



Lancashire County
**Pension
Fund**

Annual Report
2024/2025

www.lancashirecountypensionfund.org.uk



Contents

Section

1. Introduction	4
2. Overall Fund Management	6
3. Governance and Training	8
4. Financial Performance	24
5. Administration	26
6. Investment Policy and Performance	36
7. External Audit Opinion	58
8. Fund Accounts, Net Asset Statements and Notes	60
9. Actuarial Report on Funds	100
10. Glossary	102

Appendices

Appendix 1 – Scheme Employers	108
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Introduction

Welcome to the Annual Report of Lancashire County Pension Fund (the 'Fund') for the year ended 31st March 2025.

The Fund is part of the Local Government Pension Scheme (LGPS) and provides retirement benefits to employees working for public sector employers, as well as many other eligible employers, within Lancashire. There are more than 350 employers and 205,000 members in the Fund, which covers the county of Lancashire. Lancashire County Council (LCC) is the Administering Authority. While the Fund is not technically a separate legal entity, it does have its own specific governance arrangements and controls which sit within LCC's overall governance framework. In this Annual Report, we will update you on the operations, governance, financials, and investment performance of the Fund throughout the year, as well as referencing future developments. Within the report you will find a report from me on the activity of the Pension Fund Committee during the year, and you will hear from the Chair of the Local Pension Board.

Key headlines from the report are below and we encourage you all to read this report; there is extensive information provided on Governance, Administration, Investments, Responsible Investment and Finance, emphasising our main objective of being able to continue to pay Fund members' pensions as they become due.

- Membership – the total number of members increased by 3.9% from 197,442 at the end of March 2024 to 205,216 at the end of March 2025.
- Investment – assets under management increased from £11.7bn at the end of March 2024 to £12.0bn at the end of March 2025.
- Funding level – maintained a healthy funding position in the year.
- Fee savings – We have made estimated fee savings of £22.4m as a result of pooling arrangements during the year.

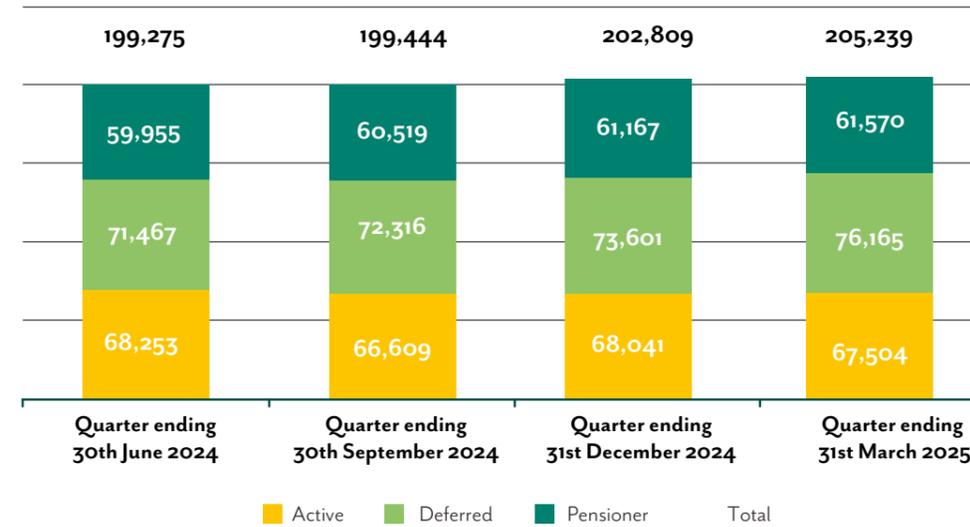


M. Wynn

Chief Executive Mark Wynn
Chair of the Pension Fund Committee

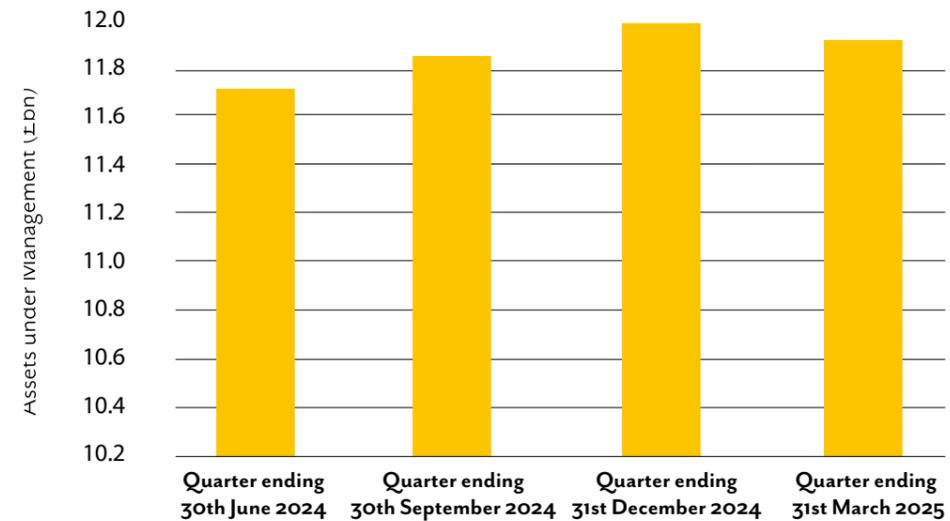
Membership changes during the year

Members Numbers



Change in Assets under Management during the year

Assets under Management





Overall Fund Management

Administering Authority

Lancashire County Council

Fund Administration

Local Pensions Partnership
Administration Limited

Chief Executive

Angie Ridgewell
– left 25th September 2024

Mark Wynn
– started 1st August 2024

Executive Director of Resources

Mark Wynn
– until 31st July 2024

Vacant
– 1st August 24 – 31st March 2025

s151 Officer

Mark Wynn

External Auditor to the Fund

Grant Thornton

Investment Pool

Local Pensions Partnership
Investments Limited

Non-Pooled Investment Managers

Local Pensions Partnership
Investments Limited

Knight Frank LLP

BNP Paribas

Actuary

Mercer Limited

Custodian to the Fund

Northern Trust

Independent Investment Advisers

Marian George

David Crum

AVC Providers

Prudential

Utmost Life and Pensions

Legal Advisers

Capsticks LLP

Squire Patton Boggs LLP

Lancashire County Council

Independent Property Valuer

Savills UK

Performance Measurement

Northern Trust

Governance and Research Consultants

Pension and Investment
Research Consultants (PIRC)

Bankers

NatWest Bank plc

Santander UK plc

Svenska Handelsbanken



Contact details can be provided upon request from the Fund by contacting pensionsgovernance@lancashire.gov.uk

Governance and Training

Governance is about having the right resources, structures, and processes in place to support decision making. This section of the Annual Report provides information on the Fund's Governance arrangements through the following content:

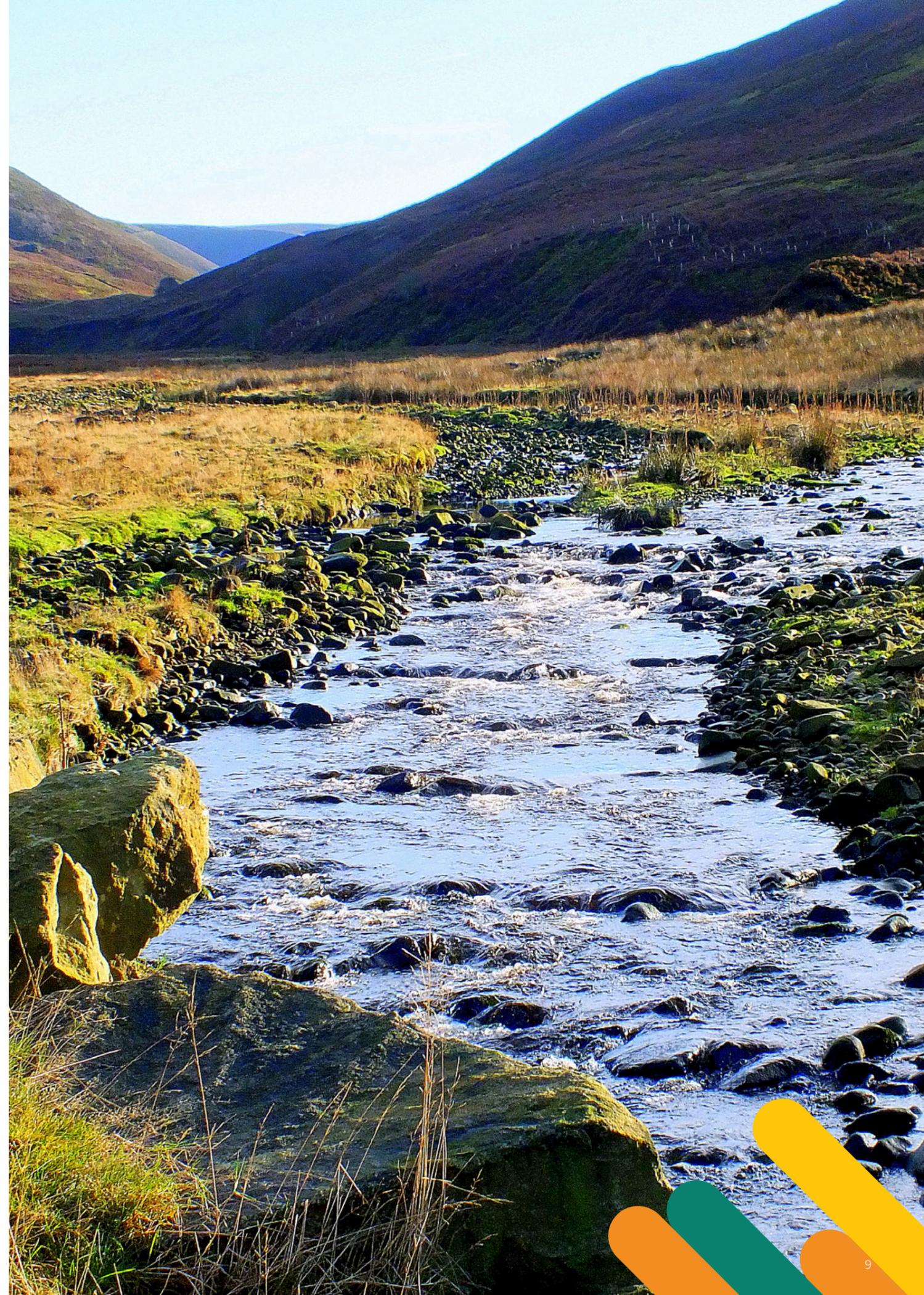
- i. The Governance Compliance Statement. The Fund is legally required to produce this statement which outlines governance arrangements for the Fund.
- ii. The Annual Report for the Pension Fund Committee
- iii. The Annual Report for the Local Pension Board.
- iv. Attendance at meetings for Pension Fund Committee and Local Pension Board
- v. The training undertaken by members of the Pension Fund Committee and Local Pension Board
- vi. Update on Risk Management and Internal Audit activity in the year
- vii. Membership of professional bodies

i. 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.

[In the Fund's Governance Compliance Statement you will find the following:](#)

- The Fund's Governance Structure
- Responsibility and composition of the Pension Fund Committee
- Summary of the Investment Panel
- Summary of the Local Pension Board
- How the Fund implements its training plan
- Role of the Officers
- How the Fund implements Risk Management into its processes
- Conflicts and Interest and Code of Conduct



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 the Ministry of Housing, Communities and Local Government (MHCLG), previously the Department 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 (see Note 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.	Partial (see Note 2)
B. Representation	That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (see Note 1) This includes: (i) employing authorities (including non scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members) (iii) independent professional observers (see Note 2 and 3) (iv) expert advisers (on an ad hoc basis)	Partial (see Note 1 and 3)
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 represent 17.8% 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) Members of the Investment Panel are in attendance at the Pension Fund Committee and recommendations are made to the Committee, as appropriate, as well as an update on investment performance.
- 3) Guidance envisaged that an independent professional observer could be invited to participate in governance arrangements to enhance the experience, continuity, knowledge, impartiality and performance of committees or panels which would improve the public perception that high standards of governance are a reality and not just an aspiration. This role is currently performed by the Fund’s independent advisers and officers, and it is not apparent what added value such an appointment would bring. Whilst further guidance is awaited on this issue, it is understood that the requirement will be to appoint any additional professionals in an advisory, non-voting capacity.

Annual Report for the Pension Fund Committee 2024/25

The Pension Fund Committee (“the Committee”) had a productive year in 2024/25. As in previous years, the Committee worked closely with the Local Pension Board (“the Board”), details of which are included in the Board’s report below, as well as with the Investment Panel, Fund Officers, and service providers such as Local Pensions Partnership Investment Limited (LPPI), Local Pensions Partnership Administration Limited (LPPA) and Mercer (Fund Actuary).

The Committee plays a key role in setting the Fund’s strategy and overseeing its operations. At each meeting, the Committee considered reports from Officers on the Fund’s performance and reviewed or approved strategies and policies as needed.

The Fund’s investments continued to perform well, which contributed to maintaining a positive funding level. A formal valuation is currently underway and will confirm the updated funding position by 31 March 2026. The results will be included in next year’s annual report.

Membership of the Fund grew during the year, reaching a total of 205,216 members across active, deferred, and pensioner categories.

Key highlights from the year include:

- The Committee reviewed the Fund’s first self-assessment compliance report under the new General Code of Practice, which came into effect in March 2024. The report demonstrated full compliance with most mandatory requirements, with partial compliance noted in two areas which are being addressed by LPPA.
- Officers developed a suite of Fund-specific cyber security documents. The Committee reviewed and approved these and agreed to adopt the new standards. This is an important step given the increasing cyber threats facing pension funds.
- A new training policy was approved, placing greater emphasis on the knowledge and skills required of

Committee and Board members. The policy introduces a shift toward online self-learning, supplemented by bespoke workshops. This positions the Committee well ahead of expected government requirements for mandatory training.

- A task and finish group of five Committee members worked with officers and advisers to complete the triennial review of the Fund’s Responsible Investment Policy, which was subsequently approved by the Committee.
- The Committee reviewed and updated the Fund’s strategic asset allocation, agreeing to invest in an Environmental Opportunities Fund. This will provide exposure to investments that are expected to contribute to one or more environmental objectives.
- The Committee reviewed the process and indicative timetable for the 2025 Valuation and the associated training expected for Committee members as part of this project.
- The Committee continued to monitor government developments on investment pooling (referred to as ‘Fit for the Future’) considering potential implications for the Fund and its pooling partner LPPI.

Committee Membership

Each year, the membership of the Committee is confirmed in line with its Terms of Reference. The Committee is composed of 12 County Councillors and 7 Co-opted Members.

All political parties and organisations represented by the Co-opted Members are asked annually to confirm the continued participation of their representatives or to nominate replacements as needed.

Programme of meetings

The Committee held four scheduled meetings during the year, typically taking place in March, June, September, and December with all meetings being quorate for decision making.

Training

Committee members are expected to maintain an appropriate level of knowledge and understanding through regular training. Details of the training undertaken during the year are provided later in this section.

Committee Activities

Throughout the year, the Committee carried out a range of routine activities, including:

- Monitoring budget performance
- Overseeing administration activities across the Fund Team and LPPA
- Reviewing Responsible Investment Performance against the Fund’s priorities
- Monitoring investment performance
- Managing risk

These areas are discussed in more detail in the relevant sections of the Annual Report.

At each meeting, the Committee monitored the ongoing budget for 2024/25, which was approved in March 2024. By the end of the financial year, the Fund reported a surplus position. Further details can be found in the Financial Performance section of this report.

Administration performance was reviewed in detail at each Committee meeting, with the Chief Executive of LPPA in attendance to respond to questions.

Following the implementation of a new payroll system by the Fund’s largest employer, this led to data sharing challenges and delays in the submission of monthly data files. In response, during the year, Fund officers, LPPA, and the employer worked collaboratively to develop a plan to address the situation. The Committee monitored progress throughout the year, with the Board providing additional oversight to ensure the issue was resolved ahead of the 2024/25 Annual Benefit Statement deadline.

The Committee also considered other key administrative matters, including the monitoring of service level agreement performance, breaches, complaints, and overpayments. The Committee received regular updates on LPPA’s progress on the McCloud remedy and Pensions Dashboard projects. Detail on these projects are provided in the Administration section of this report.

At the beginning of 2024/25, the Committee approved the Fund’s Strategic Plan. This plan sets out the key objectives for the year and guides the work of Fund Officers, service providers, and advisers across several core areas:

- Governance and communication,
- Administration,
- Employer risk and funding,
- Finance
- Investments, and
- Shareholder responsibilities.

The Fund made strong progress against the Strategic Plan during the year, with the Committee making decisions on key projects at appropriate stages.

During the year, the Committee supported the Fund in maintaining continuity and stability in investment oversight by appointing a new Independent Investment Adviser, following the departure of the previous adviser. The Committee also approved an extension to the contract of the remaining adviser, whose term was due to end, ensuring continued access to expert advice.

In November 2024, the Government progressed with its reform of investment pooling by the launch of the Fit for the Future consultation, seeking views on proposed reforms to the LGPS. The consultation focused on three key areas: strengthening asset pooling through minimum standards, increasing local and regional investment, and enhancing governance across administering authorities and investment pools.

The Chair of the Committee along with the Head of Fund considered the consultation in detail and supported the Fund's formal response, which was submitted in January 2025.

Future Developments

- The strategic plan for 2025/26 identifies a number of key projects for the Fund which include:
- The Fit for the Future reforms introduced by the Government are being addressed across three of the Fund's key workstreams: Governance, Investment, and Shareholder responsibilities. Planning is already underway to ensure the Fund complies with the new regulatory standards. The Committee will play a central role in this process, making critical decisions to support the Fund's alignment with the revised framework and to ensure that the necessary changes are implemented effectively and in a timely manner.

- Valuation 2025 - This project is well underway and in March 2026 the Committee will be requested to approve the Fund's Funding Strategy Statement which outlines the contributions rate for the following three years.

- The Fund will be looking to review its communications in the year with a view to producing a new communications strategy in which Board and Committee will play a key role as the project develops.

Following the recent local government elections, held in May 2025, there has been a significant change in the elected member representation on the Committee. I would like to take this opportunity to sincerely thank the outgoing members for their commitment, insight, and dedication to the work of the Committee over the years.

At the same time, I warmly welcome the new members to the Committee. Their contributions will be vital as we navigate the evolving landscape and challenges facing LGPS funds. We look forward to their leadership and engagement in guiding the Fund through the years ahead.

Sean Greene
Head of Fund

iii. Annual Report for the Local Pension Board 2024/25

Since inception of Local Pension Boards in the LGPS ten years ago, the legal remit to assist the Committee with oversight and the effective running of the Fund has not changed. Over that period Lancashire has been at the forefront of developing the activities and governance arrangements for its Board and thus I was delighted to be appointed to join a well-established, efficient Board with a committed membership, strong governance, and a good working relationship with the Committee. Having now seen a full yearly cycle through as Independent Chair of the Board I am pleased to say my views of the commitment and capability of all involved in servicing the members of the Fund has only strengthened.

The Fund operates on an outsourced model with a focus on strategy, governance, funding and oversight undertaken by Fund Officers with the responsibility for investment implementation and for administration to Local Pensions Partnership Investments Limited (LPPI) and Local Pensions Partnership Administration Limited (LPPA) respectively.

The Board has an established role yet continually strives to find ways to add value within the Fund's governance structure, including continually looking to enhance the representation of scheme members and employers voice in the governance of the Fund.

We have an established way of setting, and monitoring against, our objectives which is reviewed annually to ensure it remains effective. 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 review 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. The outgoing Committee Chair, County Councillor Pope has been engaged in all Board activities over the year, and I would personally like to thank him for his personal support in helping me embed in the role of Chair.

Membership of the Board

Following last year's significant membership change, this year has been relatively stable with the only changes being the resignation and subsequent appointment of one Scheme member representative to the Board. LCC also replaced their Employer representative on the Board during the year. Despite the complexity and detail of the subject matter through dedication to training, new members have quickly become effective as we tackled some difficult matters throughout the year.

The mix of expertise on the Board remains well balanced. However, whilst the recruitment progress looked at candidates' general knowledge and specific expertise, the recruitment panel also considered how they might add to the diversity of the Board, sadly other than gender balance other diversity factors remain an issue and one as Chair I continue to take into consideration in assessing any ways to help strengthen future diversity.

Attendance of Board Members at Meetings

The Board has a cycle of 4 meetings each year and details of attendance are provided later in this section of this report.

Training

The Board is under a legal obligation to ensure its members maintain their levels of knowledge and understanding through regular training. Details of training are provided later in this section of this report.

Board Resources

The Board is well supported by Fund officers from LCC and 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 £12,232.82 which was mainly in relation to the independent chair's fees and expenses relating to training of board members and attendance at meetings.

Activities

In addition to its main role of oversight of compliance with regulations, the main areas where the Board has added value are:

- Working with LPPA to ensure the new administration system is successfully embedded and functioning efficiently to deliver the enhanced services that are expected. Oversight to ensure LPPA remains attentive to members' needs and considers how to work more effectively with employers to ensure the system supports timely and easy data collection with security of member data paramount. Significant attention has been given to developing Performance Indicators that focus activities on delivering an improved experience for both our members and employers. Whilst we have seen improvement there is still some way to go to embed the reporting and monitoring of these indications so we can evidence consistently good performance from LPPA, employers and other parties.
- Whilst there have been delays nationally, progress has been made on preparing for the national Pensions Dashboard and the Fund is now well placed to move forward.
- Completion of the cyber strategy review which supports the continued strengthening of the Fund's operational resilience.
- Adoption of the Hymans Local Government Online Learning Academy (LOLA) training modules, with Board members committing to a completion cycle that supports Fund business.

- Focused attention on the risk register review to streamline reporting to ensure the matters of greatest importance receive the oversight required.
- The previous issue of adequate resourcing both at LCC and LPPA saw positive movement towards the end of last year, which alongside the embedding of the new systems has provided the stability and capacity to start to close historic backlogs.

Looking ahead to next year, the Board's activities will focus on oversight of LPPA to ensure we are driving all the anticipated efficiencies from the systems implementation with a focus on ensuring our members' experience continues to improve. Adherence to the implementation of the new code of practice and pensions dashboard requirements and any required changes following the implementation of the Pensions Bill.

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 and February 2025 (through a series of one-to-one meetings with Board members and others) and made recommendations which were discussed at our Board meeting in July 2025. I believe the Board operates effectively and efficiently and fulfils its legal and regulatory requirements.

The Fund's membership, employer base and administration service will continue to evolve, as will the role of the Board in providing support and constructive challenge. I would like to thank all members of the Board for their valuable contributions over the year. The Board's ability to function and the Fund's success in dealing with the considerable challenges relies on the efforts of the officers supporting it. On behalf of the Board's members, as well as myself personally, I would like to finish by thanking them.

Fiona Miller

Independent Chair of the Lancashire Local Pension Board

iv. Attendance at meetings for Pension Fund Committee and Local Pension Board

Key:

Replaced	the member of the Committee/Board was unable to attend that specific meeting and another individual replaced them for that specific meeting
N/A	this individual had not been allocated as a member of the Committee/Board or had ceased to be a member of the Committee/Board in respect of that meeting
Absent	the member of the Committee/Board was unable to attend that specific meeting
Apologies	the member of the Committee/Board was unable to attend that specific meeting and sent apologies in advance

Pension Fund Committee

Membership of PFC County Councillors	14 June 2024	13 September 2024	6 December 2024	7 March 2025
M Brown	Present	Present	Present	Present
J Burrows	Present	Present	Present	Present
M Clifford	Present	Present	Present	Present
J Couperthwaite	Apologies	Present	Present	Present
F De Molfetta	Present	Present	Present	Present
G Dowding	Present	Present	Present	Present
C Edwards	Present	Present	Apologies	Present
J Fillis	Present	Present	Apologies	Absent
A Gardiner	Absent	Present	Replaced	Apologies
E Pope – Chair	Present	Present	Present	Present
A Schofield – Deputy Chair	Present	Present	Present	Present
R Woollam	Present	Present	Absent	Present
S Rigby (for A Gardiner)	N/A	N/A	Present	N/A

Co-opted Members

Cllr L Johnson (Blackburn)	N/A	Present	Absent	Absent
Cllr M Smith (Blackpool)	Apologies	Present	Apologies	Absent
Cllr D Whipp (City & Borough Councils)	N/A	Apologies	Absent	Absent
Vacancy (City & Borough Councils)	N/A	N/A	N/A	N/A
Ms J Eastham	Present	Present	Present	Present
Mr P Crewe	Present	Present	Present	Present
Ms S Roylance	Present	Apologies	Present	Present

Local Pension Board

Membership of LLPB	9 July 2024	15 October 2024	28 January 2025	1 April 2025
Mrs F Miller (Chair)	Present	Present	Present	Present
Cllr G Mirfin (LCC)	Present	Present	Present	Replaced
Mr S Lawrence (LCC)	Present	Present	Present	Apologies
Mr M Davies	Present	Apologies	Present	Apologies
Mr S Dunstan	Present	Present	Present	Present
Cllr R Woollam replaced Cllr G Mirfin w.e.f 17/3/25	N/A	N/A	N/A	Present
Cllr D O'Toole replaced Cllr R Woollam for 1/4/25	N/A	N/A	N/A	Present
Ms D Parker	Present	Present	Present	Present
Mr K Ellard	Apologies	Present	Present	Present
Ms G Hart	Present	Present	Apologies	Present
Mr A Egerton	Present	Present	Resigned	N/A
Mrs C Firth (replaced Mr A Egerton w.e.f. 1/4/25)	N/A	N/A	N/A	Present

v. The training undertaken by members of the Pension Fund Committee and Local Pension Board**Internal Training/Workshops**

Date	Event	Held
21 May 2024	Investments	County Hall & MS Teams
3 June 2024	Technical Update	County Hall & MS Teams
9 July 2024	Cyber Security	LPPA offices & MS Teams
3 September 2024	LCPF Accounts and Annual Report	County Hall & MS Teams
1 October 2024	Training Policy & Hymans LOLA system	County Hall & MS Teams
10 December 2024	Responsible Investment & TCFD	County Hall & MS Teams
28 February 2025	LPP Budget*	County Hall & MS Teams
18 March 2025	Valuation	County Hall & MS Teams

* Denotes training/workshops for Pension Fund Committee only

LOLA modules (from October 2024)

Module	Title
1	Committee Role and Pensions Legislation
2	Pensions Governance
3	Pensions Administration
4	Pensions Accounting and Audit Standards
5	Procurement and Relationship Management
6	Investment Performance and Risk Management
7	Financial Markets and Product Knowledge
8	Actuarial methods, Standards and Practices

External Workshops/Events

Date	Event	Held
23-24 April 2024	LGPS Pooling Symposium	Birmingham
11-13 Jun 2024	PLSA Local Authority Conference	Gloucestershire
4 Sept 2024	LPPI Investment Conference	London
15-17 Oct 2024	PLSA Annual Conference	Liverpool
Oct-Dec 2024 (3 days)	LGA LGPS Fundamentals training	York / London
30-31 Jan 2025	LGA Governance Conference	Bournemouth
6 Feb 2025	LAPF Strategic Investment Forum	London

Attendance at training from Pension Fund Committee

Name	Internal events	External events	LOLA modules	Total
County Councillor M Brown	4	0	0	4
County Councillor J Burrows	3	1	0	4
County Councillor M Clifford	8	3	8	19
County Councillor J Couperthwaite	6	0	4	10
County Councillor F De Molfetta	5	0	3	8
County Councillor C Edwards	1	1	0	2
County Councillor J Fillis	6	0	8	14
County Councillor A Gardiner	2	0	0	2
County Councillor E Pope	7	2	0	9
County Councillor A Schofield	5	0	0	5
County Councillor R Woollam	2	0	0	2
Councillor M Smith (Blackpool)	4	0	0	4
Councillor D Whipp	0	0	0	0
Ms J Eastham	6	0	8	14
Mr P Crewe	6	2	3	11
Ms S Roylance	6	0	6	12

Attendance at training from Local Pension Board

Name	Internal events	External events	LOLA modules	Total
Mrs F Miller (Chair)	4	2	8	14
County Councillor G Mirfin	3	0	0	3
Mr S Lawrence	0	0	0	0
Mr M Davies	3	0	0	3
Mr S Dunstan	6	1	8	15
Ms D Parker	7	0	8	15
Mr K Ellard	2	2	0	4
Ms G Hart	5	1	1	7
Mr A Egerton	2	0	0	2

vi. Update on Risk Management and Internal Audit activity in the year

Risk Management

The Fund is exposed to a number of risks which pose a potential threat to it meeting its objectives. The Fund has a robust Risk Management Framework. 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.

Some of the key risks reviewed in the year are:

Cyber Security - The Fund completed its Cyber Security project where it assessed the controls of its key providers including Lancashire County Council and where relevant obtained assurance based on the standards the service providers are accredited to. Further work in relation to testing of controls has taken place following the year end.

Data Quality – Delays in the submission of monthly data files and / or leaver forms from some employers has impacted the quality of data held by LPPA. As poor quality data can impact the member experience as well as the success of exercises such as the Pensions Dashboard project, the Fund has worked with the administrators and key employers to improve processes and the quality of the data submitted.

Reliance on Key Persons and Expertise – Due to the potential for changes in personnel on the Fund's governing bodies and, following the Good Governance review's recommendation for governing bodies to be able to demonstrate knowledge and understanding of topics pertinent to their roles and responsibilities, the Fund assessed its training provision. Changes were made to the Fund's training provision, designed to reduce the risk of inadequate knowledge and understanding of its governing bodies.

Internal Audit

The County Council's Internal Audit Team carries out an independent review of the County Council's systems and processes. The Head of Internal Audit produces a plan of areas that will be in the scope of the audit in the year and is presented to the County Council's Audit Risk and Governance Committee (AR&G) to approve. The outcomes of the Internal Audit work for 2024/25 were reviewed and approved by AR&G at its meeting in October 2025.

As LPPA had previously commissioned KPMG LLP to carry out a review of internal controls and provide an AAF 01/20 Type 1 Service Auditors Assurance report in 2023, the Internal Audit team reviewed that report and confirmed it provided assurance on the adequacy of controls in most areas the internal audit team would have considered. Accordingly, in 2024/25, the Internal Audit function reduced the scope of its work and reviewed and tested the adequacy and effectiveness of the controls and processes in place to mitigate the key risks relating to a limited number of areas within the pension administration function and found as follows:

- Pension Fund Administration – reasonable assurance

Where reasonable assurance is provided the framework of control is adequately designed and/ or effectively operates overall, but some action is required to enhance aspects of it and ensure that it effectively operates throughout.

vii. Membership of professional bodies

In order to ensure that there is sufficient knowledge and understanding across officers, advisers, service providers and members of the Board and Committee, membership of professional bodies is important. This includes the following:

Body		Website
LAPFF	Local Authority Pension Funds Forum. LAPFF promotes corporate governance and responsibility standards within companies that the Fund invests in. The Fund believes in collaboration on Responsible Investment matters and is a member of LAPFF in order to progress its aims as a responsible asset owner	LAPFF The leading voice for local authority pension funds across the UK (lapfforum.org)
Norfolk CC	National LGPS Framework for Actuarial, Benefits & Governance Consultancy Services	Explore our frameworks National LGPS Frameworks
LGA/SAB	Local Government Association. LGA is the national membership body for local authorities and work on behalf of member councils to support, promote and improve local government, including pension matters. Scheme Advisory Board. SAB seeks to encourage best practice, increase transparency and coordinate technical, and standards issues within local government pensions.	Home Local Government Association LGPS Scheme Advisory Board - Home (lgpsboard.org)
PLSA	Pensions and Lifetime Savings Association. PLSA is a representative body covering more than 30 million savers in the UK focusing on work in policy development, advocacy, membership engagement, events and communications.	Pensions UK > Home
PIRC	Pensions & Investment Research Consultants. PIRC is Europe's largest independent corporate governance and shareholder advisory covering stewardship and engagement.	Home - PIRC
CIPFA	Chartered Institute of Public Finance and Accountancy. CIPFA is a UK-based international accountancy membership and standard-setting body, which also covers pension investment, administration and governance	Home (cipfa.org)

Financial Performance

This section of the report provides information on financial performance of the Fund, comparing actual performance against budget.

Lancashire County Pension Fund had a net outflow of cash for the Year ending 31st March 2025 of £28.0m.

The 2024/25 budget was approved by the Fund's Pension Fund Committee in March 2024 and was produced based on past experience, the latest available data and in consultation with relevant stakeholders. The key income and expenditure items have been set out below along with a brief explanation on any variances against the budget:

	Budget (£m)	Actual (£m)	Variance (£m)
Members Contributions	80.9	83.5	(2.6)
Employers Contributions	152.7	164.7	(12.0)
Contributions Income	233.6	248.2	(14.6)
Transfers in from other pension funds	17.8	27.3	(9.5)
Benefits Payable	(381.0)	(410.2)	29.2
Transfers out and other payments to leavers	(18.7)	(28.1)	9.4
Net (withdrawals)/additions from dealings with members	(148.3)	(162.9)	14.6
Fund Administration Costs	(6.0)	(6.0)	(0.0)
Investment Management Costs*	(128.6)	(90.4)	(38.2)
Oversight & Governance Costs	(2.0)	(2.0)	(0.0)
Net (outflow)/inflow before investments	(284.8)	(261.1)	(23.7)
Investment income*	214.2	233.1	(18.9)
Net (outflow)/inflow	(70.6)	(28.0)	(42.6)
Change in market value of investments**	N/A	255.0	
Net increase/(decrease) in the fund**		226.9	

* Some costs are included in the investment management costs for budget purposes but deducted from investment income in the accounts of the Fund

** Added to aid reconciliation to the Fund Account

The above figures are based on the budget reporting to Pension Fund Committee and have minor differences to the statement of accounts figures.

- Contributions income for the year was slightly above budget due to a prudent pay award assumption being used in the setting of the budget, as anticipated, the actual pay award exceeded this and resulted in a favourable variance. The contributions for 24/25 were lower than the previous year due to the 23/24 income including the receipt of prepaid contributions from a number of large employers covering the full valuation period 1st April 2023 - 31st March 2026, totalling £184m.
- Benefits payable and Transfers out of the Fund exceeded the budget which was partially driven by a larger than anticipated increase in pensioner numbers.
- Administration costs were in line with budget. Staff, premises, IT, amongst other costs are included within oversight and governance costs. These costs fell in line with budget during 2024/25.
- The investment income received was £18.9m higher than expected when setting the budget. This variance was largely due to income from the infrastructure asset class being higher than expected.
- Investment management fees saw a favourable variance of £38.2m, this was as a result of the Fund incurring fewer performance fees, and revisions to prior year fees.

Contributions

After the 2022 Actuarial Valuation, the rates were set for the period 1st April 2023 - 31st March 2026, as a result of the valuation the employer contribution rates for 2024/25 range from 0.0% to 28.0% of pensionable pay. For the 2024/25 financial year, the employers in the Lancashire County Pension Fund contributed at an aggregate employer rate of 16.7% (Excludes those employers who opted to prepay) and an employee rate of 6.4%.

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.

Analysis of overpayments

The below analysis shows invoices raised, amounts recovered and invoices written off between 1st April 2024 and 31st March 2025. For each category, the amounts may include overpayments which occurred in prior years as well as the current year.

Invoices Raised	£330,705.53
Amounts recovered	£382,574.20
Write offs	£24,925.64

The figures above do not account for amounts recovered from a spouse's pension following an overpayment occurring and write offs under £250.00 where there are no widow/ers pensions are payable. The write off and recovery of overpayments under £250.00 was deemed uneconomical to pursue, is an approach adopted by most Pension Funds and is reflected in the funds debt management policy.

Fraud

The Fund seeks to prevent fraud by participating in the National Fraud Initiative (NFI). NFI is an exercise that matches electronic data within and between public and private sector bodies and the Fund actively investigates all data matches found as a result of this process. Additional data tracing resources are used as required including for members that reside overseas. Where overpayments are identified, whether from fraud or not, the Fund seeks to manage and recover, where appropriate. LPPA Limited follows strict due diligence processes when processing transfer requests to help protect members from pension scams.

Administration

This section of the Annual Report provides information relating to pension administration during the year.

In this section you will find information on the following:

- i. **Value for money achieved by the administration service**
- ii. **Key administration activities in the year**
- iii. **Compliance with Statutory Requirements**
- iv. **LPPA Performance**
- v. **Complaints and disputes**
- vi. **Fund Membership**
- vii. **Further performance related data**

In 2016 the Fund established LPP Limited, a company owned by Lancashire County Council and the London Pensions Fund Authority. Its subsidiary Local Pensions Partnership Administration Limited (LPPA) provides administration services to the Fund.

Oversight of pension administration services including relationship management and monitoring of LPPAs performance is undertaken by the Fund's Technical and Administration Lead.

In addition, the Fund is responsible for determining the pension administration strategy and other administration related policies. The Fund's Pensions Administration Strategy can be found by clicking [here](#).

LPPA is responsible for delivery of a high quality and cost-effective member and employer experience on behalf of the Fund within the legislative and regulatory framework and provision of technical expertise.

i. Value for money achieved by administration service

LPPA recognises their responsibility to achieve value for money in service delivery. They seek to incorporate value for money principles in delivering services by taking account of costs, quality of services and the context that the partners they provide administration services to. LPPA operates a shared service, cost recovery basis for core pensions administration. They do not make profit on core administration services.

LPPA takes part in external and independent annual benchmarking to compare the cost and service of LPPA against other pension administrators. The latest results endorse that LPP's administration services provide value for money.

ii. Key administration activities this year have included

Improving the end-to end journey for member's retiring from the scheme.

Fund officers have collaborated with LPPA and the Fund's largest employer; Lancashire County Council, to review the current process and to discuss enhancements that will support a better experience for members. This also links in with LPPA's Efficiency and Service Improvement Project (ESIP) that was mobilised following LPPAs implementation of their new pensions administration system during 2022/3. ESIP aims to drive increased automation and enhance online digital capability to improve efficiency and member experience. During 2024/25, automation of deferred and active retirement quotes went live.

In 2025/26, it is planned to introduce an on-line retirement form, automate retirement payments and bank account

name verification. Additionally, the leaver notification form provided by employers to LPPA will become more intelligent and improvements to the monthly returns process for employers and the online portals will be delivered.

Monitoring key projects being delivered by LPPA to ensure the Fund complies with relevant legislation by the appropriate deadlines.

The projects and activity undertaken are detailed below.

Pensions Dashboard

The Government intends to introduce Pensions Dashboards which will enable millions of workers to view all their pension pots in one place online. Fund officers are overseeing the project requirements and have engaged with LPPA to ensure that continued progress is being made on the project to connect to the Pensions Dashboard by 31 October 2025 (the deadline for Public Sector Pension Schemes). In preparation, LPPA have undertaken the following activities-

- Identified system requirements (including the rules for matching of records and the treatment of AVCs);
- Considered the business readiness aspects of the project (e.g. readiness to deal with new inbound enquiries relating to dashboard).
- Appointed Civica as LPPA's Integrated Service Provider (ISP) for dashboard connection.
- Held regular engagement meeting with the Fund to share updates
- Undertaken data cleansing with the Fund's AVC providers; Prudential and Utmost Life Ltd

LPPAs project is on track to meet the connection date of 31 October 2025.

McCloud Remedy

McCloud is a significant project and refers to a legal judgement intended to remove age discrimination impacting on all Funds within the LGPS. Back in 2014/15 benefit changes were introduced within the LGPS but it was later determined that these changes may be discriminatory for some members and benefits need to be reviewed.

Following relevant system releases and receipt of McCloud Implementation Guidance from the Ministry of Housing, Communities and Local Government (MHCLG), LPPA have been calculating benefits and applying the underpin addition where possible. As at 31 March 2025, 534 cases have been assessed and the underpin addition has been beneficial in 21 cases (c.3.9% of cases) with an average increase in benefits of £244 per annum. A communications plan has also been put in place and training delivered to contact centre and operational teams.

System releases that will provide the McCloud functionality to review retrospective cases and include remedial service statements for eligible members within 2025 Annual Benefit Statements is expected to be implemented in 2025/26.

iii. Statutory requirements

Statutory deadlines apply to certain regular communications to Fund members, including P60 documents to be provided to pensioner members and Pensions Savings Statements to active members who may be impacted by pension taxation matters – these deadlines were met. Publication of Annual Benefit Statements and application of Pensions increase to member benefits was also undertaken in the year.

iv. LPPA performance

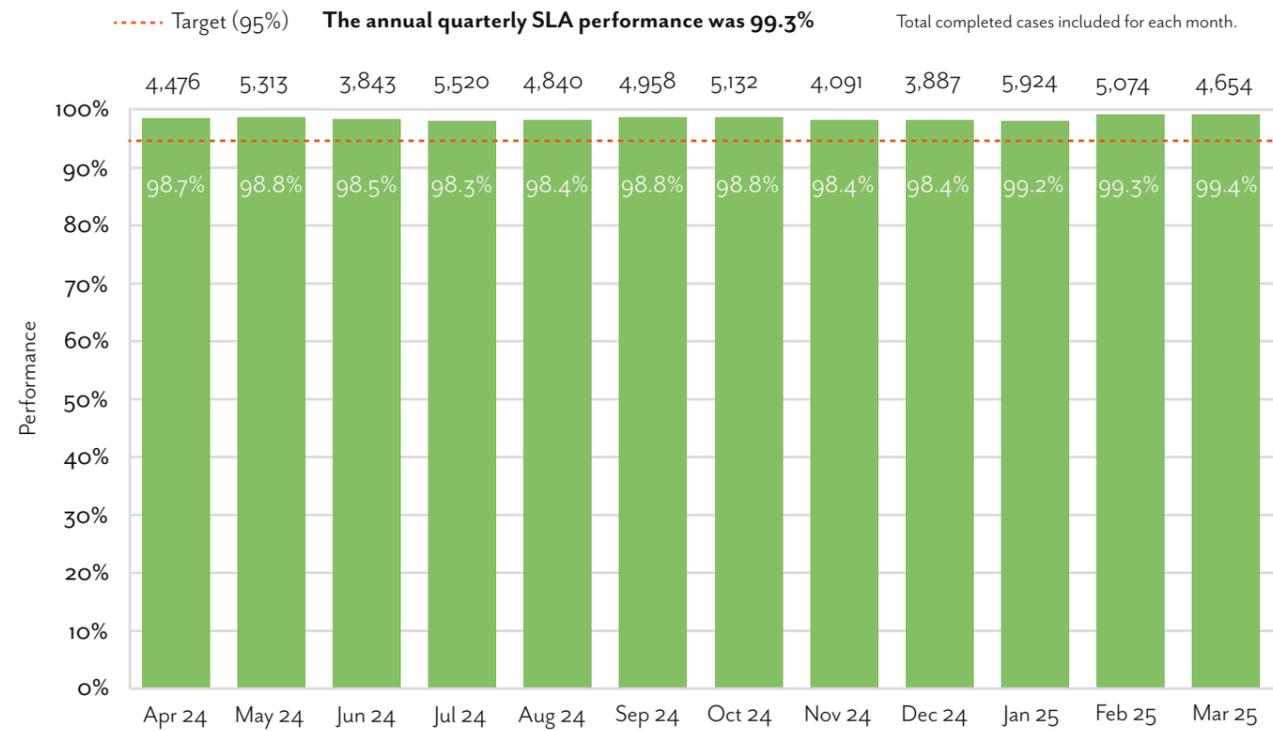
Performance of administration services provided by LPPA is summarised in this section with specific detail in tables 'A' to 'E'. Administration work is referred to as a 'casework' and the key performance metric on which LPPA is monitored is length of time taken to complete cases. The target performance is 95% of cases to be completed within a certain number of days. LPPA has made considerable progress in ensuring that monthly casework performance was consistently delivered above the 95% target during

24/25. The annual SLA performance was 98.8%. Monthly performance over the year is covered in Figure 1.

Additionally, LPPA measures the performance of individual case types such as retirement and bereavement. During the year 98.4% of bereavement cases were processed within the target number of days, whilst the figure for Active member to Retirement cases (where a member leaves their job and retires straight away) was 98.3%. Deferred member to Retirement cases (where a member leaves their job but does not retire until a later point) performed at 99.1%.

Figure 1

Performance - All cases



Customer satisfaction

Satisfaction surveys are important in understanding administration service performance and LPPA has continued during the year to measure member satisfaction at key points in the member journey using an end of call telephone survey for Contact Centre feedback and an email link to a survey following the retirements process. The following surveys were completed during the year.

LPPA activity on ESIP (see above) will support in improving member experience and satisfaction.

Survey Type	No. of surveys completed	Overall satisfaction for year ending 31 March 2025
Contact centre calls satisfaction -overall	2,351	75.6%
Satisfaction with the call centre advisor	2,562	93.8%
Active retirement survey	568	60.4%
Deferred retirement survey	459	69.1%

Engagement and communications

The Fund has a communications policy which can be found by clicking [here](#). The Policy outlines the Fund's communications with members, representatives of members, prospective members and scheme employers and details the approach to communications. LPPA is responsible for delivery of engagement and communications.

In the year LPPA undertook the following employer engagement activity:

- Virtual employer visits were held with 44 employers.
- Scheme leavers training was delivered with 31 employers attending.
- 32 LCPF employers attended LGPS Scheme Essentials employer training.
- Monthly returns training sessions were delivered with 16 employers attending.
- Absence and Ill Health training was delivered with 29 employers attending.
- Employer Responsibilities training was delivered with 57 employers attending.

In addition, the pensions team delivered an in-person engagement with 39 representatives from Lancashire employers via our Employer Forum, which covered an update on investment, funding, and administration.

The following member engagement was also provided.

- Retirement planning sessions were delivered via the LPPA retirement essentials monthly program to 57 Fund members.
- 64 Fund members also attended Making Sense of your Retirement sessions.
- Fund members were invited to attend the Making Sense of Your Pension sessions.
- Four employer newsletters were issued to keep them updated on changes and developments and remind them of upcoming events and requirements. In addition, newsletters were issued to active, deferred and pensioner members.

v. Complaints and disputes

If a member of the Fund feels that the administration service has fallen short of their expectations, there is a formal complaints process that they can proceed through with LPPA.

In the year, LPPA received 307 complaints, a reduction from 636 complaints in the previous year. There were 21 complaints outstanding at end of Q4 in 2024/25. This is above the usual complaints level and was due to a disruption to service – the majority of the complaints in the year were in relation to general services and delays following the migration to the new administration system as well as implementation of a new finance system by the Fund's largest employer. As the new systems have 'bedded in' during the latter part of the year, the number of complaints has significantly reduced and been processed.

Fund members who disagree with decisions taken by their employer or the Fund 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. If, following completion of the IDRP, the member is not satisfied with the outcome, they may refer the complaint to the Pensions Ombudsman, an organisation set up by law to investigate complaints about pension administration.

IDRP cases during the year were:

- Stage 1 IDRP = 33
- Stage 2 IDRP= 8

2024 has seen an increase in Internal Dispute Resolution Procedure (IDRP) cases due to the Pension Ombudsman's

requirement that members must complete any relevant IDRP before they will accept a case. As a result, more complaints have proceeded through IDRP. In the year, 9 members raised a complaint to the Pensions Ombudsman.

There were two common areas for IDRPs; ill health retirements and poor service relating to retirements and transfers.

vi. Fund membership

Member and employer numbers by category

The data on the membership of the Fund is available in the introduction section to this annual report and the employer numbers by category can be seen in the table below and appendix 1:

Type of Employer	Number
County Council	1
District	15
Other Scheduled Bodies	247
Admitted	107
Total	370

vii Further performance related data

The following tables provide further detail on performance of certain aspects of administration services.

Table A – Total Number of Casework

When a member of the Fund contacts LPPA, their enquiry is referred to as a 'case'. There are different types of cases depending on the event that a Fund member is experiencing. For example, if the member is leaving their

employment due to retirement, they would be classified as an 'Active member retirement' or, if the member is leaving their employment to work for a new employer, they would be classified as a 'Deferred benefits'. LPPA monitors the performance of these individual case types which are summarised in the table below for the year 2024/25.

The below measures the number of cases open at the end of the previous year, any new cases received and the number processed during the year.

Ref	Casework KPI	Total number of cases open as at 31 March (starting position)	Total number of new cases created in the year (1 April to 30 March)	Total number of cases completed in year	Total % of cases completed in year	COMMENTS
A1	Deaths recorded of active, deferred, pensioner and dependent members	1,045	2,362	2,359	69.2%	
A3	Deferred member retirements	906	5,579	5,773	89.02%	Combined quote and actual – See note below
A4	Active member retirements	883	6,897	6,801	87.41%	Combined quote and actual – See note below
A5	Deferred benefits	5,931	16,973	17,991	78.50%	
A6	Transfers in (including interfunds in, club transfers)	1,305	2,592	2,235	57.4%	
A7	Transfers out (including interfunds out, club transfers)	905	3,176	2,874	70.40%	
A8	Refunds	614	9,223	8,302	84.40%	
A9	Divorce quotations issued	60	382	396	89.60%	
A10	Actual divorce cases	3	24	16	59.30%	
A11	Member estimates requested either by scheme member and employer	279	2,458	2,499	91.30%	
A12	New joiner notifications	42	1766	1,799	99.50%	
A13	Aggregation cases	1,944	10,402	8,020	65.00%	This KPI does not include transfers or Interfund

Notes - A3 and A4 — these figures count the quotation stage of retirements and payment of benefits stage together.

The high rate of deferred cases processed in the year was due to increased employer engagement regarding pending leaver notifications and outstanding queries and subsequently provision of outstanding information.

Table B – Time taken to process casework

As part of oversight of the pension administration services provided by LPPA to the Fund, performance targets are set by the Fund (focusing on length of time to complete cases) and these vary according to the type of case, as some are more complex to process/complete than others. These targets are referred to as Service Level Agreements (SLAs) and are dependent on receipt of necessary information/documentation from Fund members, employers and/or other parties. LPPA measures the SLA from the point of

receipt of the last piece of information or data required to process the case. As this does not provide a full measure of the complete member experience, it is necessary to consider these results in conjunction with other data, such as member surveys, complaints and quality of work.

An SLA of 95% is expected in respect of each case type, so at least 95% of cases need to be completed within the specified number of days.

Ref	Casework KPI	SLA (days)	% Completed within SLA current year	% Completed within SLA previous year	COMMENTS
B1	Communication issued with acknowledgement of death of active, deferred, pensioner and dependent member	5	97.00%	93.60%	Performance below SLA in 2023/24 due to system migration.
B3	Communication issued to deferred member with pension and lump sum options (quotation)	5	99.50%	97.20%	
B4	Communication issued to active member with pension and lump sum options (quotation)	5	97.30%	91.10%	Performance below SLA in 2023/24 due to system migration.
B5	Communication issued to deferred member with confirmation of pension and lump sum options (actual)	5	97.60%	96.80%	
B6	Communication issued to active member with confirmation of pension and lump sum options (actual)	5	96.70%	94.80%	Performance below SLA in 2023/24 due to system migration.
B8	Communication issued with deferred benefit options	15	99.40%	97.70%	
B9	Communication issued to scheme member with completion of transfer in	10	98.70%	97.50%	This includes Interfund Transfers
B10	Communication issued to scheme member with completion of transfer out	10	98.00%	97.20%	This includes Interfund Transfers
B11	Payment of refund	15	98.80%	95.70%	
B12	Divorce quotation	90	98.80%	96.50%	Death and normal pension age benefits only provided upon members request
B13	Communication issued following actual divorce proceedings i.e application of a Pension Sharing Order	90	100.00%	100.00%	
B14	Communication issued to new starters	10	100.00%	100.00%	
B15	Member estimates requested by scheme member and employer	10	98.70%	95.50%	

Table C – Communication and Engagement

Communication with Fund members is a key aspect of administration services provided by LPPA and this is undertaken by a variety of communication channels - including online (via the member portal called PensionPoint), telephony helpdesk, engagement sessions, email.

Ref	Engagement with member portal (PensionPoint)	At year end	COMMENTS
C1	% of active members registered	42.80%	
C2	% of deferred member registered	27.00%	
C3	% of pensioner and survivor members	44.10%	
C4	% total of all scheme members registered for self-service	37.30%	
C5	Number of registered users by age		Graph provided below
C6	% of all registered users that have logged onto the service in the last 12 months	57.10%	
Ref	Communications		
C7	Total number of telephone calls received in year	35,699	
C8	Total number of email and online channel queries received	14,439	
C9	Number of scheme member events held in year (total of in-person and online)	44	All online
C10	Number of employer engagement events held in year (in-person and online)	54	All online
C11	Number of active members who received a one-to-one (in-person and online)	1	
C12	Number of times a communication (i.e. newsletter) issued to:		
	a) Active members	Nine	
	b) Deferred members	Nine	
	c) Pensioners	Nine	

Note – In October 2022, PensionPoint replaced a portal called My Pension Online. Registration numbers within Pension Point are now comparable with My Pension Online.

Number of registered users by age group

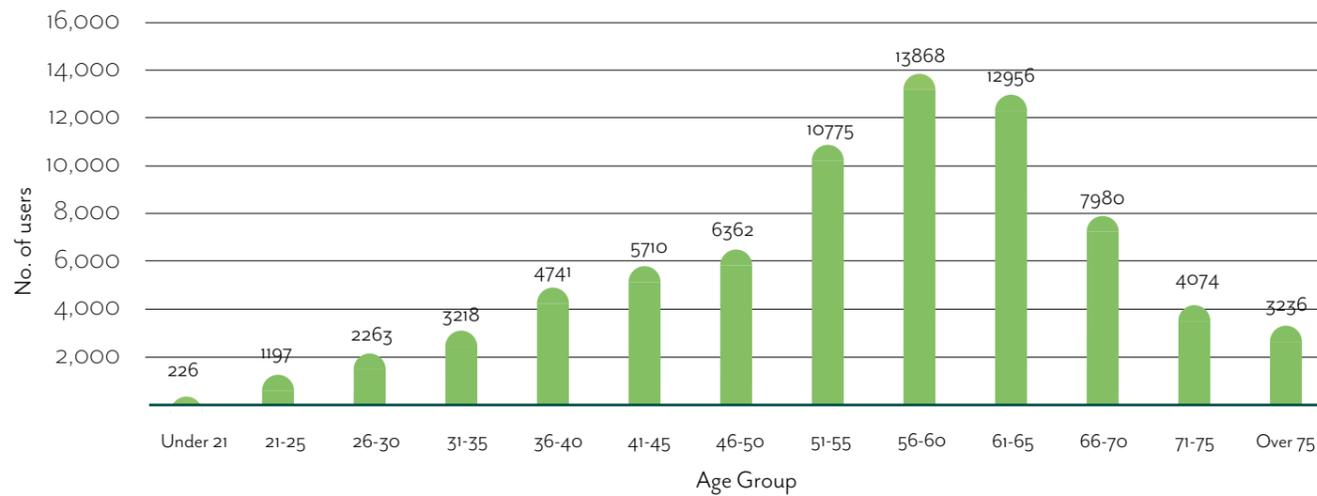


Table D – Resources

Resourcing is key to delivery of good member experience. LPPA provided services to the Fund and other clients, the information below covers all clients of LPPA apart from D1

Ref	Resources	% Completed within SLA current year	COMMENTS
D1	All administration staff (FTE)	78.3	The 78.3FTE includes LPPA resource attributed to LCPF. Additional 1.5 FTE added into this figure to reflect Fund resource relating to pensions administration
D2	Average service length of all administration staff	5 years 3 months	LPPA only
D3	Staff vacancy rate as %	2.2%	LPPA only
D4	Ratio of all administration staff to total number of scheme members (all staff including management)	2,621:1	
D5	Ratio of administration staff (excluding management) to total number of scheme members	2,713:1	LCPF Officers counted as management so reflected only in D1 & D4

Table E – Data Quality

Accurate and timely data is also key to delivery of good member experience.

Ref	Annual Benefit Statements	Data	COMMENTS
E1	Percentage of annual benefit statements issued as at 31 August	97.80%	
E2	Short commentary if less than 100%	Remainder were either due to files not received from the employer or outstanding queries that prevented ABS production	
Data Category			
E3	Common data score	98.20%	
E4	Scheme specific data score	93.20%	This is low due to data queries in monthly data returns. Engagement with employers to correct data and prevent future queries arising is ongoing.
E5	Percentage of active, deferred and pensioner members recorded as 'gone away' with no home address held, or address is known to be out of date	1.20%	
E6	Percentage of active, deferred and pensioner members with an email address held on file	59.90%	
Employee Performance			
E7	Percentage of employers set up to make monthly data submissions	100%	
E8	Percentage of employers who submitted monthly data on time during the reporting year	49%	

Notes – Each employer that participates in the Fund provides monthly data to LPPA.

LPPA has a responsibility to ensure data held is accurate and updated regularly. The Pensions Regulator requires the Fund to monitor certain data referred to as common (such as, National insurance number of each member) and scheme specific (such as status of each member).

It is a legal requirement to provide Annual Benefit Statements to both active and deferred members each year. These statements offer members an estimate of their pension benefits accrued up to the end of the reporting year.

Investment Policy and Performance

Ensuring that the Fund has sufficient assets to meet its pension liabilities in the long-term is a key responsibility, referred to as the 'fiduciary responsibility'. The funding and investment activity of the Fund drives delivery of this objective. This section of the Annual Report provides information on the Fund's activities through the following content:

- i. **Strategy** – this is defined in the Investment Strategy and Funding Strategy Statements.
- ii. **Pooling** – the Fund's assets are managed under pooled investment arrangements.
- iii. **Performance** – of investments is monitored on a regular basis as part of governance arrangements.
- iv. **Costs** – fee saving information is detailed below
- v. **Responsible Investment** - the Fund aims to integrate environmental, social and governance (ESG) issues into its investments.

Further information on each of the above is provided within this section.

i.Strategy

The primary objective of the Fund is to ensure that over the long term the Fund will be able to pay all pension liabilities as they fall due. Key to delivery of this objective is development of funding and investment on an integrated basis.

The Funding Strategy Statement – see link to [Funding Strategy Statement](#) - is prepared in line with statutory requirements and was last updated in 2023. The Funding Strategy Statement sets out a clear and transparent funding strategy regarding how each Fund employer's pension liabilities are to be met. The Fund's investment strategy is linked to the Fund's funding strategy as the primary target for both is to ensure the Fund will have sufficient assets to meet liability payments as they fall due. In addition, the Fund's long term investment horizon aids the funding

objective of Long-Term Cost Efficiency, which aims to set the Fund's employer contribution level such that additional costs do not fall on later generations of taxpayers nor put a high burden on current taxpayers.

This approach is defined in the Investment Strategy Statement – see link to [Investment Strategy Statement](#) - which is set by the Fund and prepared in line with statutory requirements. Within the Investment Strategy Statement, the asset allocation is set out, which determines how the Fund's assets will be invested across different asset classes (referred to as the 'strategic asset allocation range').

This has been successfully implemented and there is a comparison of the strategic asset allocation range against the actual allocation of assets is provided in a table later in this section.

In line with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the Fund is required to set out its policy on how social, environmental, and corporate governance (ESG) factors are integrated into investment decisions. These considerations must be taken into account where they are financially material to investment performance, particularly over the long term and in the context of the Fund's liabilities and investment time horizon.

The Fund's approach to ESG integration, including how these factors were considered during the year, is detailed in this section.

The Committee (and Investment Panel) monitor progress of the funding strategy between full actuarial valuations. During the year, there has been no requirement to amend or update the Funding Strategy Statement (as there has not been any material change to market conditions, Fund membership, employer contributions paid to the Fund or investment strategy) or the Investment Strategy Statement.

Current and Strategic Asset allocation

During the second half of the year the Investment Panel and the Pension Fund Committee undertook a detailed review of the Fund's Investment Strategy and approved a revised Strategic Asset Allocation (SAA) which came into effect on 1 April 2025. This updated SAA will be reflected in the next Annual Report. The most notable change to the SAA was the introduction of an allocation to Environmental Opportunities.

In line with the Fund's strategy to remove its exposure to Diversifying Strategies, it fully redeemed its holding in the LPPI Diversifying Strategies Fund during Q3 2024. Consequently, the Fund's remaining exposure is now limited to a small legacy position in Reinsurance, where the redemption process is ongoing.

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 2025 and March 2024:

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.

As at the end of March 2025, the Fund maintained an overweight position in Equities (both Public and Private), Fixed Income, and Cash relative to its Strategic Asset Allocation (SAA). Conversely, it was underweight in the private market asset classes – Credit, Infrastructure, and Real Estate. Given the inherently illiquid nature of private market assets, including Private Equity, adjustments to relative positioning can take time to implement.

Asset Class	March 2025				March 2024			
	Assets (GBP Million)	Allocation (%)	Strategic Asset Allocation (%)	Range (%)	Assets (GBP Million)	Allocation (%)	Strategic Asset Allocation (%)	Range (%)
Public Equities	5,519	46.2	45.0	40.0 – 52.5	5,646	48.1	45.0	40.0 – 52.5
Fixed Income	742	6.2	5.0	0.0 - 10.0	465	4.0	5.0	0.0 - 10.0
Diversifying Strategies	0	0.0	0.0	0.0 – 3.0	16	0.1	0.0	0.0 - 3.0
Credit	2,023	16.9	18.0	12.5 - 22.5	1,826	15.6	18.0	12.5 - 22.5
Infrastructure	1,678	14.0	15.0	10.0 - 20.0	1,725	14.7	15.0	10.0 - 20.0
Private Equity	733	6.1	5.0	0.0 - 10.0	894	7.6	5.0	0.0 - 10.0
Real Estate	1,010	8.4	11.0	6.0 – 16.0	1,034	8.8	11.0	6.0 – 16.0
Cash	252	2.1	1.0	0.0 - 5.0	124	1.1	1.0	0.0 - 5.0
Total	11,956¹	100.0	100.0		11,730²	100.0	100.0	

1 The accounts of the Fund section refer to net assets as at 31st March 2025 of £11,974m. 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 2024 of £11,746m. 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.

ii. 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, which 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.

The Fund's assets are invested by LPPI into six LPPI pooled funds, across a range of asset classes, including Public Equities, Fixed Income, Credit, Infrastructure, Private Equity and Real Estate. However, a limited number of assets of the Fund are invested outside of these pooled funds.

As at 31 March 2025, 96% of the Fund's assets were held within LPPI's pooled funds, with the remaining assets are under pool management. As such, LPPI maintains oversight of all assets. Note 13 to the financial accounts (Section 8) provides a breakdown of assets held within and outside LPPI's pooled funds.

Further information regarding the funds offered by LPPI, including set-up, investment transition and ongoing investment management costs is available later in this section.

The Fund has appointed its own independent custodian, in Northern Trust, who also provide independent performance calculations.

Asset Table

£m Asset values as at 31 March 2025	Pooled	Under pool management	Not pooled	Total
Equities (including convertible shares)	5,519	-	-	5,519
Bonds	742	-	-	742
Property	859	151	-	1,010
Hedge funds	-	0	-	0
Diversified Growth Funds (including multi-asset funds)	-	-	-	-
Private equity	725	8	-	733
Private debt	2,007	15	-	2,023
Infrastructure	1,627	52	-	1,678
Derivatives	-	-	-	-
Cash and net current assets	-	252	-	252
Other	-	-	-	-
Total	11,479	477	-	11,956

Note: Totals may not sum due to rounding.

* Please note that we have classified assets held in the LPPI Investment Pooling Vehicles as being 'Pooled', whilst assets overseen by LPPI in its role as discretionary manager but held outside of the LPPI Pooling Vehicles are classified as 'Under pool management'

Supplementary table

£m Asset values as at 31 March 2025	Pooled	Under pool management	Not pooled	Total
UK Listed Equities	417	-	-	417
UK Government Bonds	11	-	-	11
UK Infrastructure	827	-	-	827
UK Private Equity	189	-	-	189
Total	1,444	-	-	1,444

* Please note that we have classified assets held in the LPPI Investment Pooling Vehicles as being 'Pooled', whilst assets overseen by LPPI in its role as discretionary manager but held outside of the LPPI Pooling Vehicles are classified as 'Under pool management'.

iii. Economic Overview 2024/25

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. Data² for the financial year for some of the major economies are shown below.

GDP

	GDP Growth (% Year on Year)		
	UK	US	Eurozone
Q2 2024	1.1%	3.0%	0.6%
Q3 2024	1.2%	2.7%	0.9%
Q4 2024	1.5%	2.5%	1.2%
Q1 2025	1.3%	2.1%	1.5%

Inflation

	Consumer Price Inflation (% Year on Year)		
	UK	US	Eurozone
Q2 2024	2.0%	3.0%	2.5%
Q3 2024	1.7%	2.4%	1.7%
Q4 2024	2.5%	2.9%	2.4%
Q1 2025	2.6%	2.4%	2.2%

² Data sourced from Bloomberg

iv. Interest Rates

	10-Year Nominal Government Bond Yields (quarterly change in brackets)		
	UK	US	Germany
Q2 2024	4.2% (0.2%)	4.4% (0.2%)	2.5% (0.2%)
Q3 2024	4.0% (-0.2%)	3.8% (-0.6%)	2.1% (-0.4%)
Q4 2024	4.6% (0.6%)	4.6% (0.8%)	2.4% (0.3%)
Q1 2025	4.7% (0.1%)	4.2% (-0.4%)	2.7% (0.3%)

In the twelve months to March 2025, we saw significant political and economic shifts. Global growth decelerated, but in a much more gradual and measured way than many feared. Disinflation continued supported by elevated policy rates that constrained demand, deflation in China and lower oil prices. This allowed major central banks including the US Federal reserve ("the Fed"), the Bank of England ("the BOE") and the European Central Bank ("the ECB") to ease monetary policy after raising rates to multi-decade highs. Across developed markets, there was convergence in growth and inflation across the UK, the US and Eurozone, although each region continued to face its own economic uncertainties.

In the UK, activity fluctuated between quarters of strong expansion and stagnation, leaving inflation-adjusted GDP 1.3% higher year-on-year in March 2025. Elections in July brought the first Labour government in almost 15 years. Its parliamentary majority reduced political uncertainty, although policy uncertainty remained. The October 2024 budget resulted in a broad increase in taxation, spending and borrowing. While the long-term impacts on the economy remain to be seen, on a shorter horizon employment trends have weakened, and price pressures have risen. Inflation decreased from 3.2% in March 2024

to 1.7% in September 2024, allowing the BOE to start its easing cycle from an interest rate peak of 5.25%. Although inflation rose since September 2024, the BOE continued with moderate rate cuts, despite remaining generally cautious regarding the forward-looking interest rate outlook given both domestic and international challenges. BOE's policy rate was at 4.5% in March 2025.

In the US, the fiscal year kicked off with a backdrop of strong growth and elevated but decreasing inflation. A weaker employment outlook during the summer led successive rate cuts from the Fed, lowering its policy rate by 100 basis points between September and December 2024. The start of 2025 was marked by elections that saw the return of Trump to the presidency for a second term, with Republicans gaining a small majority in Congress. In Q1 2025, the incoming administration's crackdown on illegal migration, federal employee layoffs and trade protectionist moves monopolised the headlines. Many economists expected these policies to have an adverse effect on growth and inflation. However, the economy remained somewhat resilient, with year-on-year growth at 2.1% in March 2025 and with inflation just moderately higher than the Fed's 2.0% target.

In Eurozone, growth picked up during the fiscal year from previous anaemic activity levels. Inflation in the common currency area remained close to the ECB's target, dropping to a low of 1.7% and ending in March 2025 at 2.2%. This allowed the ECB to ease policy more aggressively compared to other central banks, lowering its deposit rate from a peak of 4.0% to 2.5% in March 2025. Despite an improved economic backdrop, political uncertainty remained. National elections in France led to a fragmented parliament and months of negotiations until a minority government was installed in December. On the other hand, federal elections in Germany led to a more stable coalition. Additionally, the new Chancellor managed to enact significant fiscal reforms, including a constitutional amendment to Germany's debt brake and the establishment of a large off-budget infrastructure fund. These changes are expected to support increased public investment, particularly in defence and infrastructure, and provide more fiscal flexibility for both

federal and state governments. The reforms are a notable shift from Germany's traditionally conservative fiscal policy, with many seeing them as a step change for Eurozone too.

In a year full of elections and accompanying policy uncertainty, geopolitical risks took somewhat of a back seat but remained present. The war in Ukraine entered its fourth year at the end of February. Despite negotiations between the new US administration and Russia a path to peace has not yet been found. In the Middle East, a widening of the conflict from Gaza to Lebanon, Israel's operations in Iran, as well as the Iran's first ever direct missile attack at Israel raised the prospects of an all-encompassing war.

After a period of relative calmness in the US-China relationship, President Trump's imposition of new tariffs on Chinese imports saw the countries' economic rivalry coming to the fore. The risk of a China-Taiwan conflict remains, as well as the uncertainty regarding what a US response may include. China's economy continued to battle deflation; however, fiscal and monetary policy measures appear to have put a floor under its weakened real estate sector. China's manufacturing sector supported growth, but many developed economies continue to push back against what they see as unfair subsidies and excess industrial capacity.

Amid shifting inflation and growth expectations, equity and fixed income markets had a tale of two halves, rising strongly in the six-month period through September, and broadly stagnating subsequently. Nevertheless, Global Equities and Global Bonds were up 7.5% (4.9% in GBP) and 4.4% in GBP respectively in the 12-month period through March 2025.

Performance

The Fund's investment horizon is long-term, and performance should be assessed against these objectives and over a commensurate period. The Fund maintained a funding level over 100% in the year.

The Fund's funding strategy is developed alongside the investment strategy on an integrated basis.

Over the year ending 31 March 2025, the Fund delivered a +3.3% return on assets, which was below the actuarial and policy portfolio benchmark. This is illustrated in the tables and charts which follow.

The value of the Fund's investment assets at 31 March 2025 was £11,956 million, up from £11,730 million at 31 March 2024. All asset classes generated a positive absolute return except for Private Equity and Diversifying Strategies over the 1-year period. This is detailed in the charts which follow.

Investment assets returns compared to benchmarks

Consumer Price Inflation (% Year on Year)			
	1 Year	3 Year*	5 Year*
Investment Assets Return	3.3%	4.8%	7.7%
Actuarial Benchmark ⁴	4.5%	4.3%	4.1%
Policy Portfolio Benchmark ⁵	5.3%	5.9%	9.5%

Asset returns in the table above are shown net of fees.

* The 3 year/5 year return is Annualised

⁴ Actuarial benchmark is a composite of 4.5% p.a. from 1 April 2023 (equivalent to CPI + 1.4% p.a. discount rate as at 31 March 2022) and 3.8% p.a. (equivalent to CPI + 1.4% p.a. discount rate as at 31 March 2019) prior to this.

⁵ Policy Portfolio Benchmark is a single return measure which combines each asset class benchmark in proportion to the Fund's strategic asset allocation.

Over the longer-term, the Fund's absolute return and its return relative to its actuarial benchmark (the rate at which the Fund's liabilities are assumed to grow year on year) have both been strong, with the Fund's return exceeding the actuarial benchmark over both 3 and 5 year periods.

The Fund's performance relative to the Policy Portfolio Benchmark has trailed the benchmark over the 1-, 3-, and 5-year periods. This has been primarily driven by the Fund's allocations to Global Equities and Infrastructure.

Although the Fund's Global Equity investment delivered a strong absolute return of 11.1% per annum over the five years to 31 March 2025, it underperformed the broader market. This was largely due to the market being driven by a narrow group of dominant U.S. technology stocks — commonly

referred to as the "Magnificent 7." The Fund's aggregate underweight position in these companies, relative to the benchmark, limited its participation in the rally for much of the year. However, this positioning proved beneficial toward the end of the financial year, as the market rally began to reverse.

In Infrastructure, relative performance continues to be affected by elevated UK CPI inflation over the past three years, as the asset class is benchmarked against this measure. While inflation has moderated since its peak in October 2022, its residual effects continue to influence performance over the trailing period.

Fig.1 Total Fund performance at 31 March 2025

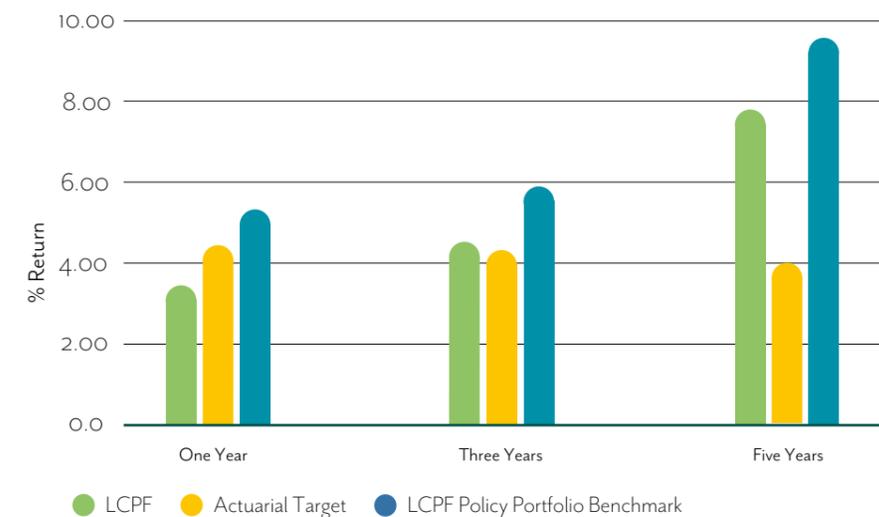


Fig.2 One-year Fund performance by asset class at 31 March 2025

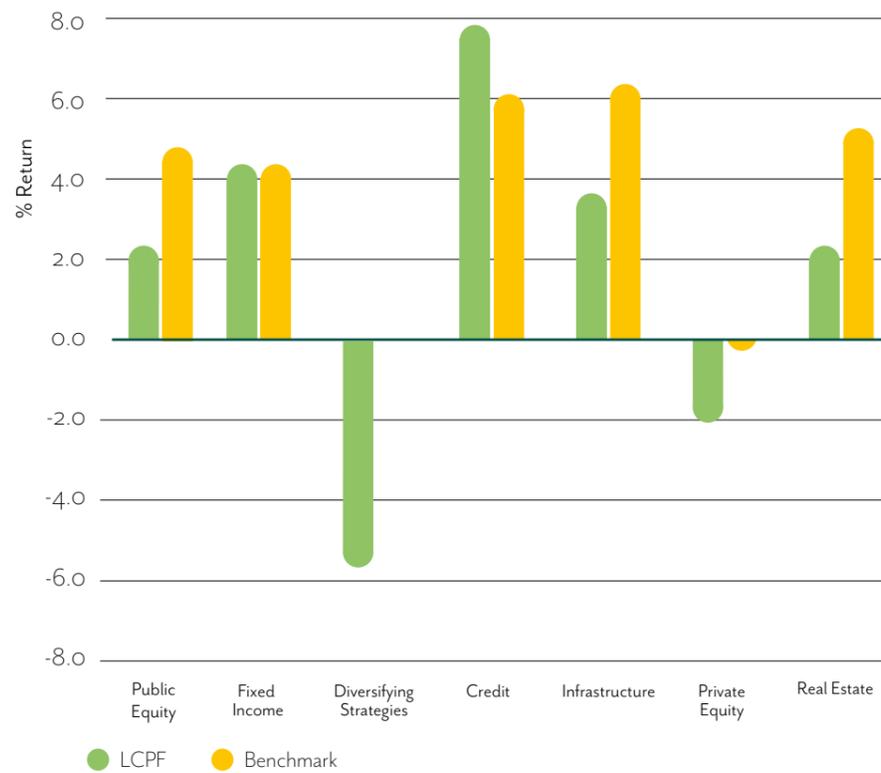
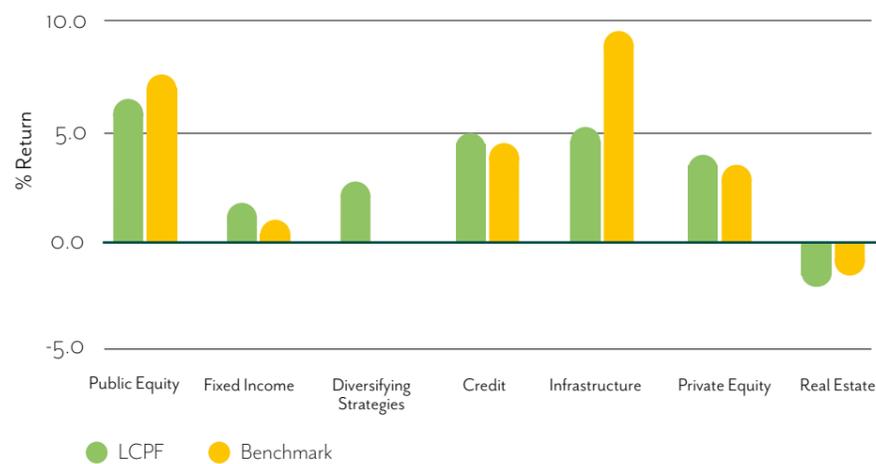
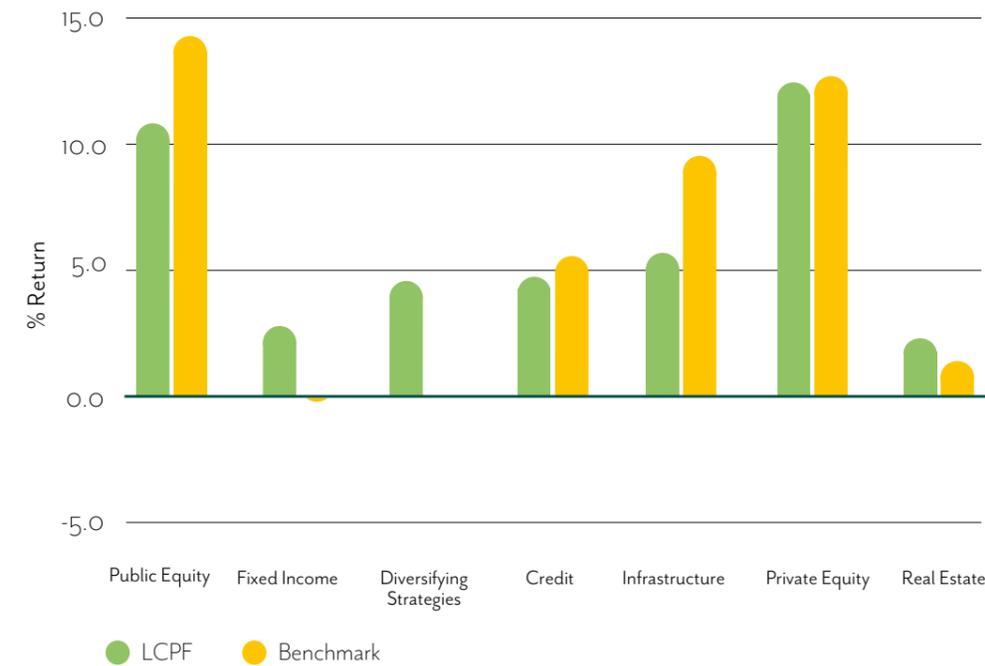


Fig.3 Three-year Fund performance by asset class at 31 March 2025



Asset Class	Benchmark
Public Equities	MSCI All Country World (net dividends reinvested) GBP Index
Fixed Income	Bloomberg Barclays Global Aggregate Bond Index GBP Hedged
Diversifying Strategies*	N/A
Credit	50% Morningstar LSTA US Leveraged Loans Index (GBP Hedged); 50% Bloomberg Barclays Multiverse Corporate Index (GBP Hedged)
Infrastructure	UK CPI + 4% p.a
Private Equity	MSCI World SMID (net dividends reinvested) Index (GBP)
Real Estate	MSCI UK Quarterly Property Index (GBP)

Fig.4 Five-year Fund performance by asset class at 31 March 2025³



³ Diversifying Strategies performance is shown on an absolute basis only (Fig.2, 3 and 4). This is in recognition that the constituents of the benchmark bear little resemblance to the remaining assets held within the Asset Class and so provide a less meaningful comparator to assess performance against. The benchmark for Diversifying Strategies was HFRI Fund of Funds Conservative Index (GBP Hedged).

v. Costs

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

	Set up costs					Total set up costs	Transition costs	Cumulative
	Legal	Professional fees	Other support costs	Staff costs	Other costs			
	£'m	£'m	£'m	£'m	£'m			
2014-15	-	-	-	-	-	-	-	-
2015-16	0.1	0.1	-	-	-	0.2	-	0.2
2016-17	0.1	0.1	-	-	-	0.2	2.0	2.2
2017-18	0.3	0.3	0.1	-	-	0.7	0.3	1.0
2018-19	-	-	-	-	-	-	-	-
2019-20	0.3	0.1	0.4	-	-	0.8	-	0.8
2020-21	-	-	-	-	-	-	-	-
2021-22	-	-	-	-	-	-	-	-
2022-23	-	-	-	-	-	-	-	-
2023-24	-	-	-	-	-	-	-	-
2024-25	-	-	-	-	-	-	-	-
Cumulative	0.8	0.6	0.5	-	-	1.9	2.3	4.2

Pool set up and investment transition costs by type of expense

	Set up costs			Since inception of the pool
	Direct	Indirect	Total	Cumulative fees
	£'m	£'m	£'m	£'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 investment management fee savings realised since admission to the Pool. The savings are based on grossed up fees in accordance with the revised CIPFA guidance issued in 2016.

	Gross (savings)/costs realised	Set up costs	Transition costs	Net (savings)/costs realised
	£'m	£'m	£'m	£'m
2014-15	-	-	-	-
2015-16	-	0.2	-	0.2
2016-17	(0.6)	0.2	2.0	1.6
2017-18	0.4	0.7	0.3	1.4
2018-19	(9.1)	-	-	(9.1)
2019-20	(8.1)	0.8	-	(7.3)
2020-21	(12.1)	-	-	(12.1)
2021-22	(15.0)	-	-	(15.0)
2022-23	(17.2)	-	-	(17.2)
2023-24	(21.8)	-	-	(21.8)
2023-24	(22.4)	-	-	(22.4)
Cumulative	(105.9)	1.9	2.3	(101.7)

Total expected costs and savings

Ongoing investment management costs 2024/25

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 2024/25. It has been compiled from cost transparency templates completed by each of the Fund's investment managers. The investment expenses are split between those held within LPPI investment pooling vehicles and those non-pooled assets held directly by the Fund.

	LPPI pooled assets			Non pooled assets		Fund Total	
	Direct	Indirect	Total	Direct	Indirect	Total	
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Management fees	56.0	-	56.0	0.8	-	0.8	56.8
Performance	9.0	-	9.0	0.3	-	0.3	9.3
Transaction costs	4.3	1.4	5.7	0.1	-	0.1	5.8
Custody	-	-	-	-	-	-	-
Administration	-	20.2	20.2	-	0.5	0.5	20.7
Borrowing and arrangement fees	-	0.1	0.1	-	-	-	0.1
Distribution, comms and client service	-	-	-	-	-	-	-
Governance, Regulation and Compliance	-	8.5	8.5	-	0.3	0.3	8.8
Property expenses	-	6.1	6.1	-	2.4	2.4	8.5
Other fees	-	4.7	4.7	-	-	-	4.7
Total	69.3	41.0	110.3	1.2	3.2	4.4	114.7

vi. Responsible Investment

Strategy

The Fund is committed to responsibly investing members' retirement savings to deliver sustainable, long-term returns. Our RI practices focus on identifying and managing investment risks to improve risk-adjusted outcomes.

Transparency is central to our approach. RI considerations begin at the strategic level and apply across all asset classes. Asset managers are expected to assess material factors that could impact future value.

Our principles and priorities are outlined in the Investment Strategy Statement (ISS) [here](#) and the Responsible Investment Policy [here](#). These documents reflect our values and guide our investment decisions in partnership with LPPI.

In 2024/25, the Committee completed a scheduled review of the RI policy. Updates include clearer governance, board oversight, and member representation. New focus areas include health and safety, local investment, affordable housing, and opportunities in the green economy aligned with Fund objectives.

Governance

The Fund sets the overall investment strategy and participates in investor collaborations to engage with companies, regulators, and stakeholders on key issues. Investment selection and stewardship activities, including shareholder voting, are managed centrally by LPPI across the partnership.

LPPI is accountable to the Fund for delivering the investment strategy and implementing RI commitments. The Fund monitors LPPI's performance through quarterly reports to the Committee, covering stewardship and engagement activities, including metrics on voting and RI related engagements.

Carbon footprints for LPPI's Global Equity, Fixed Income, Credit, Infrastructure, and Real Estate Funds are measured annually and disclosed in LPPI's TCFD reports, alongside net zero targets for each fund.

LPPI applies leading external benchmarks to ensure best practice on the Fund's behalf namely, the UK Stewardship Code and the Principles for Responsible Investment (PRI).

LPPI continues to meet the enhanced disclosure standards of the 2020 UK Stewardship Code and retained signatory status for 2023-24. Their latest Responsible Investment and Stewardship Report serves as their formal submission and is available on their website.

As a PRI signatory, LPPI manages the Fund's portfolio in line with the six global principles for responsible investment. In response to a strategic review and global consultation, PRI paused mandatory reporting for 2023/24 and introduced a simplified version for 2024/25. LPPI's 2023-24 report provides current insights into policy development, resourcing, and engagement, including quarterly voting records and stewardship examples.

Responsible Investment Priorities

The Fund's RI Policy outlines key priorities across environmental, social, and governance (ESG) themes. These priorities guide stewardship and engagement efforts and have been updated for future reporting cycles.

Environmental

Climate Change: Recognised as a systemic, long-term investment risk.

Natural Resource Depletion: Support for sustainable practices that avoid over-exploitation.

Social

- **Human Rights:** Alignment with international legal and regulatory standards.
- **Modern Slavery:** Opposition to forced and child labour.
- **Local Investment:** Preference for projects that meet investment criteria and deliver positive local impact.

Governance

- **Corporate Governance:** Support for well-managed companies with fair employment practices.
- **Tax Strategy:** Advocacy for fair and transparent tax practices.

Corporate governance and climate change remain core priorities. Strong leadership and governance are seen as critical to a company's ability to adapt and thrive. On the Fund's behalf, investment managers focus stewardship efforts on promoting sustainable business practices, including fair employment and transparent corporate conduct.

The Fund recognises climate change as a systemic, long-term investment risk with potential impacts across all asset classes, including value loss through stranded assets. Managing climate-related risks is a core priority. We work closely with LPPI to integrate climate considerations into investment decisions and assess portfolio exposure to these risks.

Our goal is to secure the returns needed to pay pensions, which includes evaluating how current and future investments may be affected by the transition to a more sustainable global economy. Investments in businesses contributing to the low-carbon transition have steadily increased as a proportion of the Fund's total value.

LPPI has made a public commitment to align portfolios with net zero emissions by 2050. As a signatory to the Net Zero Asset Manager Commitment, LPPI partners with the Fund and other clients to improve emissions measurement and portfolio alignment. This includes setting targets, tracking progress, and engaging companies to decarbonise supporting both climate resilience and long-term returns.

LPPI has published net zero targets for listed equities, corporate fixed income (within the Fixed Income and Credit Funds), Infrastructure, and Real Estate. Additional asset classes will be brought into scope over time. More information on LPPI's emissions data, targets, and climate risk assessments is available on their website here.

The Fund's Responsible Investment approach is delivered through three key activities: engagement, voting, and collaboration.

Shareholder Engagement

Engagement involves direct interaction with investee entities such as companies or governments on ESG issues, aiming to influence practices and improve disclosure. To strengthen engagement with public companies, LPPI appointed Robeco as its engagement services partner in early 2020.

Robeco conducts thematic engagements with investee companies, focusing on material ESG issues and tracking progress against defined outcomes. Their Active Ownership Team brings global reach and expertise, complementing LPPI's internal efforts.

In 2024/25, Robeco led 249 engagement cases, involving 400 individual engagement activities.

Activity by Focus Topic	YTD
Environment	76
Social	37
Corporate Governance	26
Sustainable Development Goals	94
Global Controversy	7
Robeco-linked voting	9
Total	249

Activity by Sector	YTD
Energy	19
Materials	28
Industrials	11
Consumer Discretionary	56
Consumer Staples	29
Health Care	15
Financials	38
Information Technology	30
Utilities	8
Telecommunications	15
Total	249

Activity by Region	YTD
North America	49%
Europe	25%
Pacific	2%
Emerging Markets	24%
Total	100%

Activity by Method	YTD
Meeting	26
Conference Call	148
Written correspondence	153
Shareholder Resolution	0
Analysis	71
Other	2
Total	400

Shareholder Voting

Voting at company meetings is a key tool for expressing support or driving change at publicly listed companies. LPPI exercises voting rights centrally for shares held in the LPPI Global Equity Fund (GEF), with headline and detailed voting reports published quarterly on their website.

Between April 2024 and March 2025, LPPI voted at 391 company meetings, covering 4,598 resolutions.

Theme:	Election of Directors (& related)	Compensation	Anti-takeover & related	Audit-related	Capitalisation	Routine business	Shareholder proposals
FOR	2233	467	29	199	265	600	118
AGAINST	309	121	4	68	26	58	101

During the financial year ended 31 March 2025, LPPI voted

1. Against 19% 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 67% of shareholder proposals seeking reporting on human rights assessments and the improvement of human rights-related standards.
3. In support of 50% 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 84% of shareholder proposals on climate change. LPPI typically supported proposals that sought greater information on how companies are managing risk.
5. 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 a range of activities and further detail is provided in LAPFF's Annual Report 2024.

Responsible Investment Case Studies

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

Our overall 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

Some Infrastructure and Real Estate examples from our direct and in-direct investments in the UK are below:

Octopus Healthcare Fund ("OHF")

To address the UK's growing care bed deficit, the Octopus Healthcare Fund (OHF) acquires high quality, purpose built elderly care homes as existing investments or through forward funding transactions, which are then let to healthcare operators on long leases.

The Manager has continued to work with Envision, the Fund's retained sustainability consultants, to expand their ESG strategy. This includes:

- Newly acquired BREEAM In-Use assessments
- BREEAM In-Use upgrades
- Introducing a WLCA (Whole Life Carbon Assessments) programme

The Manager has also been reviewing alternative solutions to reduce the upfront embodied carbon emissions.

Average reduction in operational carbon

The Manager has now completed 15 WLCA's, which has resulted in OHF implementing five all-electric designs with air source heat pumps across the portfolio. The all-electric systems have a 62% average reduction in operational carbon compared to the natural gas systems. They do however come at a cost: high quantities of refrigerant are used within all-electric systems and therefore drive up the in-use embodied carbon.

Upfront embodied carbon review

In addition, the Manager has also been reviewing the upfront embodied carbon. The assessment compared the portfolio average against three different alternative construction types: a timber frame, a 70% recycled lightweight steel frame solution (SFS) and a low embodied carbon concrete block structure. Timber frames have the lowest associated embodied carbon, followed by concrete block and then highest is the SFS. This is due to current steel manufacturing methods in the UK - the 70% recycled content was not high enough to effectively drive down the embodied carbon, as the average steel recycled content in the UK is already around 60%. Furthermore, due to the relative simplicity of the concrete block structure for a care home, there are inherent embodied carbon savings from this construction method.

Infrastructure

Cornerstone

GLIL is an infrastructure fund managed by LPPI which invests in UK and European infrastructure projects. The GLIL team join and form collaborative shareholder groups that cover portfolio companies alongside other investors, with the latest group being set up with Cornerstone, the UK's leading digital infrastructure services provider.

Cornerstone enable a digitally connected society through their nationwide network of neutral host and shareable sites, providing unmatched opportunities for coverage and digital services. They are committed to designing, building, and

deploying shared digital infrastructure that ensures seamless connectivity by integrating land, property, and technology.

As part of the shareholder collaboration, GLIL and its fellow investors have achieved the following:

- Assessed Cornerstone against metrics that align with various industry standard initiatives such as TCFD, NZAMI, and Biodiversity impacts.
- Ensured resource allocation is efficient to improve disclosures at Cornerstone.
- Allowed for more effective YoY comparisons of disclosures to focus GLIL and shareholder groups engagement targets for 2025.

Examples in Real Estate Funds Outside the UK:

INVESCO European Hotel Fund

This fund's strategy provides access to opportunities that aim to enable stable long-term returns with the potential for value growth through investments in leased hotel properties. Invesco target investment in high quality assets in key gateway cities in Europe, focusing on high barrier markets with long-term growth potential.

Invesco recognise there are environmental, social and economic implications to all of the decisions they make as an investment manager. Therefore, in assessing risks and opportunities regarding Environmental, Social, Governance and Resilience (ESG+R), they remain focused on the financial implications of their decisions as well as the social and environmental impact to drive performance.

Annual ESG+R Goals are developed from the portfolio's overall ESG+R approach and objectives set across the fund and are designed to encourage accountability.

Invesco Real Estate

European Hotel Fund (EHF) has participated in the annual GRESB Assessment since 2018. In the 2023 GRESB Assessment, EHF ranked first out of 7 participants within the Europe, Hotel, Core, Tenant Controlled group, with an overall score of 91. In 2023, the Fund achieved five out of five Green Stars for the third year in a row.

Sustainability Certifications

The EHF consistently monitors and evaluates the current and potential sustainability certifications and/or rating eligibilities of each property throughout the portfolio. Sustainability certifications and ratings help act as a guideline for property teams to better manage and thus deliver more sustainable, high performing properties.

Minimum Greenhouse Gas Emissions

Keeping Greenhouse Gas (GHG) emissions to a minimum is another vital component to Invesco's ESG+R strategy. To achieve this, Invesco calculates its greenhouse gas emissions through the energy consumption data that is collected across its properties. Invesco calculates carbon emissions using a location-based approach. In March 2021, Invesco became a signatory to the Net Zero Asset Managers Initiative (NZAMI).

Reduce Water Consumption

- Invesco keep track of and identifying opportunities to reduce water and waste consumption across their properties:
- They require their property teams to track landlord-paid water usage, as well as tenant usage where available.
- They regularly monitoring waste and recycling, as well as acquiring data on the weights from haulers where available

The Fund is committed to the long-term responsible investment of retirement savings on behalf of Fund members. Our RI practices support the delivery of the sustainable returns we need to pay pensions when they fall due, 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. Our approach to RI is set out in the Fund's Investment Strategy Statement (ISS) which can be accessed by clicking [here](#). The policy comprehensively sets out the Fund's values, beliefs, approach, and priorities and is a companion document to the Investment Strategy Statement. The Funds RI policy can be accessed by clicking [here](#).

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. Throughout 2024/25, the Committee undertook a review of the fund's RI policy as part of the three-year review cycle. The fund's governance is now more clearly articulated, including the Board's oversight role and in providing member perspectives. The updated policy includes reference to health and safety, local investment and acknowledged that affordable housing has risen up the agenda. The fund's intention to capture economic opportunities within the growing green economy when aligned with the Fund's objectives where also highlighted.

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. 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.

LPPI provides the Committee with quarterly RI reporting covering the scope of stewardship and engagement activities underway, which enables it to monitor ongoing stewardship and active ownership practices. LPPI's quarterly reporting incorporates metrics on a range of RI matters including shareholder voting and engagement. The carbon footprint of the LPPI Global Equity Fund (LPPI GEF), Fixed Income Fund, Credit Fund, Infrastructure Fund, and Real Estate Fund are measured annually and disclosed through LPPI's TCFD reports, alongside net zero targets which have been set for each of these funds.

Applying High Standards

LPPI use two main external benchmarks to ensure that they are applying best practice standards on the Fund's behalf – the UK Stewardship Code and Principles for Responsible Investment. The UK Stewardship Code sets clear standards for effective stewardship by asset owners. LPPI has continued to meet the higher standard for stewardship disclosure in accordance with the 2020 code and have retained signatory status for 2023-24. Their Responsible Investment and Stewardship Report 2023-24, 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. In late 2022 the PRI began work on a new organisational strategy supportive of the PRI's future role and delivery model. This kicked off with a strategic review and a global signatory consultation titled 'PRI in a Changing World' which sought comments and feedback from signatories.

In light of the results of consultation and the future change, PRI paused mandatory annual reporting for pre-existing signatories for the 2023/24 reporting period and has introduced a slimmed down version for 2024/25.

LPPI's Responsible Investment and Stewardship Report 2023-24 therefore provides the latest information on policy development, resourcing and engagement activity and their website shares various examples of stewardship activities, including the latest quarterly voting record.

Responsible Investment Priorities for the Reporting Year

The Fund's RI Policy outlines our priorities as a responsible asset owner across environment, social and governance themes from the reporting period (noting these have been updated for future reporting):

Environment:

1. Climate Change– the Fund recognises 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:

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

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 the Fund. 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 behalf of the Fund, the underlying 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.

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

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

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

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 the Fund 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 published targets for listed equities (our largest asset class), corporate fixed income assets within the Fixed Income Fund and Credit fund, alongside the Infrastructure and Real Estate portfolios. They will bring further asset classes progressively into scope over time. You can read more about LPPI's emissions, targets and assessment of climate risks for a number of funds on their website [here](#).

Engagement, voting and collaboration

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



External Audit Opinion

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

Opinion

We have examined the pension fund financial statements of Lancashire Pension Fund (the 'pension fund') for the year ended 31 March 2025 included within the pension fund annual report, which comprise the Fund Account, the Net Assets Statement, and the notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the pension fund financial statements included within the pension fund annual report are consistent, in all material respects, with the audited pension fund financial statements of Lancashire County Council for the year ended 31 March 2025 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We have not considered the effects of any events between the date we signed our report on the audited financial statements of Lancashire County Council and the date of this statement, as they are the same date.

Respective responsibilities of the Section 151 Officer and the auditor

As explained more fully in the Statement of Responsibilities, the Section 151 Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

Our responsibility is to state to the members of Lancashire County Council our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the financial statements of Lancashire County Council.

We also read the other information contained in the pension fund annual report and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information comprises the information included in the pension fund annual report, other than the pension fund financial statements and our auditor's statement thereon.

We conducted our work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the financial statements of Lancashire County Council describes the basis of our opinion on those financial statements.

Use of this auditor's statement

This statement is made solely to the members of Lancashire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of Lancashire County Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Lancashire County Council and the members of Lancashire County Council, as a body, for our work, for this statement, or for the opinions we have formed.

Georgia Jones

Georgia Jones,

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

Liverpool

6 March 2026



Fund Accounts, Net Asset Statements and Notes

Lancashire County Pension Fund

Fund account for year ended 31 March 2025

2023/24 £m	Dealing with members, employers and others directly involved in the Fund	Note	2024/25 £m
412.0	Contributions	6	248.2
25.4	Transfers in from other pension funds	7	27.3
437.4	Additions from dealings with members		275.5
(361.3)	Benefits	8	(411.4)
(22.3)	Payments to and on account of leavers	9	(28.1)
(383.6)	Withdrawals from dealing with members		(439.5)
53.8	Net contributions (withdrawals) from dealings with members		(164.0)
(117.9)	Management expenses	10	(98.3)
(64.1)	Net withdrawals including fund management expenses		(262.3)
	Returns on investments		
193.1	Investment income	11	234.8
770.5	Profit and losses on disposal of investments and changes in the value of investments	13	255.0
963.6	Net return on investments		489.8
899.5	Net increase in the net assets available for benefits during the year		227.5
10,847.2	Opening net assets of the scheme		11,746.7
11,746.7	Closing net assets of the scheme		11,974.2

Net assets statement as at 31 March 2024

31 March 2024 £m		Note	31 March 2025 £m
11,659.1	Investment assets	13	11,694.2
70.3	Cash deposits & Cash Equivalents	13	261.5
11,729.4	Total net investments		11,955.7
23.0	Current assets	19	26.9
(5.7)	Current liabilities	20	(8.4)
11,746.7	Net assets of the fund available to fund benefits at the end of the reporting period		11,974.2

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 their certificate and opinion. It presents fairly the position of the Lancashire County Pension Fund as at 31 March 2025 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 2024/25 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) Regulations.

General

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

the Local Government Pension Scheme Regulations 2013 as amended

the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)

the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

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

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

The Pension Fund Committee comprises twelve County Councillors and seven voting co-optees representing the further and higher education sectors, the Lancashire borough, district and city councils, Blackburn with Darwen Borough Council, Blackpool Council and trade unions.

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

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

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

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

The Lancashire Local Pension Board 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 Board comprises an independent chair together with representatives acting on behalf of employers and members. All members of the Board must be able to demonstrate the knowledge and skills set out in the terms of reference of the Board which are available to view on the Fund website at lancashirecountypensionfund.org.uk.

Membership

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

Organisations participating in the Lancashire County Pension Fund include:

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

Membership of the Fund, as at 31 March 2025 is detailed in the following table:

31 March 2024	Lancashire County Pension Fund	31 March 2025
336	Number of employers with active members ¹	370
173	Number of ceased employers (no active members but some outstanding liabilities)	191
	Number of active scheme members²	
29,405	County Council	29,939
34,729	Other employers	34,291
64,134	Total Number of pensioners	64,230
29,182	County Council	30,437
29,745	Other employers	31,130
58,927	Total Number of deferred pensioners²	61,567
36,159	County Council	37,893
38,222	Other employers	41,526
74,381	Total	79,419
197,442	Total membership	205,216

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

² March 2024 membership numbers have been adjusted to transfer 3,440 pending leavers as at that date from active membership category to deferred membership category. An adjustment of 3,262 pending leavers has been made at 31 March 2025.

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 2025. Employer contributions are set based on triennial actuarial funding valuations. The contributions in 2024/25 are based on the valuation at 31 March 2022. The latest valuation was at 31 March 2022 for the three years commencing 1 April 2023.

Employer contribution rates for 2024/25 range from 0.0% to 28.0% of pensionable pay, with a primary rate of 19.2%, 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 2025. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2024/25 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 2024/25, 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 2025 but not yet adopted by the Code. There are no such accounting changes to be disclosed for 2024/25.

Events after the reporting period and Contingent Liabilities

Non adjusting events after the reporting period

Fund Investments

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 to 31 December 2025 to £12.65bn. (Note: the December 2025 value has not been audited) Further information on the investment strategy can be found on the Fund's website at <https://lancashirecountypensionfund.org.uk/>

Virgin Media Limited v NTL Pension Trustees II Limited (and others)

In June 2023, the High Court issued a judgment in the case of Virgin Media Limited v NTL Pension Trustees II Limited (and others) concerning the validity of historic pension scheme amendments made without the actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. In July 2024, the Court of Appeal dismissed Virgin Media's appeal, upholding the High Court's conclusions. The case has potential implications for other UK defined benefit (DB) pension schemes, particularly those that were contracted out of the additional state pension between 6 April 1997 and 5 April 2016, including the Local Government Pension Scheme (LGPS).

As the LGPS actuary, the Government Actuary's Department (GAD) is undertaking a review to determine whether Section 37 certificates exist for all relevant amendments. While some certificates have been confirmed, the review remains incomplete at the date of these financial statements. HM Treasury has indicated that it does not believe the judgment applies directly to public service pension schemes, where benefit changes are typically made through legislation. However, until GAD's review is finalised or HM Treasury's position is formally confirmed, the Fund cannot determine whether there is any impact on the actuarial present value of promised retirement benefits under IAS 26, or whether such an impact can be reliably estimated.

On 5 June 2025, the Government acknowledged the uncertainty arising from the Court of Appeal's decision and confirmed its intention to legislate to allow affected pension schemes to retrospectively obtain the required actuarial confirmation for historic amendments. The Government stated that this legislation would ensure

that scheme obligations remain unaffected. Based on this announcement, it is anticipated that there will be no impact on the LGPS or the Fund as a result of the Court of Appeal's ruling. However, further details are awaited at the date of authorising these accounts for issue.

Accordingly, Lancashire County Pension Fund does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements or in Note 24 - the disclosure of the actuarial present value of promised retirement benefits in its financial statements.

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 the subsequent reinvestments are recorded as a 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:

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

Administrative expenses

Administrative expenses consist of the following:

Expenses related to LGPS members and pensioners. These include all activities the Fund must perform to administer entitlements and provide members with scheme and benefit entitlement information. Examples of this include pension allocations, benefit estimates, payment of benefits, processing of the transfer of assets, commutation, communications with members and pensioners, and annual benefit statements;

Expenses related to interaction with scheme employers e.g. data collection and verification, contributions collection and reconciliation, the employer's help desk or other employer support, and communications with employers; and

Associated project expenses.

All administrative expenses are accounted for on an accruals basis.

Oversight and governance costs

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

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

Investment management expenses

Investment management expenses are defined as any expenses incurred in relation to the management of pension fund assets and financial instruments entered into in relation to the management of fund assets. This includes expenses directly invoiced by investment managers, custody fees and any fees payable to fund managers which are deducted from fund assets together with a recharge of costs incurred by 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 2024/25, £39.2m of fees is based on such estimates (2023/24: £23.6m).

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 2025 by independent property valuers Savills (UK) Limited in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2025 together, where applicable, within the UK National Supplement effective 1 May 2024, together the "Red Book".

Foreign currency transactions

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

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 deposits and cash equivalents

Cash deposits comprise of 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. A variety of cash equivalents are used as part of the cash management policy to mitigate the risk of capital loss and to ensure prudent diversification.

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 2025. 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. The judgment relates to the application of the Fund's accounting policy on financial assets as prescribed in Note 3, the effect can be seen in Note 16 – Financial Instruments - Fair Value Hierarchy.

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 2025 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 £2,378.6m (2023/24: £2,606.7m). Note 16 and 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 £2,022.6m (2023/24: £1,826.4m excluding investment in loans secured on real assets). Note 16 and 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 £852.2m (2023/24: £880.5m). Note 16 and 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 property 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 Limited) 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 court of appeal ruling on the Sergeant and McCloud cases, the Virgin Media court case and recent market volatility and tariffs. 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 £307m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £111m and a 1-year increase in assumed life expectancy would increase the liabilities by approximately £166m. 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 court of appeal ruling on the Sergeant and McCloud cases, the Virgin Media court case and recent market volatility and tariffs. Further information can be found in note 24 to these accounts.

Note 6 - Contributions receivable

2023/24 £m	By category	2024/25 £m
78.9	Members	83.5
	Employers:	
329.6	Normal contributions ¹	154.0
1.6	Deficit recovery contributions ¹	6.1
1.9	Augmentation contributions ²	4.6
333.1	Total employers' contributions	164.7
412.0	Total contributions receivable	248.2
	By type of employer	
209.5	County Council ¹	73.9
178.9	Scheduled bodies ¹	147.6
23.6	Admitted bodies	26.7
412.0		248.2

¹ Following the actuarial valuation in 2022, 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 contributions for the year ended 31 March 2024 includes £122.5m which relates to 2024/25 & 2025/26.

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

2023/24 £m		2024/25 £m
25.4	Individual transfers in from other schemes	27.3
25.4		27.3

Note 8 - Benefits payable

2023/24 £m	By category	2024/25 £m
297.1	Pensions	326.7
56.1	Commutation and lump sum retirement benefits	76.4
8.1	Lump sum death benefits	8.3
361.3	Total benefits payable	411.4
	By type of employer	
150.2	County Council	169.5
182.1	Scheduled bodies	208.7
29.0	Admitted bodies	33.2
361.3		411.4

Note 9 - Payments to and on account of leavers

2023/24 £m		2024/25 £m
0.7	Refunds to members leaving service	1.0
21.6	Individual transfers	25.3
-	Bulk transfers	1.8
22.3		28.1

Note 10 - Management expenses

2023/24 £m		2024/25 £m
4.5	Fund administrative costs	6.0
111.3	Investment management expenses	90.3
2.1	Oversight and governance costs ¹	2.0
117.9		98.3

¹ Oversight and governance costs above include external audit fees which amounted to £117,422 (2023/24: £113,251). Additional fees of £2,200 were paid to the external auditor for IAS19 assurance work on behalf of Fund employers within the PSAA regime.

Investment management expenses

31st March 2025

	Total £m	Management Fees ² £m	Performance Related fees £m	Transaction Costs ¹ £m
Pooled Investments	77.7	63.9	9.9	3.9
Pooled property investments	12.3	11.4	(0.6)	1.5
Property	0.1	0.1	-	-
Cash Deposits & Cash Equivalents	0.1	0.1		
	90.2	75.5	9.3	5.4
Custody Fees	0.1			
	90.3			

31st March 2024

	Total	Management Fees ²	Performance Related fees	Transaction Costs ¹
	£m	£m	£m	£m
Pooled Investments	100.2	86.3	9.9	4.0
Pooled property investments	10.7	8.7	1.1	0.9
Property	0.2	0.2	-	
Cash Deposits	0.1	0.1		
	111.2	95.3	11.0	4.9
Custody Fees	0.1			
	111.3			

Note 11 - Investment income

2023/24		2024/25
£m		£m
1.2	Fixed interest securities	0.5
141.3	Pooled investment vehicles	188.5
38.9	Pooled property investments	29.9
7.7	Net rents from properties	8.8
4.0	Interest on cash deposits	7.1
193.1	Total investment income	234.8

Note 12 - Property income

2023/24		2024/25
£m		£m
11.8	Rental income	12.7
(4.1)	Direct operating expenses	(3.9)
7.7	Net income	8.8

¹Transaction 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.

²Fund value based management fees include costs invoiced directly to the Fund by investment managers and fees accounted for by investment managers within net asset value and recognised in the fund account in accordance with CIPFA guidance. Fees are charged as a percentage of the value of assets held by each manager. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

Note 13 - Reconciliation of movements in investments

	Market value as at 1 April 2024	Purchases at cost	Sales proceeds	Change in market value	Market value as at 31 March 2025
	£m	£m	£m	£m	£m
Fixed interest securities	9.1	-	-	0.0	9.1
Pooled investment vehicles	10,558.6	486.9	(641.0)	257.7	10,662.2
Pooled property investments	880.5	-	(12.3)	(16.0)	852.2
Private equity	12.5	-	-	-	12.5
Direct property	145.4	0.9	(9.0)	13.3	150.6
	11,606.1	487.8	(662.3)	255.0	11,686.6
Cash deposits & Cash Equivalents	70.3				261.5
Loan investments	45.0				-
Investment accruals	8.0				7.6
Net investment assets	11,729.4				11,955.7

	Market value as at 1 April 2023	Purchases at cost	Sales proceeds	Change in market value	Market value as at 31 March 2024
	£m	£m	£m	£m	£m
Fixed interest securities	22.2	382.4	(395.7)	0.3	9.1
Pooled investment vehicles	9,668.3	664.1	(613.8)	840.1	10,558.7
Pooled property investments	910.8	45.0	(9.9)	(65.4)	880.5
Private equity	12.5	-	-	-	12.5
Direct property	152.8	7.4	(10.5)	(4.4)	145.4
	10,766.6	1,098.8	(1,029.8)	770.5	11,606.1
Cash deposits	45.9				70.3
Loan Investments	20.0				45.0
Investment accruals	0.3				8.0
Net investment assets	10,832.8				11,729.4

Investments analysed by fund manager

31 March 2024		31 March 2025	
£m	% of net investment assets	£m	% of net investment assets
Private equity investments			
873.8	7.4%	692.9	5.8%
Private equity investments managed outside of LPPI Private Equity Fund			
12.5	0.1%	12.5	0.1%
7.6	0.1%	7.6	0.1%
893.9	7.6%	713.0	6.0%
Long term credit investments			
1,802.6	15.4%	2,007.3	16.8%
Credit investments managed outside of LPPI Credit Investments Fund			
15.5	0.1%	10.1	0.1%
2.6	-	2.9	-
2.4	-	2.3	-
0.0	-	0.0	-
3.2	0.1%	-	-
1,826.4	15.6%	2,022.6	16.9%
Fixed income investments			
465.3	4.0%	741.7	6.2%
Liquid credit investments managed outside of LPPI Fixed Income Fund			
132.4	1.1%	278.1	2.3%
597.7	5.1%	1,019.8	8.5%
Global equity investments			
5,645.9	48.1%	5,519.3	46.2%
5,645.9	48.1%	5,519.3	46.2%

¹ Bridgepoint Credit formerly EQT Credit

31 March 2024		31 March 2025	
£m	% of net investment assets	£m	% of net investment assets
Infrastructure investments			
1,647.5	14.0%	1,626.4	13.6%
Infrastructure investments managed outside of LPPI Global Infrastructure Fund			
25.0	0.2%	25.9	0.2%
44.0	0.4%	18.3	0.2%
4.7	0.1%	4.8	-
2.2	-	2.1	-
1.8	-	0.6	-
1,725.2	14.7%	1,678.1	14.0%
Diversifying strategy investments			
14.5	0.1%	-	-
-	-	0.2	-
14.5	0.1%	0.2	-
Property investments			
Directly held properties			
145.4	1.2%	150.6	1.3%
Pooled property funds			
Core property			
880.5	7.5%	852.2	7.1%
1,025.9	8.7%	1,002.7	8.4%
11,729.5	100.0%	11,955.7	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.

Fixed interest securities

31 March 2024		31 March 2025
£m		£m
-	UK corporate bonds quoted	-
9.1	Overseas corporate bonds/supernational bonds quoted	9.1
9.1		9.1

Pooled investment vehicles

31 March 2024		31 March 2025
£m	UK funds:	£m
465.3	Fixed income funds	741.7
197.9	Private equity	159.2
1,647.5	Infrastructure	1,626.4
1,802.7	Long term credit investments	2,007.3
880.5	Property funds	852.2
14.5	Diversifying strategies	-
	Overseas funds:	
683.6	Private equity	541.4
77.7	Infrastructure	51.6
23.7	Long term credit investments	15.3
5,645.9	Equity funds ¹	5,519.3
11,439.3		11,514.4

¹The LPPI Global Equities Fund includes UK equities.

Direct property investments

31 March 2024		31 March 2025
£m		£m
115.8	UK – freehold	136.3
29.6	UK – long leasehold	14.3
145.4		150.6

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 2024		31 March 2025
£m		£m
152.8	Opening balance	145.4
	Additions:	
7.3	• Purchases	-
0.1	• Subsequent expenditure	0.9
	Deductions:	
(10.5)	• Disposals	(9.0)
(4.4)	Net increase/decrease in market value	13.3
145.4	Closing balance	150.6

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 2025, the Fund has the following future minimum lease payments due from tenants.

2023/24		2024/25
£m		£m
0.5	Leases expiring within one year	1.7
5.1	Leases expiring between one and five years	7.6
87.7	Leases expiring later than five years	74.5
93.3	Total future minimum lease payments receivable under existing non-cancellable leases	83.8

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 (2023/24: 5.0% & 6.3% respectively) 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 & Cash Equivalents

31 March 2024		31 March 2025
£m		£m
57.5	Sterling	216.6
12.8	Foreign currency	44.9
70.3		261.5

Note 14 - Financial instruments classification

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

	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	9.1	-	-
Cash Equivalents	-	90.0	-
Pooled investment vehicles	10,662.2	-	-
Pooled property investments	852.2	-	-
Directly held private equity	12.5	-	-
Cash deposits	-	171.5	-
Investment accruals	7.5	-	-
Debtors	-	26.9	-
Total financial assets	11,543.5	288.4	-
Financial liabilities			
Creditors	-	-	(8.3)
Total financial liabilities	-	-	(8.3)

31 March 2024

	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	9.1	-	-
Loan Investments	-	45.0	-
Pooled investment vehicles	10,558.7	-	-
Pooled property investments	880.5	-	-
Directly held private equity	12.5	-	-
Cash deposits	-	70.3	-
Investment accruals	8.0	-	-
Debtors	-	23.0	-
Total financial assets	11,468.7	138.3	-
Financial liabilities			
Creditors	-	-	(5.7)
Total financial liabilities	-	-	(5.7)

Note 15 - Net gains and losses on financial instruments

The net gain on financial assets at fair value through profit and loss was £241.6m (2023/24: £774.9m gain). Note 13 outlines the change in Market Value of Fund Asset's, of which, £35.4m relates to unrealised losses and £277.0m 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. The 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 2025

	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	5,535.7	741.7	5,266.1	11,543.5
Financial Assets at Amortised Cost ¹	190.1	90.0		280.1
Non-financial assets at fair value through profit and loss (property holdings) ¹			150.6	150.6
Net investment assets	5,725.8	831.7	5,416.7	11,974.2

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

31 March 2024

	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	5,662.9	465.3	5,340.6	11,468.8
Financial Assets at Amortised Cost ¹	87.5	45.0	-	132.5
Non-financial assets at fair value through profit and loss (property holdings) ¹	-	-	145.4	145.4
Net investment assets	5,750.4	510.3	5,486.0	11,746.7

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

Basis of valuation

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Pooled global equities	Level 1	Unadjusted quoted 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 Savills UK 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 2024.

Description of asset	Assessed valuation range ¹	Value at 31 March 2025	Value on increase	Value on decrease
	(+/-)	£m	£m	£m
Private equity funds	11.1	713.0	792.5	633.5
Infrastructure funds	4.0	1,678.1	1,744.8	1,611.4
Long term credit	4.0	2,022.6	2,103.0	1,942.2
Diversifying strategies	4.0	0.2	0.2	0.2
Property/Property Funds	6.1	1,002.8	1,064.4	941.2
Level 3 investments	5.3	5,416.7	5,702.5	5,130.9

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

	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
Market value 31 March 2024	894.0	1,725.3	1,826.3	1,026.0	14.4	5,486.0
Purchases during the year and derivative payments	88.3	103.4	60.0	0.9	-	252.6
Sales during the year and derivative receipts	(247.8)	(138.1)	(37.4)	(21.3)	(13.6)	(458.2)
Unrealised gains / (losses)	(167.1)	(24.3)	170.9	(2.8)	(3.3)	(26.6)
Realised gains	145.6	11.8	2.8	-	2.7	162.9
Market value 31 March 2025	713.0	1,678.1	2,022.6	1,002.8	0.2	5,416.7

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 2023/24 reporting period.

Asset type	Potential market movements (+/-)
Total bonds (including index linked)	5.6%
Total equities	11.1%
Alternatives	4.0%
Total property	6.1%

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

Asset type	31 March 2025	Potential market movements (+/-) ¹	Potential value on increase	Potential value on decrease
	£m	£m	£m	£m
Investment portfolio assets:				
Total equities	6,232	11.1	6,925	5,539
Alternatives	4,443	4.0	4,619	4,267
Total property	1,003	6.1	1,064	942
Total bonds (including index linked)	9	5.6	9	9
Total assets available to pay benefits²	11,687	5.3	12,304	11,070

Asset type	31 March 2023	Potential market movements (+/-) ¹	Potential value on increase	Potential value on decrease
	£m	£m	£m	£m
Investment portfolio assets:				
Total equities	6,540	11.3	7,277	5,803
Alternatives	4,031	5.9	4,268	3,795
Total property	1,026	7.4	1,102	950
Total bonds (including index linked)	9	4.2	9	9
Total assets available to pay benefits²	11,606	5.7	12,264	10,948

¹The 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.

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

Direct Property – Price Risk

The fund invests in and holds a direct property portfolio to obtain a return on investment via rental income. The properties are valued in accordance with Royal Institute of Chartered Surveyor's (RICS) Valuation – Global Standards (incorporating the IVSC International Valuation Standards) effective from 31 January 2025 together, where applicable, within the UK National Supplement effective 1 May 2024, together the "Red Book". The valuer considers the net initial yield, which represents the return a property will produce, to value the properties.

The below tables show the market value of the portfolio at different net initial yield's being obtained by the properties.

County Portfolio

Asset type	6.00%	6.25%	Asset value as at 31 March 2025 (NIY 6.44%)	6.75%	7.00%
	£m	£m	£m	£m	£m
Direct Property	126.2	120.9	117.2	111.5	107.3

National Portfolio

Asset type	3.75%	4.00%	Asset value as at 31 March 2025 (NIY 4.37%)	4.75%	5.00%
	£m	£m	£m	£m	£m
Direct Property	40.0	37.2	33.4	30.7	29.0

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 2024 and 31 March 2025 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

31 March 2024	Currency exposure – asset type	31 March 2025
£m		£m
70.3	Cash deposits and cash equivalents	261.5
70.3	Total	261.5

Interest rate risk - sensitivity analysis

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

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

Asset type	31 March 2025	Impact of	
		1% increase	1% decrease
	£m	£m	£m
Cash deposits and cash equivalents	261.5	2.6	(2.6)
Total change in assets available		2.6	(2.6)

Asset type	31 March 2024	Impact of	
		1% increase	1% decrease
	£m	£m	£m
Cash deposits	70.3	0.7	(0.7)
Total change in assets available		0.7	(0.7)

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 2024 and as at the previous year end.

31 March 2024	Currency exposure – asset type	31 March 2025
£m		£m
6,329.5	Overseas equities	6,060.7
102.1	Overseas alternatives	67.1
9.1	Overseas bonds (including index linked)	9.0
6,440.7	Total overseas assets	6,136.8

Currency risk - sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 6.1%. A 6.1% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes

that all other variables, in particular interest rates, remain constant (2023/24: 6.2%).

A 6.1% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value at 31 March 2025	Potential market movement +/- 6.1%	Value on increase	Value on decrease
	£m	£m	£m	£m
Overseas equities	6,060.7	371.3	6,432.0	5,689.4
Overseas alternatives	67.1	4.1	71.2	63.0
Overseas bonds (including index linked)	9.0	0.6	9.6	8.4
Total assets available to pay benefits	6,136.8	375.9	6,512.7	5,760.9

Currency exposure - asset type	Asset value at 31 March 2024 £m	Potential market movement +/- 6.5% £m	Value on increase £m	Value on decrease £m
Overseas equities	6,329.5	391.3	6,720.8	5,938.2
Overseas alternatives	102.1	6.3	108.4	95.8
Overseas bonds (including index linked)	9.1	0.6	9.7	8.5
Total assets available to pay benefits	6,440.7	398.2	6,838.9	6,042.5

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

Currency	Asset value at 31 March 2025 £m	Potential market movement (+/-) ¹ %	Value on increase £m	Value on decrease £m
Canadian Dollar	15.3	5.0	16.1	14.5
Euro	159.4	4.2	166.2	152.6
Singapore Dollar	9.0	4.5	9.4	8.6
Swedish Krona	1.1	7.3	1.2	1.0
US Dollar	432.7	8.3	468.9	396.5
Global Basket	5,519.3	6.1	5,855.7	5,182.9
Total Holdings in Foreign Currencies	6,136.8	6.1	6,512.7	5,760.9

¹The 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 2024 £m	Potential market movement (+/-) ¹ %	Value on increase £m	Value on decrease £m
Canadian Dollar	30.6	5.2	32.2	29.0
Euro	208.4	4.3	217.4	199.4
Singapore Dollar	9.1	4.9	9.5	8.6
Swedish Krona	1.2	7.0	1.2	1.1
US Dollar	545.5	8.2	590.4	500.6
Global Basket	5,645.9	6.1	5,992.7	4,299.2
Total Holdings in Foreign Currencies	6,440.7	6.2	6,838.9	6,042.5

¹The 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 deposits and cash equivalents holding under its treasury management arrangements at 31 March 2025 was £261.5m (31 March 2024: £70.3m) and was held with the following institutions:

31 March 2024 £m	Summary	Rating	31 March 2025 £m
	Bank deposit accounts		
49.8	Northern Trust	A+	90.1
8.9	Svenska Handelsbanken	AA2	40.0
0.1	National Westminster Bank	A1	40.0
2.0	Santander	A1	2.0
	Cash equivalents		
10.0	Aberdeen Lux Sterling Liquidity Fund	Aaa-mf	10.0
-	REPO	-	30.0
-	Loan Investments	-	50.0
	Cash float with property manager		
(0.5)	Barclays Bank Plc	A1	(0.6)
70.3	Total		261.5

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 £8.3m at 31 March 2025, 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 2024 to 31 March 2025 for Prudential and 1 September 2023 to 31 August 2024 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.

31 March 2025

	Utmost Life and Pensions £m	Prudential £m	Total £m
Value at start of the year	0.6	39.9	40.5
Income (incl. contributions, bonuses, interest and transfers in)	0.0	16.4	16.4
Expenditure (incl. benefits, transfers out and change in market value)	(0.3)	(11.4)	(11.7)
Value at the end of the year	0.3	44.9	45.2

Note 19 - Current assets

31 March 2024 £m		31 March 2025 £m
15.5	Contributions due – employers	17.4
6.7	Contributions due – members	7.1
0.8	Sundry debtors	2.4
23.0		26.9

Note 20 - Current liabilities

31 March 2024 £m		31 March 2025 £m
5.7	Accrued expenses	8.4
5.7		8.4

Note 21 - Contractual commitments

As at 31 March 2025 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 £490.8m (2024: £369.7m). 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 £8.4m (2024: £8.6m). 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 (2024: £0m).

There are no outstanding commitments in relation to the pooled real estate fund (2024: £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 £1.3m (2023/24: £1.1m) 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 £73.9m to the Fund in 2024/25. The council made an upfront payment of contributions for the 3-year period starting 1st April 2023 totalling £140.7m, of which, £46.9m relates to 2024/25. Total employer contributions from the Council in 2024/25 amounted to £40.3m. 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 2025 amount to £6.4m (2023/24: £4.9m).

The Fund has a private equity investment of £12.5m in the Local Pensions Partnership as at 31 March 2025.

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 2025 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 2024/25 regarding membership of, and transactions with such persons or their related parties. No related party transactions were identified during the year to 31 March 2025.

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

2024/25

	Employment period	Salary ¹ £	Employer Pension contributions ¹ £	Total including pension contributions ¹ £
Head of Fund	01/04/24 – 31/03/25	77,278	13,444	90,722
Director of Finance & Commerce ²	01/04/24 – 30/06/24 & 05/06/24 – 31/03/25	2,424	45	2,469
Chief Executive ³	01/04/24 – 25/09/24 & 01/08/24 – 31/03/25	5,620	519	6,139
Executive Director of Resources ⁴	01/04/24 – 31/07/24	1,116	177	1,293

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

² The initial postholder ceased to be Director of Finance & Commerce from 30 June 2024, the subsequent postholder was Interim Director of Finance and Commerce from 5 June 2024.

³ The initial postholder ceased to be Chief Executive from 25 September 2024, the subsequent postholder was Interim Chief Executive between 1 August 2024 and 17 October 2024, Acting Chief Executive from 18 October 2024 until 25 February 2025 and appointed to Chief Executive effective from 26 February 2025.

⁴ The postholder ceased to be Executive Director of Resources on 31 July 2024. The role is currently vacant.

Note 23 - Key management personnel

The key management personnel of the Fund are the Lancashire County Council Chief Executive, 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:

2023/24

	Employment period	Salary ¹ £	Employer Pension contributions ¹ £	Total including pension contributions ¹ £
Head of Fund	01/04/23 – 31/03/24	81,233	13,116	94,349
Director of Finance	01/04/23 – 31/03/24	1,127	182	1,309
Chief Executive	01/04/23 – 31/03/24	4,451	-	4,730
Director of Resources	01/04/23 – 31/03/24	3,369	511	3,880

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

²The Chief Executive and Director of Resources posts were split on the 1st April 2023.

Note 24 - Funding arrangements

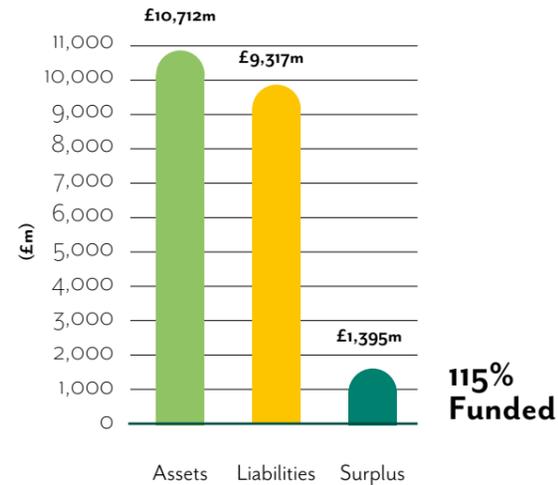
Lancashire County Pension Fund

Accounts for the year ended 31 March 2025 – 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)		
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. The assumptions adopted are shown in Appendix B.

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

Start of period liabilities	£9,227m
Interest on liabilities	£444m
Net benefits accrued/paid over the period*	(£111m)
Actuarial (gains)/losses (see below)	(£1,380m)
End of period liabilities	£8,180m

*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 over the year, with a corresponding increase in discount rate from 4.9% p.a. to 5.9% p.a. The long-term assumed CPI is the same at the end of year as it was at the start of year. In combination, these factors lead to a significant reduction in liabilities.
- **Change in demographic assumptions:** As noted in appendix B, the mortality assumptions have been updated to reflect the latest mortality tables and future life expectancy improvement model. This acts to slightly reduce the liabilities.
- **Pension increases / high short-term inflation:** The figures allow for the impact of actual CPI experienced over the year compared to the start of period assumption (experience to September 2024 fed into the April 2025 pension increase of 1.7%, and actual inflation from that point will feed into the 2026 increase). As inflation over the year was a little lower than the long-term assumption, this slightly decreases the liabilities.

Mark Wilson

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

May 2025

Clive Lewis

Fellow of the Institute and Faculty of Actuaries

Appendix A - 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.

Market volatility and tariffs: There was significant volatility in markets shortly after the accounting date, in part due to the announcements on tariffs coming from the USA. The period-end figures reflect market conditions as at the accounting date, but do not allow for any subsequent experience.

Virgin Media Court Case: Our current understanding is that, while HM Treasury are still assessing the implications, they do not believe the case is relevant to public service pension schemes. Given this, and the unknown impact on benefits even if it were to be required, we have not made any allowance for the Virgin Media judgment.

Appendix B - Financial and demographic assumptions

To assess the liability value of the benefits, we have used the following assumptions as at 31 March 2025 (the 31 March 2024 assumptions are included for comparison):

Financial assumptions

	31 March 2024	31 March 2025
Rate of return on investments (discount rate)	4.90% per annum	5.90% per annum
Rate of CPI Inflation / CARE benefit revaluation	2.60% per annum	2.60% per annum
Rate of pay increases	4.10% per annum	4.10% per annum
Increases on pensions (in excess of GMP / Deferred revaluation)	2.70% per annum	2.70% per annum

Post retirement mortality (normal health)

	31 March 2024 (M/F)	31 March 2025 (M/F)
Base mortality table	SAPS 3 / SAPS 3 middle	SAPS 4 / SAPS 4 middle
Future improvements	CMI 22 1.5%	CMI 23 1.5%

	31 March 2024 (M/F)	31 March 2025 (M/F)
Additional parameters	S=7, A=0 W20=W21=0%, W22=25%	S=7, A=0 W20=W21=0%, W22=W23=15%
Non-retired members (current age 45):		
Weightings	113% / 101%	112% / 101%
Life expectancies at age 65	22.4 / 25.3	22.3 / 25.4
Retired members (current age 65):		
Weightings	108% / 101%	106% / 101%
Life expectancies at age 65	21.1 / 23.5	21.1 / 23.6

The base tables are set based on the most recent mortality analysis for the Fund (undertaken as part of the 2022 actuarial valuation). The future improvements allow for a best estimate long-term improvement rate of 1.5%, and have been updated to allow for the latest base tables available (the "S4" series of tables and CMI 2023 at the end of period), with a reweighting to maintain consistency with the underlying mortality analysis.

Other demographic assumptions

The other demographic assumptions are the same as those used for 2022 actuarial funding valuation – full details are set out in the formal report on the actuarial valuation dated March 2023.

Actuarial Report on Funds

An actuarial valuation of the Fund is carried out every three years by the Fund's actuary Mercer. Further information on this is provided under note 24 within section 8 (Fund Accounts, Net Asset Statement and Notes) above and within the Actuarial Valuation Report – available to view by clicking [here](#).



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 Benchmark

This is the return the Fund is estimated to need to achieve to ensure that the Fund is in a positive funding position.

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 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.

B

Benchmark

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

Bid-Offer Spread

A two-way price quotation that indicates the best price at which a security can be sold and bought at a given point in time. The bid price represents the maximum price that a buyer or buyers are willing to pay. The offer price represents the minimum price that a seller or sellers are willing to receive for the security. The difference between the two is the bid/offer spread. A trade or transaction occurs when the buyer and seller agree on a price for the security.

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.

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.

Glossary

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.

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. Investment returns within these markets tend to be more volatile than those in more established markets.

Equities

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

ESG (environmental, social and corporate governance)

Responsible Investors understand that ESG characteristics are financially material to investment decision-making if they are likely to have an impact on a company and its performance within the period of their ownership. Long term investors such as pension funds which aim to hold assets for an extended period 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.

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

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

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.

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.
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.

Glossary

M

Market value

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

Multi Asset

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

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.

Pension strain

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

Policy Portfolio Benchmark

This is a benchmark that is used to measure the expected change in the Fund's asset value over a period of time based on the Fund's Strategic Asset Allocation

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.

R

Related party

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

Responsible Investment

An approach to investment which recognises that the consideration of 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.

V

Venture capital

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

Appendix 1 - Scheme Employers

This table summarises contributions received by the Fund from employers that participate in the Fund. It is split into different categories of employer.

- Scheduled bodies are local authorities and similar bodies whose staff are automatically entitled to be members of the Fund.
- Admitted Bodies are other organisations that participate in the Fund under an admission agreement between

the Fund and relevant organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following services being outsourced to the private sector.

- Terminated employers are those employers who no longer have active members in the scheme but have made contributions or the employer has received a refund in the year.

Employer Type	Employer contributions (£'000)	Employee contributions (£'000)	Deficit contributions (£'000)
Lancashire County Council (1)	39,406	33,636	-
District Councils (15)	48,724	20,206	32
Other Scheduled Bodies (240)	50,651	22,979	2,261
Admitted Bodies (94)	18,411	6,634	73
Total Active Employers (350)	157,192	83,455	2,367
Terminated Bodies (22)	44	24	495

Further information for the breakdown on the above table can be provided upon request by contacting the Fund Team via pensionsgovernance@lancashire.gov.uk.

NOTE:

The figures above differ to what is shown in the administration section of this report. This is due to the Administration section employer breakdown showing new employers joining the scheme in year but are yet to make contributions. The table above shows employer breakdown by type where contributions have been received in the year.

