349	Blessed Edward Bamber (Christ the King Catholic Academy)		18.8%	£12,300	£12,900	£13,500	18.8% plus £12,300	18.8% plus £12,900	18.8% plus £13,500
347	Blessed Edward Bamber (St Cuthbert's Catholic Academy)		17.8%	£31,000	£32,400	£33,900	17.8% plus £31,000	17.8% plus £32,400	17.8% plus £33,900
346	Blessed Edward Bamber (St Mary's Catholic Academy)		19.3%	£52,700	£55,100	£57,700	19.3% plus £52,700	19.3% plus £55,100	19.3% plus £57,700

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
425	Blessed Edward MAT (The Trust)		19.3%	Nil	Nil	Nil	19.3%	19.3%	19.3%
530	Champion Education Trust (Blackburn Central High School)		18.8%	£10,200	£10,700	£11,200	18.8% plus £10,200	18.8% plus £10,700	18.8% plus £11,200
531	Champion Education Trust (Crosshill School)		19.1%	£7,000	£7,300	£7,700	19.1% plus £7,000	19.1% plus £7,300	19.1% plus £7,700
549	Champion Education Trust (Lotus School)		17.7%	Nil	Nil	Nil	17.7%	17.7%	17.7%
372	Cidari Education Ltd (Baines Endowed)		19.7%	£63,600	£66,500	£69,600	19.7% plus £63,600	19.7% plus £66,500	19.7% plus £69,600
342	Cidari Education Ltd (Darwen St James)		19.4%	£27,500	£28,800	£30,100	19.4% plus £27,500	19.4% plus £28,800	19.4% plus £30,100
379	Cidari Education Ltd (Great Marsden St Johns PS)		18.8%	£4,100	£4,300	£4,500	18.8% plus £4,100	18.8% plus £4,300	18.8% plus £4,500
459	Cidari Education Ltd (Newchurch PSM)		16.7%	Nil	Nil	Nil	16.7%	16.7%	16.7%
344	Cidari Education Ltd (St Aidans)		19.8%	£24,300	£25,400	£26,600	19.8% plus £24,300	19.8% plus £25,400	19.8% plus £26,600
343	Cidari Education Ltd (St Barnabas)		18.5%	£24,400	£25,500	£26,700	18.5% plus £24,400	18.5% plus £25,500	18.5% plus £26,700

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
327	Cidari Education Ltd (St Georges)		18.2%	£45,100	£47,200	£49,300	18.2% plus £45,100	18.2% plus £47,200	18.2% plus £49,300
335	Cidari Education Ltd (St Lukes & St Phillips)		20.3%	£35,500	£37,100	£38,800	20.3% plus £35,500	20.3% plus £37,100	20.3% plus £38,800
581	Cidari Education Ltd (St Matthew's C of E Primary School)		18.3%	Nil	Nil	Nil	18.3%	18.3%	18.3%
551	Cidari Education Ltd (St Pauls CE PS)		20.2%	Nil	Nil	Nil	20.2%	20.2%	20.2%
509	Cidari Education Ltd (St Silas CE PS)		22.1%	Nil	Nil	Nil	22.1%	22.1%	22.1%
369	Cidari Education Ltd (Trust)		16.5%	£25,600	£26,800	£28,000	16.5% plus £25,600	16.5% plus £26,800	16.5% plus £28,000
225	Clitheroe Royal Grammar School (Academy)		20.5%	£33,900	£35,500	£37,100	20.5% plus £33,900	20.5% plus £35,500	20.5% plus £37,100
211	Dunstone Education Trust (Fulwood Academy)		18.7%	-8.2%	-8.2%	-8.2%	10.5%	10.5%	10.5%
304	Education Partnership Trust (Blackburn FS)		17.1%	£30,200	£31,600	£33,000	17.1% plus £30,200	17.1% plus £31,600	17.1% plus £33,000
364	Education Partnership Trust (Burnley High Free School)		15.1%	-0.6%	-0.6%	-0.6%	14.5%	14.5%	14.5%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
388	Education Partnership Trust (Coal Clough)		17.8%	Nil	Nil	Nil	17.8%	17.8%	17.8%
395	Education Partnership Trust (Eden School)		15.9%	£6,200	£6,500	£6,800	15.9% plus £6,200	15.9% plus £6,500	15.9% plus £6,800
408	Education Partnership Trust (Pleckgate HS)		20.2%	£93,900	£98,200	£102,700	20.2% plus £93,900	20.2% plus £98,200	20.2% plus £102,700
527	Education Partnership Trust (Burnley The Heights)FS)		16.9%	£2,700	£2,800	£3,000	16.9% plus £2,700	16.9% plus £2,800	16.9% plus £3,000
421	Education Partnership Trust		15.6%	£67,400	£70,500	£73,700	15.6% plus £67,400	15.6% plus £70,500	15.6% plus £73,700
496	Endeavour Learning Trust (Burscough Priory Academy)		18.7%	Nil	Nil	Nil	18.7%	18.7%	18.7%
560	Endeavour Learning Trust (Central Team)		16.2%	£800	£800	£900	16.2% plus £800	16.2% plus £800	16.2% plus £900
546	Endeavour Learning Trust (Northbrook PS)		19.1%	-1.3%	-0.6%	Nil	17.8%	18.5%	19.1%
247	Endeavour Learning Trust (Tarleton Academy)		19.1%	£55,500	£64,700	£73,700	19.1% plus £55,500	19.1% plus £64,700	19.1% plus £73,700
493	FCAT (Armfield Academy)		17.8%	£3,400	£3,600	£3,700	17.8% plus £3,400	17.8% plus £3,600	17.8% plus £3,700

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
348	FCAT (Aspire Academy)		22.9%	£32,500	£34,000	£35,600	22.9% plus £32,500	22.9% plus £34,000	22.9% plus £35,600
392	FCAT (Blackpool Gateway Academy)		18.2%	£9,500	£9,900	£10,400	18.2% plus £9,500	18.2% plus £9,900	18.2% plus £10,400
242	FCAT (Garstang Community Academy)		21.5%	£5,000	£5,200	£5,500	21.5% plus £5,000	21.5% plus £5,200	21.5% plus £5,500
227	FCAT (Hambleton Primary Academy)		18.7%	£8,100	£8,500	£8,900	18.7% plus £8,100	18.7% plus £8,500	18.7% plus £8,900
447	FCAT (Mereside Primary Academy)		18.5%	£21,200	£22,200	£23,200	18.5% plus £21,200	18.5% plus £22,200	18.5% plus £23,200
250	FCAT (Montgomery HS Academy)		18.2%	£50,900	£53,200	£55,700	18.2% plus £50,900	18.2% plus £53,200	18.2% plus £55,700
299	FCAT (Unity Academy)		17.6%	£110,000	£115,100	£120,400	17.6% plus £110,000	17.6% plus £115,100	17.6% plus £120,400
244	FCAT (Westcliff Prim Acad)		18.3%	£13,300	£13,900	£14,600	18.3% plus £13,300	18.3% plus £13,900	18.3% plus £14,600
463	FCAT (Westminster Primary Academy)		20.7%	-0.3%	-0.3%	-0.3%	20.4%	20.4%	20.4%
561	Forward as One CE AT (St John with St Michael)		20.2%	Nil	Nil	Nil	20.2%	20.2%	20.2%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
287	Fylde Coast Academy Trust		16.9%	£9,900	£10,400	£10,800	16.9% plus £9,900	16.9% plus £10,400	16.9% plus £10,800
259	Hawes Side Primary Academy		19.2%	Nil	Nil	Nil	19.2%	19.2%	19.2%
226	Hodgson Academy		21.0%	£25,400	£26,600	£27,800	21.0% plus £25,400	21.0% plus £26,600	21.0% plus £27,800
223	Lancaster Girls Grammar School (Academy)		20.3%	£14,400	£15,100	£15,800	20.3% plus £14,400	20.3% plus £15,100	20.3% plus £15,800
224	Lancaster Royal Grammar School (Academy)		20.2%	£36,900	£38,600	£40,400	20.2% plus £36,900	20.2% plus £38,600	20.2% plus £40,400
301	Langdale Free School		17.9%	£300	£300	£300	17.9% plus £300	17.9% plus £300	17.9% plus £300
507	Learning Together Trust (St Pauls Academy)		17.2%	£2,500	£2,600	£2,700	17.2% plus £2,500	17.2% plus £2,600	17.2% plus £2,700
565	LET Education Trust		16.8%	Nil	Nil	Nil	16.8%	16.8%	16.8%
584	LET Education Trust (Accrington Huncoat)		20.5%	Nil	Nil	Nil	20.5%	20.5%	20.5%
583	LET Education Trust (Oswaldtwistle West End)		20.9%	Nil	Nil	Nil	20.9%	20.9%	20.9%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
580	LET Education Trust (The Hollins)		20.3%	Nil	Nil	Nil	20.3%	20.3%	20.3%
234	Lostock Hall Academy Trust		19.7%	£3,700	£3,900	£4,000	19.7% plus £3,700	19.7% plus £3,900	19.7% plus £4,000
281	Maharishi School (Free School)		20.7%	Nil	Nil	Nil	20.7%	20.7%	20.7%
562	Mater Christi Multi Academy Trust (St Joseph's Primary)		19.1%	Nil	Nil	Nil	19.1%	19.1%	19.1%
286	Moorside Community PS Academy		18.3%	£5,800	£6,100	£6,300	18.3% plus £5,800	18.3% plus £6,100	18.3% plus £6,300
453	Mosaic Academy Trust (Southlands High School)		18.0%	Nil	Nil	Nil	18.0%	18.0%	18.0%
257	Mulberry Multi Academy Trust (Norbreck Primary Academy)		20.7%	£18,900	£19,800	£20,700	20.7% plus £18,900	20.7% plus £19,800	20.7% plus £20,700
243	Parbold Douglas CE Academy		22.3%	£4,500	£4,700	£4,900	22.3% plus £4,500	22.3% plus £4,700	22.3% plus £4,900
254	Parklands High School (Academy)		18.6%	£29,900	£31,300	£32,700	18.6% plus £29,900	18.6% plus £31,300	18.6% plus £32,700
420	Pendle Education Trust		16.2%	-1.3%	-1.3%	-1.3%	14.9%	14.9%	14.9%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
485	Pendle Education Trust (Casterton Primary Academy)		18.9%	£1,900	£2,000	£2,100	18.9% plus £1,900	18.9% plus £2,000	18.9% plus £2,100
282	Pendle Education Trust (Colne Primet)		19.6%	Nil	Nil	Nil	19.6%	19.6%	19.6%
387	Pendle Education Trust (Nelson Castercliff)		19.2%	£400	£400	£400	19.2% plus £400	19.2% plus £400	19.2% plus £400
283	Pendle Education Trust (Walter Street Primary School)		18.6%	Nil	Nil	Nil	18.6%	18.6%	18.6%
413	Pendle Education Trust (West Craven)		19.7%	Nil	Nil	Nil	19.7%	19.7%	19.7%
255	Penwortham Priory Academy		18.4%	Nil	Nil	Nil	18.4%	18.4%	18.4%
117	Queen Elizabeth's Grammar School Blackburn Academy Trust (Free School)		19.6%	-1.8%	-1.8%	-1.8%	17.8%	17.8%	17.8%
539	Romero CAT (All Saints CHS)		19.7%	-1.7%	-0.8%	Nil	18.0%	18.9%	19.7%
537	Romero CAT (Blessed TRC)		19.6%	-1.6%	-0.8%	Nil	18.0%	18.8%	19.6%
538	Romero CAT (St Augustines)		20.2%	-2.0%	-0.9%	Nil	18.2%	19.3%	20.2%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
533	Romero CAT (St John the Baptist RC PS)		17.9%	-0.9%	-0.9%	-0.9%	17.0%	17.0%	17.0%
532	Romero CAT (St Mary's RC PS)		19.1%	-1.3%	-0.6%	Nil	17.8%	18.5%	19.1%
558	Rowan Learning Trust (Farington Primary School)		19.0%	-2.0%	-2.0%	-2.0%	17.0%	17.0%	17.0%
229	St Michael's CE High (Academy)		19.1%	Nil	Nil	Nil	19.1%	19.1%	19.1%
232	St Wilfrid's CE Academy		18.7%	£53,100	£55,500	£58,100	18.7% plus £53,100	18.7% plus £55,500	18.7% plus £58,100
276	Star Academies		15.7%	£134,500	£140,700	£147,200	15.7% plus £134,500	15.7% plus £140,700	15.7% plus £147,200
492	Star Academies (Bay Leadership Academy)		19.8%	Nil	Nil	Nil	19.8%	19.8%	19.8%
465	Star Academies (Eden Boys LA Manchester)		16.1%	£3,500	£3,700	£3,800	16.1% plus £3,500	16.1% plus £3,700	16.1% plus £3,800
526	Star Academies (Eden Boys Leadership Academy Bradford)		17.2%	£2,800	£2,900	£3,100	17.2% plus £2,800	17.2% plus £2,900	17.2% plus £3,100
495	Star Academies (Eden Boys School LA Birmingham East)		15.5%	Nil	Nil	Nil	15.5%	15.5%	15.5%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
391	Star Academies (Eden BS Birmingham)		18.6%	£12,400	£13,000	£13,600	18.6% plus £12,400	18.6% plus £13,000	18.6% plus £13,600
389	Star Academies (Eden BS Preston)		16.7%	£4,300	£4,500	£4,700	16.7% plus £4,300	16.7% plus £4,500	16.7% plus £4,700
464	Star Academies (Eden Girls LA Manchester)		14.7%	£1,900	£2,000	£2,100	14.7% plus £1,900	14.7% plus £2,000	14.7% plus £2,100
525	Star Academies (Eden Girls Leadership Academy Birmingham)		14.7%	£2,200	£2,300	£2,400	14.7% plus £2,200	14.7% plus £2,300	14.7% plus £2,400
390	Star Academies (Eden GS Slough)		17.9%	£15,400	£16,100	£16,800	17.9% plus £15,400	17.9% plus £16,100	17.9% plus £16,800
415	Star Academies (Highfield)		18.7%	Nil	Nil	Nil	18.7%	18.7%	18.7%
302	Star Academies (Olive Blackburn)		15.2%	£7,500	£7,800	£8,200	15.2% plus £7,500	15.2% plus £7,800	15.2% plus £8,200
303	Star Academies (Olive London)		14.8%	£6,600	£6,900	£7,200	14.8% plus £6,600	14.8% plus £6,900	14.8% plus £7,200
430	Star Academies (Olive School Birmingham)		16.4%	£5,500	£5,800	£6,000	16.4% plus £5,500	16.4% plus £5,800	16.4% plus £6,000
428	Star Academies (Olive School Bolton)		15.8%	£3,200	£3,300	£3,500	15.8% plus £3,200	15.8% plus £3,300	15.8% plus £3,500

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
429	Star Academies (Olive School Preston)		16.8%	£2,300	£2,400	£2,500	16.8% plus £2,300	16.8% plus £2,400	16.8% plus £2,500
515	Star Academies (Valley Leadership Academy)		18.5%	-1.5%	-1.5%	-1.5%	17.0%	17.0%	17.0%
361	Star Academies Eden BS Bolton FS		19.6%	£10,900	£11,400	£11,900	19.6% plus £10,900	19.6% plus £11,400	19.6% plus £11,900
360	Star Academies Eden GS Coventry		18.2%	£14,700	£15,400	£16,100	18.2% plus £14,700	18.2% plus £15,400	18.2% plus £16,100
359	Star Academies Eden GS Waltham		16.5%	£5,000	£5,200	£5,500	16.5% plus £5,000	16.5% plus £5,200	16.5% plus £5,500
279	Star Academies Islam Boys High School (Free School)		16.2%	£4,300	£4,500	£4,700	16.2% plus £4,300	16.2% plus £4,500	16.2% plus £4,700
368	Star Academies Islam Girls HS		18.4%	£37,300	£39,000	£40,800	18.4% plus £37,300	18.4% plus £39,000	18.4% plus £40,800
490	The Bay Learning Trust (Carnforth Academy)		19.8%	£7,300	£7,600	£8,000	19.8% plus £7,300	19.8% plus £7,600	19.8% plus £8,000
529	The Bay Learning Trust (Central Lancaster HS)		19.3%	Nil	Nil	Nil	19.3%	19.3%	19.3%
506	The Bay Learning Trust (Morecambe Bay Academy)		21.0%	Nil	Nil	Nil	21.0%	21.0%	21.0%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
228	The Bay Learning Trust (Ripley St Thomas CE Academy)		19.3%	£18,700	£19,600	£20,500	19.3% plus £18,700	19.3% plus £19,600	19.3% plus £20,500
481	The Pennine Trust (Blacko)		17.7%	£3,100	£3,200	£3,400	17.7% plus £3,100	17.7% plus £3,200	17.7% plus £3,400
483	The Pennine Trust (Laneshaw Bridge)		19.0%	£8,400	£8,800	£9,200	19.0% plus £8,400	19.0% plus £8,800	19.0% plus £9,200
482	The Pennine Trust (Lord St)		19.0%	£17,200	£18,000	£18,800	19.0% plus £17,200	19.0% plus £18,000	19.0% plus £18,800
484	The Pennine Trust (Park High)		19.7%	£22,200	£23,200	£24,300	19.7% plus £22,200	19.7% plus £23,200	19.7% plus £24,300
298	The Sea View Trust (Anchorsholme Academy)		19.4%	£37,800	£39,500	£41,400	19.4% plus £37,800	19.4% plus £39,500	19.4% plus £41,400
296	The Sea View Trust (Devonshire Primary Academy)		19.4%	£35,000	£36,600	£38,300	19.4% plus £35,000	19.4% plus £36,600	19.4% plus £38,300
297	The Sea View Trust (Park Community Academy)		15.6%	£69,400	£72,600	£75,900	15.6% plus £69,400	15.6% plus £72,600	15.6% plus £75,900
320	The Sea View Trust (Revoe Learning Academy)		17.0%	£52,000	£54,400	£56,900	17.0% plus £52,000	17.0% plus £54,400	17.0% plus £56,900
448	The Sea View Trust (Tor View School)		16.9%	£72,600	£75,900	£79,400	16.9% plus £72,600	16.9% plus £75,900	16.9% plus £79,400

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
177	United Learning (Accrington Academy)		18.5%	-3.4%	-3.4%	-3.4%	15.1%	15.1%	15.1%
475	United Learning (The Hyndburn Academy)		17.3%	-0.2%	-0.2%	-0.2%	17.1%	17.1%	17.1%
557	United Learning Trust (Marsden Heights Community College)		21.4%	-0.8%	-0.8%	-0.8%	20.6%	20.6%	20.6%
272	Wensley Fold CE Primary Academy		18.8%	£50,800	£53,100	£55,600	18.8% plus £50,800	18.8% plus £53,100	18.8% plus £55,600
258	Zest Academy Trust (Waterloo Primary Academy)		18.3%	Nil	Nil	Nil	18.3%	18.3%	18.3%
Designated / Resolution Employers									
219	Active Lancashire Limited		15.2%	0.8%	0.8%	0.8%	16.0%	16.0%	16.0%
512	Blackpool Waste Services		19.7%	-2.0%	-2.0%	-2.0%	17.7%	17.7%	17.7%
172	Catterall Parish Council		27.5%	Nil	Nil	Nil	27.5%	27.5%	27.5%
563	Chorley Leisure Ltd		12.6%	£1,600	£1,700	£1,800	12.6% plus £1,600	12.6% plus £1,700	12.6% plus £1,800

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
442	Clayton Le Woods Parish Council		26.7%	Nil	Nil	Nil	26.7%	26.7%	26.7%
367	Cliviger Parish Council		27.2%	£100	£100	£100	27.2% plus £100	27.2% plus £100	27.2% plus £100
456	Cockerham Parish Council		25.7%	Nil	Nil	Nil	25.7%	25.7%	25.7%
312	Darwen Town Council		27.2%	£200	£200	£200	27.2% plus £200	27.2% plus £200	27.2% plus £200
569	Farington Parish Council		26.2%	Nil	Nil	Nil	26.2%	26.2%	26.2%
412	Freckleton Parish Council		27.5%	Nil	Nil	Nil	27.5%	27.5%	27.5%
173	Garstang Town Council		25.5%	Nil	Nil	Nil	25.5%	25.5%	25.5%
313	Habergham Eaves Parish Council		27.2%	£100	£100	£100	27.2% plus £100	27.2% plus £100	27.2% plus £100
147	Marketing Lancashire Ltd		16.2%	-8.7%	-8.7%	-8.7%	7.5%	7.5%	7.5%
251	Morecambe Town Council		19.9%	Nil	Nil	Nil	19.9%	19.9%	19.9%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
524	Nelson Town Council		21.6%	£1,000	£1,000	£1,100	21.6% plus £1,000	21.6% plus £1,000	21.6% plus £1,100
457	Nether Wyresdale Parish Council		25.7%	Nil	Nil	Nil	25.7%	25.7%	25.7%
314	Old Laund Booth Parish Council		27.2%	£100	£100	£100	27.2% plus £100	27.2% plus £100	27.2% plus £100
145	Penwortham Town Council		22.7%	Nil	Nil	Nil	22.7%	22.7%	22.7%
170	Pilling Parish Council		27.8%	Nil	Nil	Nil	27.8%	27.8%	27.8%
305	Preesall Town Council		27.2%	Nil	Nil	Nil	27.2%	27.2%	27.2%
564	South Ribble Leisure Ltd		16.8%	Nil	Nil	Nil	16.8%	16.8%	16.8%
218	St Annes on Sea Town Council		24.2%	£2,200	£2,300	£2,400	24.2% plus £2,200	24.2% plus £2,300	24.2% plus £2,400
264	The Lancashire Colleges Ltd		18.7%	Nil	Nil	Nil	18.7%	18.7%	18.7%
398	Whittle-le-woods Parish Council		26.5%	Nil	Nil	Nil	26.5%	26.5%	26.5%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
39	Whitworth Town Council		22.8%	Nil	Nil	Nil	22.8%	22.8%	22.8%
Admitted Bodies (Community Admissions)									
141	Adventure Hyndburn Ltd		19.6%	Nil	Nil	Nil	19.6%	19.6%	19.6%
365	Blackpool, Fylde and Wyre Credit Union		25.7%	Nil	Nil	Nil	25.7%	25.7%	25.7%
48	Caritas Care Limited		23.1%	Nil	Nil	Nil	23.1%	23.1%	23.1%
197	Community and Business Partners CIC		17.5%	Nil	Nil	Nil	17.5%	17.5%	17.5%
61	Community Council of Lancashire		24.5%	Nil	Nil	Nil	24.5%	24.5%	24.5%
155	Community Gateway Association Ltd		19.8%	Nil	Nil	Nil	19.8%	19.8%	19.8%
382	County Councils Network		12.6%	£23,400	£24,500	£25,600	12.6% plus £23,400	12.6% plus £24,500	12.6% plus £25,600
136	Hyndburn Leisure		16.7%	-0.6%	-0.6%	-0.6%	16.1%	16.1%	16.1%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
165	Jigsaw Homes Group Limited (Previously Chorley Community Housing)		22.3%	Nil	Nil	Nil	22.3%	22.3%	22.3%
44	Kirkham Grammar School (Independent)		24.6%	Nil	Nil	Nil	24.6%	24.6%	24.6%
21	Lancashire County Branch Unison		17.2%	Nil	Nil	Nil	17.2%	17.2%	17.2%
25	NW Inshore Fisheries & Conservation Authority		19.2%	Nil	Nil	Nil	19.2%	19.2%	19.2%
129	Pendle Leisure Trust		16.2%	-2.1%	-2.1%	-2.1%	14.1%	14.1%	14.1%
185	Progress Housing Association		23.0%	Nil	Nil	Nil	23.0%	23.0%	23.0%
107	Progress Housing Group Ltd		22.8%	Nil	Nil	Nil	22.8%	22.8%	22.8%
146	Rossendale Leisure Trust		15.4%	-15.4%	-15.4%	-15.4%	Nil	Nil	Nil
132	Together Housing Association Ltd.		20.1%	-1.6%	-1.6%	-1.6%	18.5%	18.5%	18.5%
1	UCST (AKS Arnold Schools)		22.0%	Nil	Nil	Nil	22.0%	22.0%	22.0%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
26	UCST (Lytham Schools)		21.4%	Nil	Nil	Nil	21.4%	21.4%	21.4%
Admitted Bodies (Transferee Admissions)									
183	Alternative Futures Group Ltd		24.9%	-24.9%	-24.9%	-24.9%	Nil	Nil	Nil
468	Andron (Cidari St Georges)		24.1%	-1.4%	-1.4%	-1.4%	22.7%	22.7%	22.7%
246	Andron (Formerly Solar)		24.7%	-24.7%	-24.7%	-24.7%	Nil	Nil	Nil
142	Blackpool Zoo (Grant Leisure)		21.9%	-21.9%	-21.9%	-21.9%	Nil	Nil	Nil
431	Bullough Contract Services Limited (Marton Academy)		29.1%	-13.1%	Nil	Nil	16.0%	29.1%	29.1%
317	Burnley Leisure		16.4%	-1.3%	-1.3%	-1.3%	15.1%	15.1%	15.1%
174	Capita (Rossendale BC Transfer)		24.1%	-24.1%	-24.1%	-24.1%	Nil	Nil	Nil
535	Cater Link Ltd. (Hyndburn & Accrington Academy)		22.6%	£3,000	£3,100	£3,300	22.6% plus £3,000	22.6% plus £3,100	22.6% plus £3,300

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
325	CG Cleaning (Kennington Rd)		26.1%	-13.3%	-13.3%	-13.3%	12.8%	12.8%	12.8%
461	Clarets in the Community		23.9%	-1.0%	-1.0%	-1.0%	22.9%	22.9%	22.9%
469	Compass Contract Services (Hodgson Academy)		19.3%	-1.5%	-1.5%	-1.5%	17.8%	17.8%	17.8%
337	Compass Contract Services (UK) Ltd (LRGS)		26.8%	-3.4%	-3.4%	-3.4%	23.4%	23.4%	23.4%
231	Creative Support Limited (Midway Mental health)		23.7%	-23.7%	-23.7%	-23.7%	Nil	Nil	Nil
184	Creative Support Ltd		24.0%	-24.0%	-24.0%	-24.0%	Nil	Nil	Nil
267	Elite Cleaning & Environmental Services Ltd		21.8%	Nil	Nil	Nil	21.8%	21.8%	21.8%
423	Elite Cleaning & Environmental Services Ltd (Hambleton Primary Academy)		25.4%	Nil	Nil	Nil	25.4%	25.4%	25.4%
400	Elite Cleaning & Environmental Services Ltd (Moor Nook PS)		25.8%	-1.0%	-1.0%	-1.0%	24.8%	24.8%	24.8%
208	Equans (Lend Lease)		27.0%	-27.0%	-27.0%	-27.0%	Nil	Nil	Nil

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
262	Equans (Pleckgate)		23.1%	-18.3%	-18.3%	-18.3%	4.8%	4.8%	4.8%
268	Eric Wright Facilities Management Ltd (Highfield HC) Site Supervisors		23.9%	-14.5%	-14.5%	-14.5%	9.4%	9.4%	9.4%
559	Floorbrite (LRGS)		21.7%	Nil	Nil	Nil	21.7%	21.7%	21.7%
204	Fylde Coast YMCA (Fylde TUPE)		19.5%	-19.5%	-19.5%	-19.5%	Nil	Nil	Nil
455	Greenwich Leisure Ltd (Preston City Council)		22.1%	-22.1%	-22.1%	-22.1%	Nil	Nil	Nil
199	I CARE (GB) Limited		27.4%	-27.4%	-27.4%	-27.4%	Nil	Nil	Nil
396	Independent Living Fund (Blackpool BC)		25.6%	-2.5%	-2.5%	-2.5%	23.1%	23.1%	23.1%
309	Lancashire Care Foundation Trust		25.8%	-25.8%	-25.8%	-25.8%	Nil	Nil	Nil
511	Lancashire Care Foundation Trust (EIS)		25.9%	-6.6%	-6.6%	-6.6%	19.3%	19.3%	19.3%
263	Liberata UK Ltd (Burnley)		22.1%	-11.5%	-11.5%	-11.5%	10.6%	10.6%	10.6%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
150	Liberata UK Ltd (Pendle)		22.4%	-22.4%	-22.4%	-22.4%	Nil	Nil	Nil
514	LPPI Ltd		15.4%	£41,200	£43,100	£45,100	15.4% plus £41,200	15.4% plus £43,100	15.4% plus £45,100
550	LPPA Ltd		16.3%	-0.9%	-0.9%	-0.9%	15.4%	15.4%	15.4%
237	Mellors (Bishop Rawstorne)		25.0%	-2.1%	-2.1%	-2.1%	22.9%	22.9%	22.9%
460	Mellors (St Michaels CE Academy)		21.7%	-0.4%	-0.4%	-0.4%	21.3%	21.3%	21.3%
522	Midshire Signature Services Ltd (Southlands High School)		24.9%	-2.1%	-2.1%	-2.1%	22.8%	22.8%	22.8%
377	Service Alliance (Whalley PS)		26.4%	-1.9%	-1.9%	-1.9%	24.5%	24.5%	24.5%
572	Taylor Shaw (Pendle Education Trust)		27.1%	Nil	Nil	Nil	27.1%	27.1%	27.1%
385	Urbaser Ltd (Burnley BC)		26.7%	-1.3%	-1.3%	-1.3%	25.4%	25.4%	25.4%
544	Veolia ES (UK) (Wyre BC)		25.7%	Nil	Nil	Nil	25.7%	25.7%	25.7%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
Grouped / Pooled Employers									
273	Mellors (Little Hoole)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
274	Mellors (Holy Cross)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
355	Service Alliance (Longridge St Wilfrid)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
393	Service Alliance (Clitheroe Pendle PS)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
394	I CARE Ltd (Ind Support) (Blackburn BC)		18.8%	Nil	Nil	Nil	18.8%	18.8%	18.8%
401	Elite Cleaning & Environmental Services Ltd (Carr Hill)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
417	5AM Contract Cleaners Ltd (Blackpool Coastal Housing)		18.9%	Nil	Nil	Nil	18.9%	18.9%	18.9%
419	RCCN (Burscough Priory School)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
424	Elite Cleaning & Environmental Services Ltd (St Annes Catholic PS)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
433	Mellors (Delph Side PS)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
449	WSP (REAL ESTATE AND INFRASTRUCTURE) Ltd		18.8%	Nil	Nil	Nil	18.8%	18.8%	18.8%
450	Maxim FM (St Georges CE PS)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
479	Wolseley UK (Together Housing)		20.1%	Nil	Nil	Nil	20.1%	20.1%	20.1%
486	Maxim FM ((St Augustines RC HS)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
505	Orian Solutions Ltd (Layton PS)		18.8%	Nil	Nil	Nil	18.8%	18.8%	18.8%
513	CG Cleaning Ltd (Moorside PS Lancaster)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
516	CG Cleaning Ltd (St Wulstans & St Edmunds PS)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
517	CG Cleaning Ltd (Burnley St Peters PS)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
518	Bullough Contract Services Limited (Balshaw HS)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
519	Aspens Services Ltd (A E - Sudell PS (Academy))		21.3%	Nil	Nil	Nil	21.3%	21.3%	21.3%
520	Aspens Services Ltd (AE - Darwen Vale HS (Academy)		19.5%	Nil	Nil	Nil	19.5%	19.5%	19.5%
521	Safenet Domestic Abuse and Support Services		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
523	Bullough Contract Services Limited (AE - Sudell PS (Academy))		21.3%	Nil	Nil	Nil	21.3%	21.3%	21.3%
528	Maxim FM (St James Clitheroe)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
536	Aspens Services Ltd - (AE - DACA/DAES)		16.9%	Nil	Nil	Nil	16.9%	16.9%	16.9%
543	Tenon FM Ltd (Clayton Brook PS)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
545	Tenon FM UK (Morecambe Bay PS)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
547	Maxim FM (Deepdale PS)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
548	Orian Solutions Ltd (Broughton Primary School)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
552	5AM Contract Cleaners Ltd (Roseacre Primary Academy)		18.3%	Nil	Nil	Nil	18.3%	18.3%	18.3%
556	The MCL Group (Int) Ltd (Edge Hill University)		17.8%	Nil	Nil	Nil	17.8%	17.8%	17.8%
566	Orian Solutions Ltd (St Peter's, Fulwood)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
567	Orian Solutions Ltd (Tarleton Community Primary)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
568	Orian Solutions Ltd (Banks Methodist School)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
570	Riverside Truck Rental Limited		20.4%	Nil	Nil	Nil	20.4%	20.4%	20.4%
574	Andron (Frenchwood Primary School)		19.4%	Nil	Nil	Nil	19.4%	19.4%	19.4%
576	Tenon FM (Westcliff)		18.3%	Nil	Nil	Nil	18.3%	18.3%	18.3%
Other employers requiring figures									
553	Endeavour Learning Trust (Ormskirk School)		21.1%	-3.1%	-3.1%	-3.1%	18.0%	18.0%	18.0%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
555	Bullough Contract Services Limited (Blessed Edward Bamber Catholic MAT)		TBC	TBC	TBC	TBC	TBC	TBC	TBC
582	Mellors (Moorside Academy)		23.9%	Nil	Nil	Nil	23.9%	23.9%	23.9%
585	LET Education Trust (Rhyddings)		17.5%	-3.1%	-3.1%	-3.1%	14.4%	14.4%	14.4%
588	Romero CAT (St Mary Magdalene)		16.6%	-3.1%	-3.1%	-3.1%	13.5%	13.5%	13.5%
592	Cidari Education Ltd (Castle View)		20.9%	-3.1%	-3.1%	-3.1%	17.8%	17.8%	17.8%
593	Blessed Edward MAT (Sacred Heart)		20.6%	-3.1%	-3.1%	-3.1%	17.5%	17.5%	17.5%
594	Blessed Edward MAT (St Marys)		19.0%	-3.1%	-3.1%	-3.1%	15.9%	15.9%	15.9%
595	Blessed Edward MAT (St Wulstans & St Edmunds)		19.0%	-3.1%	-3.1%	-3.1%	15.9%	15.9%	15.9%
596	Blessed Edward MAT (St Kentigerns)		17.9%	-2.2%	-2.2%	-2.2%	15.7%	15.7%	15.7%
597	Blessed Edward MAT (St Teresas)		17.9%	-2.2%	-2.2%	-2.2%	15.7%	15.7%	15.7%

	Employer	Notes	Primary rate 2023/24 to 2025/26	Secondary rates			Total Contribution rates		
				2023/24	2024/25	2025/26	2023/24	2024/25	2025/26
598	PPA Facilities CIC		24.5%	Nil	Nil	Nil	24.5%	24.5%	24.5%
599	Mater Ecclesiae Catholic Multi Academy Trust (St Augustine's)		20.6%	-3.1%	-3.1%	-3.1%	17.5%	17.5%	17.5%
600	Mater Ecclesiae Catholic Multi Academy Trust (St Clare's)		19.5%	-3.1%	-3.1%	-3.1%	16.4%	16.4%	16.4%
601	Mater Ecclesiae Catholic Multi Academy Trust (Blessed Sacrament)		19.0%	-3.1%	-3.1%	-3.1%	15.9%	15.9%	15.9%
602	Mater Ecclesiae Catholic Multi Academy Trust (St Joseph's)		18.2%	-3.1%	-3.1%	-3.1%	15.1%	15.1%	15.1%
603	Mater Ecclesiae Catholic Multi Academy Trust (St Teresa's)		18.9%	-3.1%	-3.1%	-3.1%	15.8%	15.8%	15.8%
604	Mater Ecclesiae Catholic Multi Academy Trust (Our Lady and St Edward's)		18.2%	-3.1%	-3.1%	-3.1%	15.1%	15.1%	15.1%
605	Mater Ecclesiae Catholic Multi Academy Trust (St Bernard's)		17.6%	-3.1%	-3.1%	-3.1%	14.5%	14.5%	14.5%
70	Blackpool Transport Services Ltd		18.8%	-2.2%	-2.2%	-2.2%	16.6%	16.6%	16.6%

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 2022/23. Termination assessments may be required and any additional contributions required will be notified separately:

	Employer
151	West Lancs Community Leisure
159	Bulloughs (Our Lady)
180	CSG Kitchen Ltd

	Employer
308	Service Alliance (Altham)
381	FCC Environment
399	Elite CES (Fulwood and Cadley)
407	Compass CS Ltd (Preston College)
434	Mellors (Lostock Hall Academy)
437	Maxim (LRGS)
466	Compass Contract Services (FCAT - Mereside/ Unity/Montgomery)
469	Compass (Hodgson Academy)
471	Mellors (Parklands)
487	Mellors (Cidari Edu Trust)
510	Mellors (Cidari St Silas)

Important notes to the Certificate:

1. The percentages shown are percentages of pensionable pay and apply in respect of 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 opt to pay their % and / or lump sum employer contributions in advance instead of monthly amounts, with either all three years being paid in April 2023 or payment being made in the April of the year they are due. The cash amounts payable will be reduced in return for this early payment as follows:

   - Payments made annually in advance will be reduced by 2.18% (i.e. the above amounts will be multiplied by 0.9782)
   - 2024/25 payments made in April 2023 will be reduced by 6.39% (i.e. the above amounts will be multiplied by 0.9361)
   - 2025/26 payments made in April 2023 will be reduced by 10.42% (i.e. the above amounts will be multiplied by 0.8958)

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** (by 30th April or another date specified by the Administering Authority as appropriate following the year-end). 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 will not be allowed to prepay any member contributions and these must be paid in line with the Regulations.
5. The above secondary contributions include provision for the estimated effect of the McCloud Judgment based on the proposed remedy. Whilst it is possible that the Fund may require additional contributions from employers at that point in time if the McCloud remedy is substantially different from that currently anticipated, based on the Administering Authority's current knowledge and understanding of the likely outcome it believes that requiring such additional contributions is an unlikely outcome. In the event that additional contributions are required, 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.
6. 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. New employers entering the Fund will normally 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. Although outside of the captive arrangement, the contribution rate for the remaining employers also include allowance for ill-health retirements.
7. 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.

Barber Judgment: the ruling made in respect of the Barber case by the European Court of Justice in 1990, which addressed inequality between men and women with regard to pension benefits and the age which they come into payment (due to women typically being able to receive their pension at age 60, compared to age 65 for men). As a result of the ruling, pension schemes have to pay equal benefits to comparable men and women in relation to service from 17 May 1990.

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.

CMI: the 'Continuous Mortality Investigation' carries out research in relation to mortality and morbidity experience, which can then be used by actuaries to assess the funding required by pension funds and other bodies.

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.

Gilts: loans made to a government, which undertakes to repay the loan/Government bond at an agreed later date. The coupon paid (e.g. the interest paid as part of the loan agreement) and the final settlement amount will be fixed and agreed at the outset of the loan.

Government Actuary's Department (GAD): GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

Guaranteed Minimum Pension (GMP): this is 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.

Ill Health Captive: this is a notional fund designed to protect certain employers against excessive ill health costs in return for an agreed insurance premium.

Index-Linked Gilts: loans made to a government, which undertakes to repay the loan/Government bond at an agreed later date. The coupon paid (e.g. the interest paid as part of the loan agreement) and the final settlement amount are adjusted in line with the movements in RPI inflation in order to retain their 'real' value over time and protect against the potential effects of inflation.

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.

Surplus Buffer: the required part of the surplus to be held back to act as a cushion against future adverse experience (reflecting the current market uncertainty). Aids future contribution rate stability for long term employers.

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.

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Lancashire County Pension Fund

Responsible Investment Policy

Revised November 2021

Appendix 8

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 Local Government Pension Scheme Management and Investment of Funds Regulations (2016), Ministry of Housing Communities & Local Government (MHCLG)[1] – Local Government Pension Scheme: Guidance on Preparing and Maintaining an Investment Strategy Statement (2017) 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. 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. (Based on UN Principles on Responsible Investment)

Fiduciary Duty

A core responsibility, of such as trustees or equivalent persons, to act in the best interests of the pension scheme beneficiaries in order to assure that such scheme / fund members in retirement, or dependants in the case of member death, can enjoy the expected income benefits. It includes the requirement that all participants should act in good faith, in the best long-term interests of the client and their beneficiaries, with loyalty and prudence, and in line with generally prevailing standards of decent behaviour.
The term "fiduciary duty" is used in different ways by different people. The above definition is intended to reflect the ethos of the Fund and is based on definitions in the UKSIF's trustee best practice guide 2017 (UK Sustainable Investment and Finance Association www.uksif.org) and a Law Commission Report 2014.

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.
Specific examples of each are in section 5.

Governance

Corporate Governance is the authoritative rules and controls in place within an organisation required to promote openness, inclusivity, integrity and accountability. (per Glossary in LCPF Annual Report)

Active Ownership

To participate, where appropriate, in the governance decisionmaking of companies in which it invests by way of voting and by engagement with company representatives, 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.

Stewardship

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. (UK Stewardship Code 2020 of the Financial Reporting Council)

3. Responsible Investment Context

LCPF is a Local Government Pension Scheme (LGPS). It is a defined benefit (DB) pension scheme. To remain affordable, sustainable levels of investment income, and growth in asset values, are essential to sufficiently supplement contributions to the pension fund from employers and active members (contributing employees). Thus, the primary focus of investment is achieving strong risk-adjusted returns.

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. (per Glossary item for Responsible Investment in LCPF Annual Report).

Where possible and compatible with this, the Fund also wishes to support positive social outcomes both locally and globally. For example, LCPF has non-pooled investment allocation in property/real estate focused on Lancashire.

The implementation of LCPF's RI policy is through the activities of Local Pensions Partnership Investments (LPPI), a Financial Conduct Authority (FCA) regulated Investment Manager responsible for 100% of the Fund's assets, comprising mostly pooled investment vehicles, with a smaller non-pooled allocation.

All investment asset allocations, pooled or non-pooled, are subject to Investment Panel advice, with regard to the LCPF Investment Strategy Statement approved by the Pension Fund Committee, and to operational investment selection and management by LPPI as part of agreements of the Local Pensions Partnership joint venture (LPP).

From September 2021 renamed Department for Levelling Up Housing & Communities (DLUHC)

4. Responsible Investment Values and Principles

The Funds' 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 Funds' RI principles translate our values and commitments into RI practices which can help to deliver a sustainable and sufficient return on all LCPF investments. LCPF's RI principles inform the stewardship arrangements agreed with LPPI, as our provider of investment management services. LPPI is wholly owned by Local Pensions Partnership Limited (LPPL), a joint venture between Lancashire County Council (LCC) and London Pensions Fund Authority (LPFA).

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.
- RI is core in our skills, knowledge and advice.
- Seek to innovate, demonstrate and promote RI leadership and 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.

5. Environmental, Social and Governance (ESG) Factors

ESG issues are important to LCPF for a number of reasons. ESG factors can be financially material and, as such, should be part of the assessment and monitoring of investments in all asset classes, with an overarching goal of achieving resilience to ESG risks at the Portfolio level. Achieving sustainable, long-term financial returns underpins the ability to pay pensions. A focus on ESG issues helps reduce risks to LCPF and its beneficiaries.

Examples of ESG factors:

Environmental	Social	Governance
Animal Welfare	Affordable Housing	Board diversity/ structure
Climate Change	Alcohol	Bribery and corruption
Deforestation	Betting/gaming	Executive pay
Plastics	Child Labour	Lobbying and donations
Pollution	Controversial Weapons	Tax strategy
Resource Depletion	Employee Relations	Treatment of employees
Waste	Human Rights	
	Modern Slavery	
	Tobacco	
	Working Conditions	

6. Priorities

Identifying core priorities for RI is an important part of focussing the attention of LPPI 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 listed below.

ENVIRONMENT

a) Climate change

LCPF recognises the imperative to address and manage 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), as well as opportunities.

The Fund will endeavour to carry out the following:

- Engage with pension funds and other stakeholders to develop andshare best practice.
- 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 2015** 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 to the Fund (either through increased costs or increased investment risk)
- Where our fiduciary duty allows, the Fund will not consider new 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.
- The Fund is committed to seeking sustainable investments which include projects that support the global transition to lower carbon products, services and infrastructure including renewable energy generation.

LCPF expects LPPI to take steps to ensure that the level of exposure to climate change investment risks are evaluated and monitored, and also to remain current with the revised reporting standards and targets such as those set out in the **Paris Agreement 2015** as may be amended from time to time by subsequent international agreements. 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. LCPF also expects LPPI to research suitable investment opportunities being developed to address these standards and assess their suitability for the Fund.

b) Depletion of Natural Resources

The depletion and degradation of natural resources, such as plants, water, air and soil, poses risk to businesses, economies and society. As part of supporting good environmental stewardship by investee companies the Fund places an emphasis on engaging to encourage sustainable business practices which support biodiversity and avoid the over-exploitation of natural resources and contribute to a more circular economy (through efforts to reduce waste creation and keep materials capable of re-use within economic circulation through recycling).investment risks).

SOCIAL

a) Human Rights

Societal expectations of companies increasingly include a positive record of recognising and protecting human rights in line with international, legal and regulatory obligations across all territories. As investors we recognise a responsibility to support this principle and to urge improvement in company practices through voting and engagement where this is warranted. We recognise an obligation as an investor to encourage practices which recognise human rights and protect against exploitation. This extends to expecting compliance with normative standards and relevant legislation.

b) Modern Slavery

Modern slavery is the severe exploitation of people for personal or commercial gain, including forced labour and child labour, and is a grave violation of human rights. Modern Slavery breaches fundamental international law, as well as in most national jurisdictions and poses a material business risk to companies and ultimately investors. As investors it is our responsibility to consider that we have an obligation to contribute to improving company practices. LCPF should seek to investigate the practice of the companies it invests in, or is looking to invest in, and hold these to appropriate standards, including (in the UK) the Modern Slavery Act 2015 (which introduces a number of measures to combat slavery and human trafficking and requires certain commercial organisations to publish an annual statement setting out the steps they take to prevent modern slavery in their supply chain).

c) Local Investment

The Fund already encourages investment in property/real estate in Lancashire where suitable projects meet the Fund's investment criteria. Through owning real estate (in the capacity of landlord) the Fund's investments will help to provide employment, premises and wider accommodation (including affordable housing) which directly supports the people and the economy of Lancashire.

GOVERNANCE

a) Corporate Governance

The Fund, through its asset managers, supports the case for well managed companies which promote fair and just employment practices, the importance of a diverse and inclusive workforce and reasonable and equitable pay differentials for employees (including appropriate Living Wage). This is done through actively seeking to invest in companies who demonstrate such practices and engaging effectively to encourage these standards within existing investee companies.

LCPF supports the signing by LPPI of the Asset Owner Diversity Charter in August 2021, which aims to improve diversity across the fund management industry.

Our expectations of good corporate governance include transparency on lobbying activities undertaken by investee companies as assurance of consistency between publicly-stated positions (communicated through announcements and corporate documents) and influence employed via other routes including trade bodies, and lobbying.

b) Tax Strategy

Fair tax treatment is important to us as a responsible investor. Tax provides a direct source of government funding for programmes of social benefit and is a democratic function. Tax evasion is an illegal activity where an entity deliberately avoids paying a true tax liability. Aggressive tax avoidance presents reputational and regulatory risks for companies and is misaligned with responsible corporate behaviour.

As an institutional investor we seek to:

- invest in organisations that to pay the right amount of corporation tax at the right time and in the right place, according to the local jurisdiction;
- invest in organisations that provide the degree of transparency in tax reporting that investors need to make sound judgements on the tax position of investee companies; and
- identify and engage on aggressive tax practices which prioritise the minimisation of tax liabilities without due regard for reputational risk and responsible conduct.

7. Responsible Investment Implementation and Monitoring

The Pension Fund Committee monitors the stewardship of the Fund's assets and RI activities undertaken by LPPI via quarterly reporting including an RI Dashboard, which provides key data on the portfolio's RI attributes and stewardship activities.

The implementation of Fund's approach to RI priorities divides into five areas of activity.

a) Voting Globally.

The Fund's stewardship actions are implemented by LPPI which also manages the Fund's entire investment portfolio.

All aspects of shareholder voting are carried out in line with the LPPI 'Shareholder Voting Policy' which can be viewed here (localpensionspartnership.org.uk). The policy covers areas including voting arrangements, 'reporting and disclosures' and voting philosophy.

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 ESG priorities, it needs to join other investors with similar concerns, and it does this through the 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 ESG best practice 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, LPPI actively seek sustainable investments which meet LCPF's requirements for strong returns combined with best practice in ESG including corporate governance. Such investments include renewable and clean energy, and real estate/property.

As part of its commitment to Active Ownership LPPI 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 to the Fund (either through increased costs or increased investment risks).

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Lancashire County Council as administering authority of Lancashire County Pension Fund

Next Review: November 2024