



# Lancashire County Pension Fund

Annual Report 2016/17

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## A Management Structure

### Scheme management and advisers

#### Administering Authority

Lancashire County Council

#### Lancashire County Council Pension Fund Committee

*Until 24 May 2017*

M Barron  
L Beavers  
D Borrow  
G Dowding  
K Ellard (Chair)  
G Gooch  
J Oakes  
M Otter  
M Parkinson(Deputy chair)  
C Pritchard  
A Schofield  
K Sedgewick  
D Westley  
D Whipp

*Appointed 25 May 2017*

J Burrows  
S Clarke  
G Dowding  
C Edwards  
K Ellard  
J Fillis  
T Martin  
J Mein  
E Pope (Chair)  
A Riggott  
A Schofield (Deputy chair)  
A Snowden

#### Co-opted Pension Fund Committee representatives

*Until 24 May 2017*

P Crewe – Trade union  
J Tattersall – Trade union  
P Rankin – District Leaders Group  
E Pope – District Leaders Group  
M Smith – Blackpool Council  
R Whittle – Blackburn with Darwen Council  
A Milloy – FE/HE institutions

*Appointed 25 May 2017*

P Crewe – Trade union  
J Tattersall – Trade union  
D Borrow – District Leaders Group  
I Moran – District Leaders Group  
M Smith – Blackpool Council  
R Whittle – Blackburn with Darwen Council  
J Eastham – FE/HE institutions

#### Head of Fund

A Leech

#### Director of Financial Resources

N Kissock

#### Actuary

Mercers

#### Custodian

Northern Trust

#### External auditor

Grant Thornton

**Tax advisers**

KPMG

**Independent investment advisers**

A Devitt

E Lambert

**Independent property valuer***until 13 November 2016*

Cushman &amp; Wakefield

*from 14 November 2016*

GVA Grimley

**Bankers**

NatWest

Svenska Handelsbanken

**AVC providers**

Prudential

Equitable Life

**Property solicitors**

Pinsent Masons

DWF

**Lancashire Local Pension Board**

W Bourne (Chair)

S Browne

C Gibson

K Haigh

J Hall

B Harvey

Y Moulton

S Thompson

CC Wakeford

**Legal advisers - non-property**

In-house

MacFarlanes

Eversheds

Clifford Chance

Allen and Overy

Taylor Wessing

Addleshaw Goddard

**Performance measurement**

Northern Trust

**Corporate governance advisers**

Institutional Shareholder Services (ISS)

Pension and Investment Research Consultants (PIRC)

**Investment Managers**

Arclight Capital Partners

Bluebay Asset Management

Capital Dynamics

Christofferson, Robb &amp; Company

EQT

Guild Investments Ltd

Gatefold Hayes LP

GLIL Infrastructure

Global Infrastructure Partners

Hayfin Capital Management

Heylo Housing Trust

Highbridge Capital Management

HSBC Global Asset Management

I Squared Capital

Icon Investments

Investec Asset Management

Kames Capital

King Street Capital Management

Knight Frank Investors

Kreos Capital

Local Pensions Partnership

Madrileña Red de Gas

M&amp;G Investments

Monarch Alternative Capital

Muzinich &amp; Co

Neuberger Berman

Permira Credit Solutions

Pictet Asset Management

Pimco Bravo

Prima Capital Advisors

Standard Life Capital

Stonepeak Infrastructure

THL Credit

Venn Partners

Westmill Solar Cooperative

White Oak Global Advisors

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

**Welcome to the 2016/17 Annual report of the Lancashire County Pension Fund which has had a very successful year during a time of constant change.**

- Some of the highlights of the year include:
- Delivering a 20.19% return on assets which outperformed the Lancashire Benchmark of 17.3% and resulted in the value of the fund, at 31 March 2017, increasing to £7.2bn.
- Maintaining the funds position as one of the leading LGPS funds in the country, funded to a level of 90%, thereby allowing some stability over employer contribution rates and giving increased assurance to all members.
- Going live in April 2016 with the partnership with the London Pension Fund authority with the Local Pensions Partnership (LPP) successfully transitioning the Fund's global equity portfolio into a single pooled vehicle – LPP I Global Equities ACS.

### **Funding**

The 2016 valuation process concluded in March 2016. Investment returns exceeded the actuaries' assumptions by 15% which went towards reduced the deficit in the fund and increasing the funding level to 90%. The actuarial assumptions for assessing the funding position of the Fund and individual employers are set out in the Funding Strategy Statement which is included as Appendix 5.

### **Investment**

In the year to 31 March 2017, the Fund delivered 20.19% return on assets, maintaining Lancashire's investment performance alongside the best of the Local Government Pension Scheme members. The value of the Fund's assets at 31 March 2017 was £7,209.3m, up from £6,036.2m at 31 March 2016.

During the year, LCPF appointed Local Pensions Partnership Investments Limited (LPP I) to manage all of its assets. LPP I is an FCA regulated investment company wholly owned by Local Pensions Partnership Limited, which is a 50:50 joint venture between Lancashire County Council and London Pensions Fund Authority (LPFA).

LPFA has also appointed LPP I to manage all of its own assets, creating a larger pool (£12.5 billion as at 31 March 2017) which will be jointly invested. As well as combining the assets of both parties to create a larger investment pool, the investment teams of LCPF and LPFA have been combined, leading to access to more resources. The intention is to be able to make better quality investment decisions, leading to more robust investment performance; and to reduce costs through economies of scale and increased in-house management.

The investment team continued to be recognised for its leadership in the field, being awarded 'Best Use of Private Markets' in the Institutional Investor European Awards and 'Fixed Income Strategy of the Year' at the LAPF investment Awards.

Further details on investment performance is on page 21 of this report.

As part of the changes accompanying the launch of the Local Pensions Partnership we have reviewed our approach to responsible investment. This was in order to ensure that new investment management arrangements, introduced to accommodate asset pooling, would meet our stewardship requirements. Our reference points in confirming our approach were guidance provided by the UK Stewardship Code and the commitments of signatories to the Principles of Responsible Investment. These two external standards offered us an objective framework for confirming our responsible investment requirements and a benchmark for monitoring and holding LPP to account for delivery going forward.

The creation of the partnership has involved the alignment and streamlining of stewardship processes and has gained both partners the joint benefit of a dedicated resource in the form of a Responsible Investment Manager who is available to provide support and advice on stewardship matters. The additional capacity to link into and learn from a wider network is producing broader insights and giving new opportunities for collaboration with other investors.

### **Administration**

During the year the Fund's administration service, provided by LPP, processed around 25,000 items of work (ranging from changes of address to the calculation of pension benefits) on behalf of our 167,000 members of the Fund. Over the course of the year LPP's team, working with employers, have managed to reduce the time it takes to put a pension into payment by 9 days by providing an easy to use "final pay" calculator which reduces the time it takes employers to get information back to the Fund.

Also as a result of work by employers the quality of data has improved meaning that Annual Benefit Statements for the year ended 31 March 2017 will be published earlier than ever before. The team has also been extremely successful in signing members up for the 'My Pension on line' service with around 30% already connected. Over the coming year LPP are looking to fundamentally change the way their administration team is structured in order both to improve productivity and to move more of the detailed support work they undertake to Preston providing further job opportunities for Lancashire.

### **County Councillor Eddie Pope**

Chair of the Pension Fund Committee

## C Governance of the Fund

### **Lancashire County Pension Fund Governance Policy Statement**

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

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

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

The Pension Fund Committee has considered the governance arrangements relating to the administration and strategic management of fund assets and liabilities in the light of guidance issued by the Department for Communities and Local Government (DCLG) and the requirement to complete a Governance Compliance Statement for all areas of governance of pension fund activities.

The Fund's Governance Policy Compliance Statement is shown on the following page, and the Governance Policy Statement is included as Appendix 1 to this report.



**A. Structure**

(a) the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council. ✓

(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee (1)

*Partial (see Note 1)*

(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels. ✓

(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel. ✓

**B. Representation**

(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1)

These include:

- (i) employing authorities (including non-scheme employers, e.g. admitted bodies)
- (ii) scheme members (including deferred and pensioner scheme members)
- (iii) independent professional observers (2)
- (iv) expert advisers (on an ad hoc basis)

*Partial (see Notes 1 and 2)*

**C. Selection and Role of Lay Members**

(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. (It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all times). ✓

**D. Voting**

(a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees. ✓

**E. Training/Facility time/expenses**

(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. ✓

(b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum. ✓



**Lancashire County Pension Fund Governance Compliance Statement - April 2017****F. Meetings - Frequency**

(a) that an administering authority's main committee or committees meet at least quarterly. ✓

(b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. ✓

(c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented. ✓

**G. Access**

(a) that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee. ✓

**H. Scope**

(a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements. ✓

**I. Publicity**

(a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements. ✓

**Reasons for partial compliance****Note 1**

Unitary Councils, District Councils and Further and Higher Education employers, are represented. Other admitted bodies only represent 9% of contributors to the Fund and are therefore not represented. However, all employers receive a full annual report and are alerted to important events.

Although employee representatives, i.e. Trade Unions, do not formally represent deferred and pensioner scheme members, it is accepted that representation is available to deferred and pensioners members via this route where necessary and/or appropriate. In addition the interests of all scheme members and employers are specifically represented in the composition of the Local Pension Board.

**Note 2**

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





## D Administration of the Fund

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

The Local Government Pension Scheme is a statutory public sector pension scheme which operates on a “defined benefit basis”. Lancashire County Council as “Administering Authority” is required by law to administer the Scheme within the geographical area of Lancashire.

Pension administration services are provided to Lancashire County Pension Fund by the Local Pensions Partnership.

### **Review of the Year**

Over the year Your Pension Service (YPS) has achieved an overall performance level of 97% against the standards and targets set out within a Service Level Agreement.

During the year to 31 March 2017, 25,563 individual calculations/enquiries were completed, of which 24,807 met the performance standard; an overall performance of 97% was achieved.

### **Membership and employers**

The Scheme is administered on behalf of over 400 organisations including local authorities, further and higher education colleges, voluntary and charitable organisations and private contractors undertaking a local authority function following outsourcing to the private sector. Of these organisations, over 285 have active members.

The Local Government Pension Scheme is open to 2 main types of employers, “Scheduled Bodies and Admitted Bodies”.

Scheduled Bodies are listed within the LGPS regulations and if they meet criteria are eligible to participate.

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

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



Fund membership		
	31 March 2016	31 March 2017
<b>Active scheme members</b>		
Lancashire County Council	27,106	26,416
Other employers	29,223	29,499
<b>Total</b>	<b>56,329</b>	<b>55,915</b>
<b>Pensioners</b>		
Lancashire County Council	22,414	23,141
Other employers	22,093	23,012
<b>Total</b>	<b>44,507</b>	<b>46,153</b>
<b>Deferred members</b>		
Lancashire County Council	33,253	34,668
Other employers	28,377	30,573
<b>Total</b>	<b>61,630</b>	<b>65,241</b>
<b>Total membership</b>	<b>162,466</b>	<b>167,309</b>

### Performance

The Pension Fund Committee receives regular reports on the administration of the Fund ensuring that best practice standards are satisfied and met and to satisfy itself and justify to all stakeholders, including employers that the Fund is being run on an efficient and effective basis.

Specific service level standards and corresponding service level targets have been agreed between the Fund and the Local Pensions Partnership and an [Annual Administration Report](#) is presented to the Pension Fund Committee. A copy of the report for the year to 31 March 2017 is included as Appendix 2 to this annual report.

Since the administration service transferred to the Local Pensions Partnership, performance continues to exceed SLA targets and consistently exceeds its key performance indicator;

*'to calculate and pay all retirement benefits within 10 working days'*

Overall achievement against SLA targets over the year was 97%.

The average time elapsed between retirement date and date of first pension payment has been reduced from 54 days in the year to 31 March 2016 to 45 days in the year to 31 March 2017.

#### **Customer service**

Each year the Service's dedicated Partnerships Team undertakes a variety of events, courses and presentations. In addition the team visits scheme employers to maintain and improve working relationships. The Partnerships Team also undertakes annual pension surgeries and pension drop-in sessions as well as facilitating an annual employer conference.

The second annual Fund Members meeting was held in Preston on 27 June 2017. This was hosted by Local Pensions Partnership and the event included a review of the financial year, a discussion around investments being made on behalf of the Fund and an update on investment pooling and other developments within the Local Pensions Partnership.

A dedicated helpdesk, AskPensions provides the first point of contact for members and employers. The helpdesk has a target to answer 90% of calls received. Between 1 April 2016 and 31 March 2017, 60,255 calls were received and 88% of them were answered. Additional resources are now in place to address the dip in performance. During the year to 31 March 2017, the service received 29 compliments (17 in the previous year), relating to the good customer service provided by the staff within the pensions administration team. During the same period, 38 complaints were received (10 in the previous year). Almost all the complaints were from members relating to the late payment of pension and time taken to process pensions.

The service also received and responded to over 30,000 emails as at 31 March 2017.

#### **Legislative changes**

Very little change occurred during the year to 31 March 2017, compared to recent years.

However, a number of proposals were suggested throughout the year which could have significant impact in the world of pensions for the future.

#### **Changes that took effect in the year**

- At the Spring Budget 2017, the government introduced a new tax charge when a member transfers their pension benefits to an overseas pension scheme. The charge applies to transfers requested on or after 9 March 2017. Some members will be exempt from the charge, for instance, whether the member is living in the same country in which the overseas pension scheme is based.
- The Government Actuary's Department (GAD) amended the majority of the factors used to process pensions. This includes the factors used to calculate the reduction to pensions drawn early and the increase to pensions drawn late.

- The government reduced the Lifetime Allowance (LTA) from £1.25 million to £1 million and the Annual Allowance for high earners and members who expect the value of their savings to exceed £1 million can apply for protection against the LTA reduction.

#### **Proposed Change**

- The Government announced proposed reforms to the rules covering public sector exit payments, for example, introducing a cap of £95,000. The proposals will have an impact on the Scheme, particularly the level of pension benefits paid to certain members upon redundancy. Further information is awaited from the government.
- In May 2016, the government launched a consultation on amendments to the Scheme's rules. These included:
  - offering members more freedom and choice as to when and how they may draw their additional voluntary contributions (AVC) fund;
  - allowing members aged between 55 and 60 who left before 1 April 2014 to draw their deferred benefits at a reduced rate without needing their former employer's consent;
  - changing the rules about what pension arrangements must be offered to LGPS employees whose employment is compulsorily transferred to a new employer.
- Certain members will have a pension that contains a Guaranteed Minimum Pension (GMP) element. In November 2016, the government launched a consultation in respect of members who attain their State Pension Age on or after 6 December 2018. The consultation considers whether the element should be fully inflation proofed and, if so, how this should be done. The government response to the consultation is awaited.

**Service developments**

During the year the Fund's administration service processed around 25,000 items of work. An easy to use "final pay" calculator has recently been developed which reduces the time it takes employers to get information back to the Fund. Working closely with employers in this way helps to enhance the quality and timeliness of data meaning that Annual Benefit Statements for the year ended 31 March 2017 were published ahead of the statutory deadline of 31 August. Pension surgeries are hosted throughout the county on an annual basis from October through to March. The sessions help members to understand their annual benefit statements. Drop in sessions are also hosted during the year where members (including pensioners) can be helped through the process of registering to use the online self-service portal. Four drop in sessions have been held over the year.

**Online Services**

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

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

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

Currently around 30% of members are registered online.

**Appeals**

Fund Members who disagree with decisions taken by their employer or administering authority may appeal using the Internal Dispute Resolution Procedure (IDRP) under the Local Government Pension Scheme rules.

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

Over the year 41 appeals have been received under stage 1 of the process. Of these 9 have been upheld in the members favour and 29 were dismissed. At the close of the year 3 stage 1 cases were outstanding.



In respect of appeal applications that progressed to stage 2 of the IDRPs, 15 appeals have been received. Of these 4 have been upheld in the members favour and 4 were dismissed. At the close of the year 7 stage 2 cases were outstanding.

As in previous years the majority of appeals continue to relate to ill health.

### Charges

YPS makes a charge to Lancashire County Pension Fund on a per member basis which is restricted to the lower quartile as reported in national government LGPS benchmarking returns. The on-going level of charge to the Fund is kept under review.

### Other information

For further information relating to the administration of the scheme please refer to the [Communication Policy Statement](#) and the [Pensions Administration Strategy Statement](#) included as Appendices 3 and 4 respectively.



Your Pension Service can be contacted at:

PO Box 100

County Hall

Preston

PR1 0LD

Telephone: 0300 123 6717

E-mail: [AskPensions@localpensionspartnership.org.uk](mailto:AskPensions@localpensionspartnership.org.uk)

<http://www.yourpensionservice.org.uk>



## E Knowledge & Skills Framework

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

### **CIPFA Pensions Finance Knowledge and Skills Framework**

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

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

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

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

### **Training approach**

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

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

The Policy recognises that the competency and performance of senior officers is assessed under the County Council's Performance Development Review (PDR) process and continuing professional development (CPD) frameworks which uphold the required standards.

Therefore, the Policy focuses on the needs of Pension Fund Committee and Lancashire Local Pension Board members, supporting them to attain levels of knowledge and understanding which underpin robust decision-making and effective oversight.



The Policy provides a framework for ensuring members receive appropriate support (both collectively and individually) for gaining the knowledge and understanding they need.

Training is responsive to the learning needs of individuals in their different roles and members have regular opportunities to build skills and knowledge through a range of methods and approaches including:

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

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

Details of training provided internally and attended externally by members of the Pension Fund Committee (PFC) and Lancashire Local Pension Board (LLPB) during 2016/17 are given below:

Date	Subject	Venue	Attendees	
			PFC	LLPB
28 Apr 2016	Asset Management Conference	Royal London, London	0	1
29 Apr 2016	Virtual Reading Room	Workshop, County Hall, Preston	9	3
11 May 2016	Investment Trust Conference	Baillie Gifford, Edinburgh	0	1
16-18 May 2016	PLSA Local Authority Conference	Gloucestershire	1	1
25 May 2016	Traditional Assets	Workshop, County Hall, Preston	9	4
23-24 Jun 2016	LGA 13th Annual LGPS Trustees Conference,	Manchester	2	0
29 Jun 2016	Local Pension Boards - One Year On Seminar	Cheapside House, London	0	1
30 Jun 2016	Alternate Assets	Workshop, County Hall, Preston	9	5
7 Jul 2016	SPS Conference - Investing Mature Funds	London	0	1
22 Jul 2016	LGPIF Infrastructure Conference	London	0	1
10 Aug 2016	Q&A Session on Investment Reform for Local Pension Board Member and Employer Reps	Local Government House, London	0	1
31 Aug 2016	Section 13 Regional Workshop	Local Government House, London	0	1
2 Sep 2016	LGPS (England & Wales) Regional Workshop on Sec13 reports	Durham	1	0
8-9 Sep 2016	LGC Investment Summit - "Adapting to changing times"	Celtic Manor Resort, Newport, South Wales	1	0
21 Sep 2016	Role of the Depositary for LPPI	Workshop, County Hall, Preston	8	4
20 Sep 2016	UK Investment Seminar 2016	London	1	0
28 Sep 2016	Introduction to the LGPS	London	2	0
22 Nov 2016	Annual Northern Pension Investment Conference	Manchester Marriott V&A Hotel	1	1
6 Oct 2016	CPN Autumn Investment and Accounting Workshop	London	2	0
11 Oct 2016	Local Government Pension Investment Forum 2016	London	2	0

Date	Subject	Venue	Attendees	
			PFC	LLPB
11 Oct 2016	CPN Autumn Investment and Accounting Workshop	Manchester	2	0
19 Oct 2016	PLSA Annual Conference and Exhibition 2016	Liverpool	3	0
28 Oct 2016	Investment Strategy	Workshop, County Hall, Preston	8	3
25 Nov 2016	Responsible Investment	Workshop, County Hall, Preston	11	4
28 Nov 2016	LGPS Pension Boards Seminar	PLSA offices London	0	1
7-9 Dec 2016	Annual Local Authority Pension Fund (LAPFF) Conference	Highcliffe Marriott Hotel, Bournemouth	1	1
25 Jan 2017	Global Custody Services	Workshop, County Hall, Preston	9	4
22 Feb 2017	Risk	Workshop, County Hall, Preston	7	4
1 Mar 2017	2016/17 LGPS Local Pension Board Seminar	Leeds	0	2
2-3 Mar 2017	LGC Investment Seminar	Carden Park Hotel, Cheshire	1	0
8-10 Mar 2017	PLSA Investment Conference 2017	EICC in Edinburgh	1	0
9 Mar 2017	Global Independent Research conference	London	0	1
23 Mar 2017	SPS Local Authority Investment & Pooling Issues Conference	London	1	0
27 Mar 2017	Local Pensions Partnership	Workshop, County Hall, Preston	8	5
30 Mar 2017	EPFIF conference	London	0	1

## F Investment Policy and Performance

### Performance

In the year to 31 March 2017, the Fund delivered 20.19% return on assets, outperforming the Lancashire Plan Benchmark of 17.26% and maintaining Lancashire's investment performance alongside the best of the Local Government Pension Scheme members. The value of the Fund's assets at 31 March 2017 was £7,209.3m, up from £6,036.2m at 31 March 2016.

Whilst it is pleasing to be able to report strong performance once again, the Fund invests its assets to meet its own liabilities over the medium to long-term time frame and therefore performance should be judged against those objectives and over a corresponding period.

Annual returns can be volatile, as seen in 2008/09 (fund down 20%) and 2009/10 (fund up 35%); short term returns, however spectacular, do not necessarily indicate the underlying health of the Fund.

The Fund has been changing its asset allocation over the last few years to add diversification, which should help to dampen the volatility of returns. Nonetheless, the Fund remains exposed to movements in the valuation of assets.

### Investment pooling and asset allocation

During the year, LCPF appointed Local Pensions Partnership Investments Limited (LPP I) to manage all of its assets. LPP I is an FCA regulated investment company which is wholly owned by Local Pensions Partnership Limited, a 50:50 joint venture between Lancashire County Council and London Pensions Fund Authority (LPFA).

LPFA has also appointed LPP I to manage all of its own assets, creating a larger pool (£12.5 billion as at 31 March 2017) which will be jointly invested. As well as combining the assets of both parties to create a larger investment pool, the investment teams of LCPF and LPFA have been combined, leading to access to more resources. The intention is to be able to make better quality investment decisions, leading to more robust investment performance; and to reduce costs through economies of scale and increased in-house management.

In line with new Local Authority Investment Regulations, the Pension Fund Committee adopted a new Investment Strategy Statement in 2016. LCPF maintains complete control over 'asset allocation' between a number of different asset class pools managed by LPP I. As at 31 March 2017, the Fund held investments in five asset classes.

### Global equities

Global public equity investments were transitioned during the year into a single pooled vehicle – LPP I Global Equities ACS. This fund combines the expertise of a variety of world-class external equity managers together with an in-house investment strategy. These different managers operate with differing and complementary styles of investment selection. LPP I Global Equities ACS publishes its own separate annual report and investment commentary.

### Private equity

Private equity investments are held through a variety of closed-ended limited partnerships, which are invested over a wide range of inception dates and managed by a diverse collection of different managers. The majority of LCPF's holdings were transferred into a collective vehicle at the end of the period. The strategy of the collective vehicle is to continue to invest in a diversified portfolio of third party managers, complemented by a small number of direct 'coinvestments'.

### Property

The Fund dedicates a large portion of its investment portfolio to directly owned UK commercial properties managed by Knight Frank. An allocation to local investment opportunities has been adopted, with further commitments made during the year to the development of a student accommodation block in Lancaster and a Logistics hub near the M61. The Fund also has allocations to a European real estate investment fund managed by M&G, a healthcare property fund managed by Kames and private rented residential property.

### Infrastructure

The Fund has allocations to a number of different global infrastructure funds, and also invests directly in global renewable energy infrastructure projects. In December 2016, LCPF joined GLIL, a £1.275 billion partnership between five local authority pension funds, which has a remit to invest in predominantly core UK infrastructure. The approach of bidding and investing alongside key strategic counterparties has continued and LCPF now owns interests in international gas and electricity distribution networks together with significant domestic and international investments in wind-powered electricity generation.

### Credit

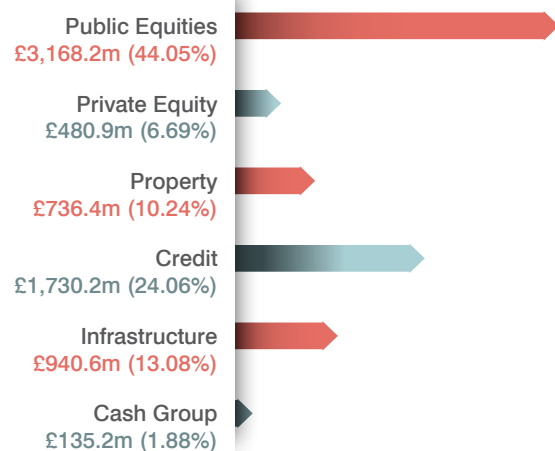
The Fund has an internally managed portfolio, split into four broad categories of credit investment: Emerging markets sovereign debt, non-investment grade secured lending, cyclical credit opportunities, and debt secured on real assets. These investments include both direct loans made by the Fund and a variety of different externally managed funds.

Steady deployment of investment commitments continued to be made throughout the year as loans made at the inception of these strategies started to repay. Experience of credit defaults in the portfolio remained very low.

The investment team continued to be recognised for its leadership in the field, being awarded 'Best Use of Private Markets' in the Institutional Investor European Awards and 'Fixed Income Strategy of the Year' at the LAPF Investment Awards.



A summary of asset allocation, as at 31 March 2017, is shown below.



**Allocation as at 31 March 2017 £7,191.4m**

### Future investments

LCPF's investment strategies, particularly in relation to private investments, require commitments to be made which are then deployed over following periods. 2016/17 saw continued deployment of commitments made in previous periods as well as further commitments being made.

It can be anticipated that these commitments will continue to be deployed in the coming years, whilst other investments start to mature and return cash.

As part of the exercise of transferring control of assets to LPP I and in order to maximise the benefits of pooling with LPFA, it is anticipated that the majority of investments in further asset classes including infrastructure and credit will be moved into single asset class pooled vehicles during the course of 2017/18.

### Performance monitoring

Performance is measured against a number of specific benchmarks with individual managers being given performance targets which are linked to the expected market returns for the assets they manage; and direct investments being underwritten with an expectation of specific levels of benchmark return. The performance of investment managers is reviewed on a regular basis by LPPI and the LCPF Investment Panel. Any recommendations arising from those reviews are considered by the Investment Committee.

Benchmarks are an indication of how markets overall or individual assets might be expected to perform. The Fund's primary objective, however, is to have assets available to meet pension liabilities as they fall due; and this requires the Fund to consistently match or outperform the actuarial assumption of investment returns.

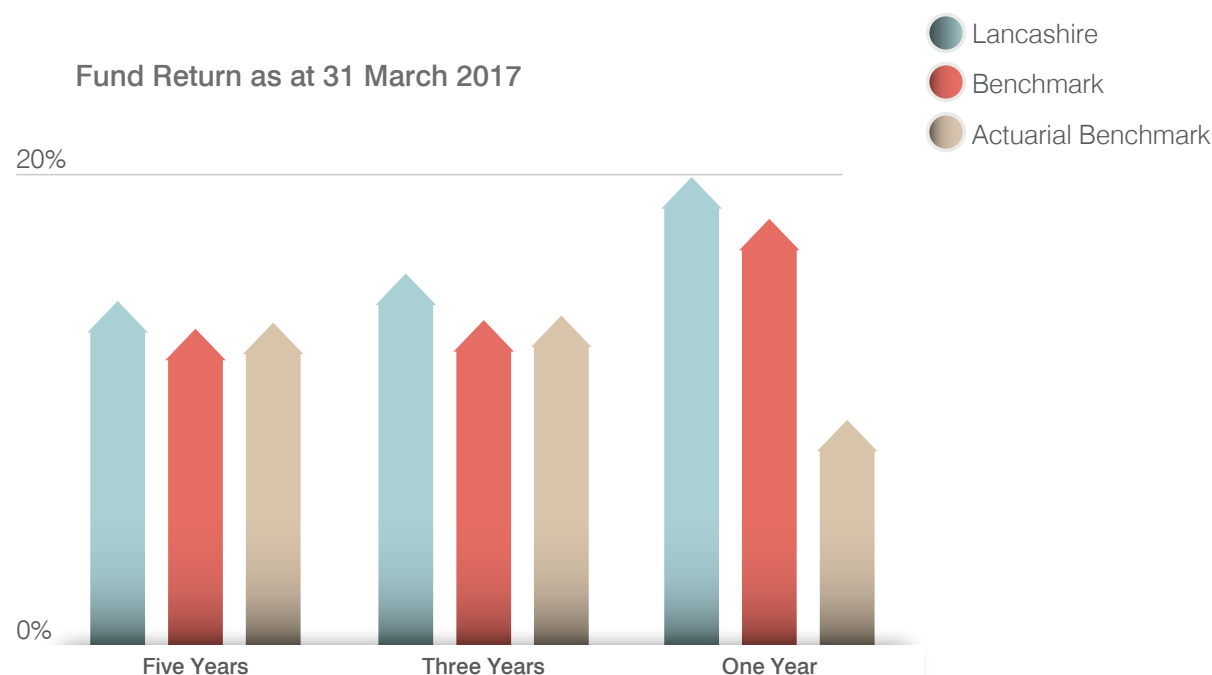
The actuarial assumption used until 31 March 2016 was UK gilts + 1.6% - this was changed with effect from the actuarial valuation which took place in relation to that date and is now an inflation-linked measure of CPI + 2.2%.



The chart below shows the total return of the Fund compared to the overall Fund-specific benchmark and the actuarial Fund return assumption of gilts+1.6% to March 16 and CPI+2.2% from April 16 measured over 1, 3, and 5 years to 31 March 2017.

In the year to 31 March 2017, the total fund return amounted to 20.19% against a benchmark return of 17.26%. The CPI+2.2% actuarial return assumption for the same period was 4.4%.

The more important five-year performance of the Fund shows annualised returns for the Fund of 11.66% per annum versus the benchmark return of 10.05% and the actuarial measure of 10.53%. Readers should note that the five-year figures do not yet fully reflect the impact of the current investment strategy, which was put in place over a three year period through to 2014-15.



### Currency effects

The Fund's strategy is to seek out investments with the most favourable characteristics to generate yields in the long-run, wherever these may be situated globally. Currency fluctuations have an increased impact on short-term investment performance, but over the long-term this impact should be outweighed by the superior investment characteristics of the new strategy.

Over the course of the year, Sterling weakened significantly against the Dollar from a rate of \$1.44 at 31 March 2016 to a rate of \$1.25 on 31 March 2017 (with a dramatic devaluation associated with the 'Brexit' vote in June 2016).



Sterling valuation of Dollar sensitive assets would therefore have increased by 15.2% (all other things being equal). In the same period, Sterling weakened against the Euro from 1.26 at 31 March 2016 to 1.17 on 31 March 2017, similarly increasing the value of Euro sensitive assets by 7.7%.

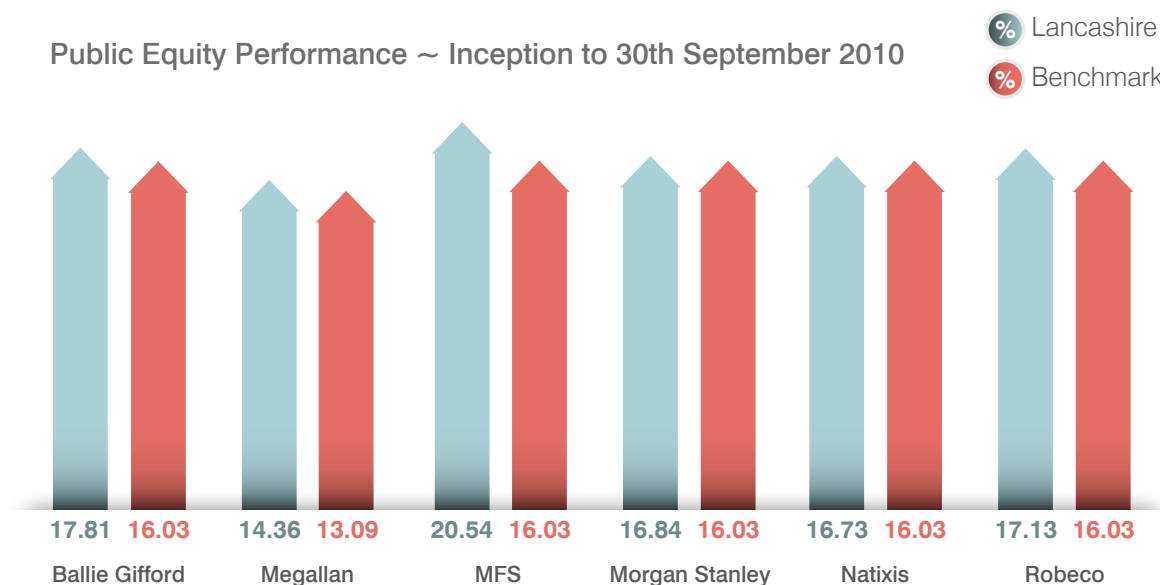
The fund has benefitted from a number of periods in which currency movements, notably the continued weakening of Sterling, have driven excess investment performance. It should be anticipated that there may be years in future during which a strengthening pound may dampen performance outcomes.

Despite these factors - which can make performance data hard to interpret - underlying investment performance remains strong, with local currency investment returns in line with, or ahead of, expectations.

### Listed equities

As noted above, the listed equities portfolio was transitioned during the course of the year replacing the seven existing global equities managers with a single investment in LPP I Global Equities ACS. Performance attribution to the outgoing managers since inception is set out in the chart below. Overall, the Fund was satisfied with the outgoing managers' performance over the whole period of their appointment, both individually and as a portfolio.

Public Equity Performance ~ Inception to 30th September 2010



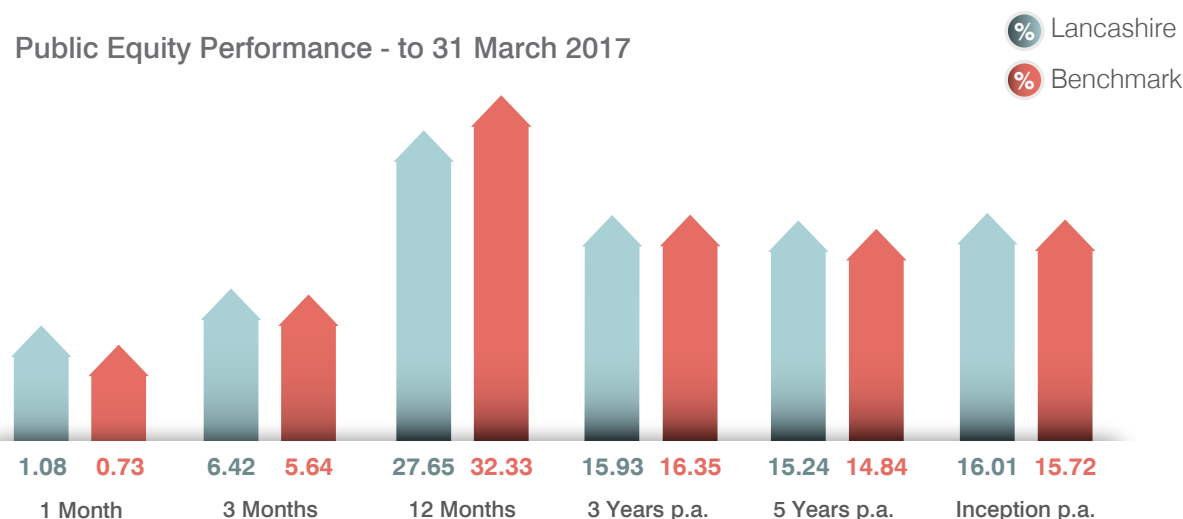
Performance during the year is difficult to accurately and fairly attribute to different managers, as there was an active transition process which created certain costs, led to periods during which the equity allocation was not fully deployed and impacted different managers at different times. Performance of the portfolio as a whole is therefore shown below. The period for the last three months reflects a period during which the equities were managed wholly within LPP I Global Equities ACS.

Active managers have discretion to make investments that deviate from the benchmark allocation within agreed constraints and tolerances. These decisions will reflect their views on market conditions within various countries or between various instruments.

The outgoing managers were combined to give a strategy which would be robust across varying market conditions. The particular bias on 'quality' stocks which protected the portfolio is the poor market conditions of 2014/15 led to underperformance in a period during which the market grew strongly and favoured other factors. Costs of transition also created a negative drag on performance.

The LPP I Global Equities ACS will adopt a similar approach, combining external managers with an internally managed 'quality' based strategy to seek to create a portfolio which is robust across the investment cycle whilst at the same time driving cost savings through use of internal resources and rationalisation of the number of external providers used. Further details of investment strategy, portfolio make-up and a commentary on investment performance are published directly by LPP I Global Equities ACS. The first five months of operation, which also contains some further transition activity, is too short a period to merit any great discussion or analysis of performance, however.

Public Equity Performance - to 31 March 2017



It should be noted that the benchmark chosen, being a measure of global equity markets, rather than the performance of the UK stock market, showed significantly stronger performance during the year than the domestic measure.

The largest ten direct equity holdings of the Fund (via LPP I Global Equities ACS) as at 31 March 2017 were:

Holding	Market value as at 31 March 2017	Percentage of net assets of the Fund
	£m	%
Visa Inc.	120.9	1.69%
Accenture Plc	111.3	1.55%
Nestle SA	109.0	1.52%
Johnson & Johnson	87.8	1.22%
Medtronic Plc	79.7	1.11%
Honeywell International Inc.	79.5	1.11%
Colgate-Palmolive Co	78.2	1.09%
Reckitt Benckiser Group Plc	71.0	0.99%
3M CO	67.0	0.93%
Diageo Plc	65.5	0.91%
	<b>869.9</b>	<b>12.14%</b>

### Private markets

The fund holds an increasing allocation to assets with investment characteristics that diversify the risk associated with the core allocation to listed equities and which bring other beneficial characteristics, some having inflation-related return expectations, others designed to be significantly cash generating.

### Private equity

Private equity investments provide alternative opportunities to generate returns linked to movements in stock markets. The higher level of engagement by managers in the investee companies gives an expectation of better long term returns; at the same time this return expectation has to be balanced with the higher risk profile and the lack of liquidity of these investments, which typically have to be held from 7-10 years before gains can be realised.

*"In 2016/17,  
Private equity  
investments performed  
strongly, buoyed by  
the strong increases in  
global equity markets"*

In 2016/17, private equity investments performed strongly, buoyed by the strong increases in global equity markets. Valuation increases however, are based on sophisticated estimates rather than actual market prices; so it is wise to look at longer term performance during which investments are made and realised as a guide to performance. Since 31 December 2011, the Fund's private equity portfolio has delivered an annualised return of 12.4% versus a benchmark of 12%.

## Property

Real estate is an important portion of the Fund's investment portfolio because of both the diversification benefits that real estate investments bring and the rental income generated that is used to fund member benefits without the need to liquidate other investments. This role will become increasingly important as the gap between contributions received by the Fund and member benefits being paid out will inevitably grow as the fund matures with time. Initial transaction and stamp duty costs associated with the continued increase in the allocation to property create negative headwinds to performance, as does the lag in valuation uplift likely to occur in relation to property development activity. As observed last year, the high quality of LCPF's core commercial real estate portfolio can perhaps be expected to perform worse than a broad benchmark during real estate boom periods, while providing a much more robust portfolio in a downturn.

The performance during the year of 6.7% versus a benchmark of 4.5% is a highly satisfactory outcome, therefore, reflecting the crystallisation of some development profits and some tactical asset disposals, as well as the strength of the portfolio.

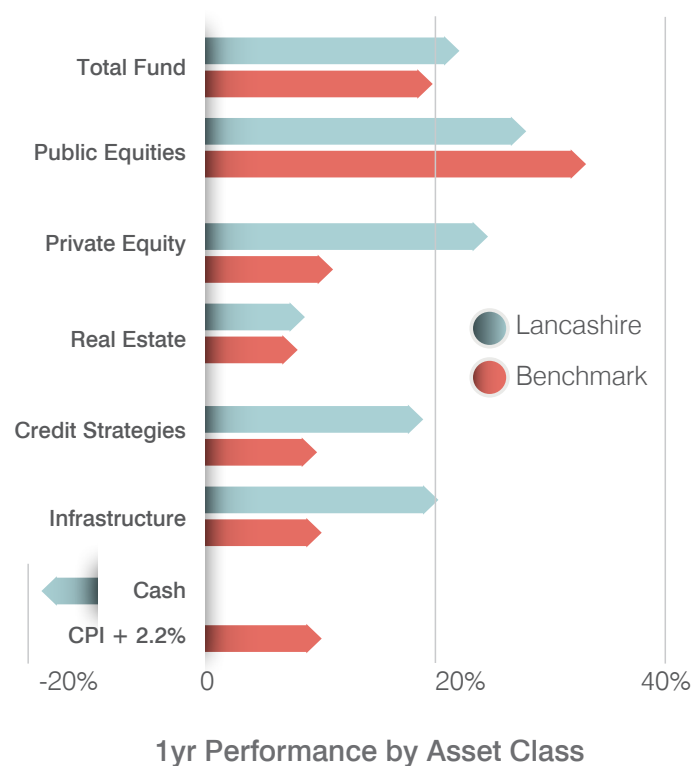
In the long term, real estate investment performance exceeds the benchmark return, having delivered 10.1% per annum versus a benchmark of 9.2% per annum since 30 September 2011.

## Infrastructure

Infrastructure investments offer long-term returns that are expected to closely match the Fund's investment needs, and provide an important source of diversification. As well as investing in traditional infrastructure funds, the Fund has made a number of direct investments in global infrastructure, notably in the renewable energy sector.

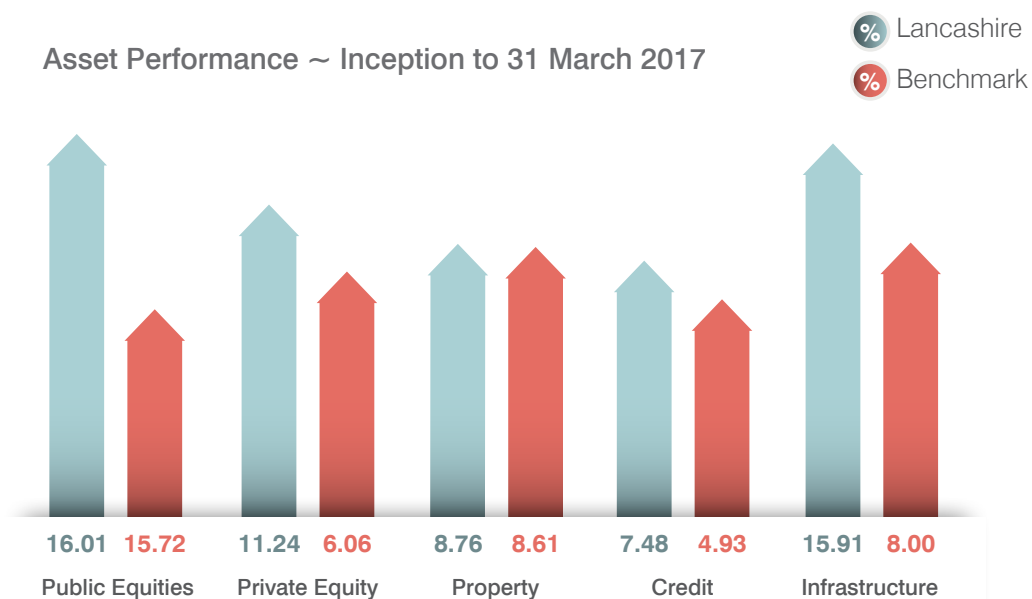
The ability to invest directly minimises fee costs and has enabled the Fund to negotiate favourable investment terms which have delivered excellent performance since inception.

Similar to property, significant initial investment costs associated with the growth in the portfolio could be expected to act as a short term dampener of performance whilst the significant increase in strategic commitment to infrastructure is deployed. However, the infrastructure portfolio delivered a return of 17.8% during the year, helped by increases in global asset values generally but also by the fact that it is an international portfolio, so valuations are buoyed by the weakness of Sterling. Over the longer term, infrastructure investments have delivered 15.9% per annum since 30 September 2011. The benchmark is 8% per annum.



Annual valuations of these less liquid asset types can be affected by a number of factors. As with all of the Fund's investments, it is long term performance and the role that an investment plays in meeting the overall needs of the Fund that is key. Thus, the Fund is pleased with the strongly positive yields in these asset classes since inception.

#### Asset Performance ~ Inception to 31 March 2017



Property investments accounted for 10.2% of the LCPF's total assets under management as at 31 March 2017. This is a slight decrease in percentage allocation – although the investment value, at £736.4m, represents a significant increase of £47.8m. The largest ten direct property holdings of the Fund were:

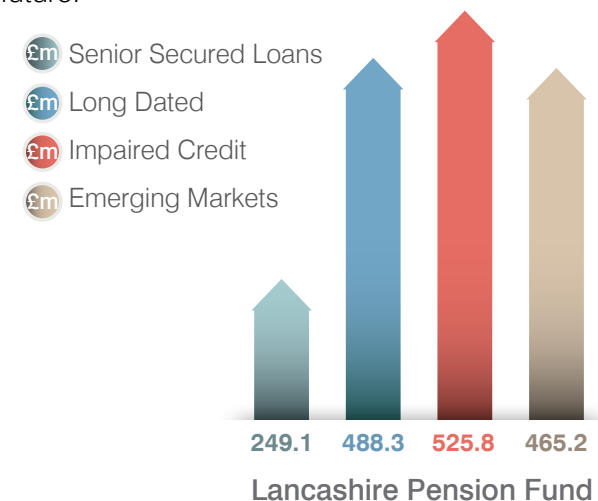
Property	Sector	Market Value as at 31 March 2017 £m
Helmont House, Cardiff	Multi-let commercial	35.6
1-3 Dufferin St, London	Offices	30.6
Princes Mead Shopping Centre, Farnborough	Shopping Centre	25.6
St Edmondsbury Retail Park, Bury St Edmunds	Retail / Warehouse	22.2
Weir Road, Wimbledon	Industrial / Warehouse	21.7
8-10 Lower James St, London	Offices	21.6
Unit H, Tuscany Park, Wakefield	Industrial / Warehouse	20.9
1 & 2 Woodbridge Meadows, Guildford	Multi let commercial	20.3
Oxonian Park, Oxford	Industrial / Warehouse	18.2
St Peter's Street, St Albans	Offices	18.2
		<b>234.9</b>

### Credit strategies

Credit strategies follow four themes. Investments in emerging market debt amounted to £465.2 (6.5% of the Fund), £249.1m (3.5%) was invested in non-investment grade secured lending, £525.8 (7.3%) in cyclical credit opportunities and £488.3m (6.7%) in debt secured on real assets.

Overall, the fund's credit investments delivered a return of 15.9%, and the Fund was once again recognized by receipt of a number of industry awards, including the LAPF Fixed Income Strategy of the Year award.

The target level of investment was reduced slightly in 2016/17 to accommodate increased allocations to infrastructure and real estate. Investment levels are now close to target amounts. Continuing commitments were made to ensure that the fund remains fully invested in future.

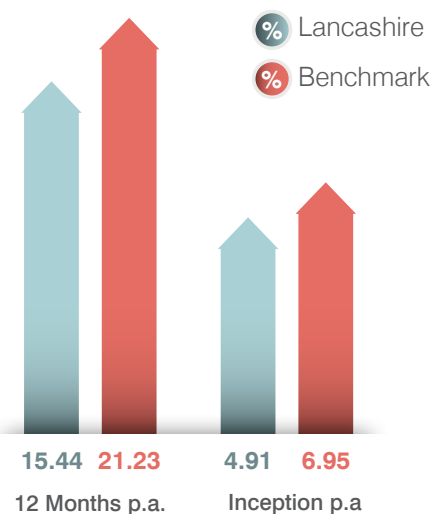


### Emerging markets sovereign debt

After a very difficult year in 2015/16, emerging market debt performed solidly in 2016/17, delivering 15.4% in the year. This return lagged behind the benchmark significantly due to a more conservative portfolio construction and lower risk appetite of our managers.

Since inception, the Fund's investments in emerging markets debt have achieved a satisfactory positive return of 4.91% per annum, again, lagging behind the more risky benchmark, which has delivered 6.95% annualized.

These investments are considered likely to benefit from long-term global economic growth and strengthening of the currencies of emerging economies, even if there is some short term volatility. In addition, the asset class provides useful diversification from other more mainstream credit investments.



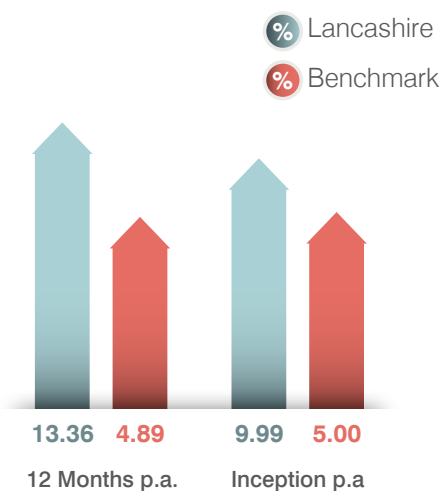
Emerging Markets  
Local Currency Debt

### Senior secured loans

Investments in non-investment grade secured debt (i.e. lending to smaller companies) recorded a return of 13.4% during the period versus a benchmark of 4.9%.

These investments deliver regular cash flows that are reinvested and the investment team believes that they provide an excellent risk/reward profile when compared to traded bonds.

The international nature of the portfolio, which includes lending to US and European smaller companies, helped generate an excess return this period due to the weakness of sterling.

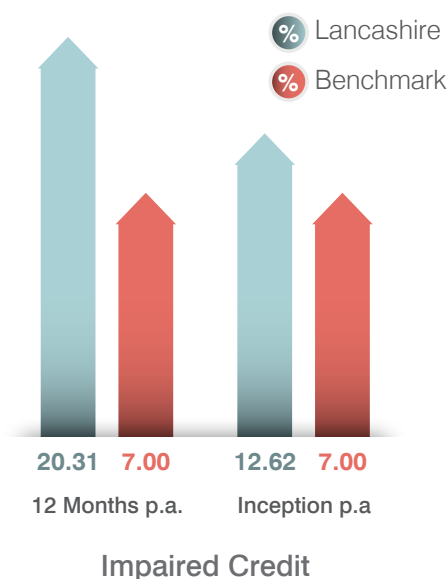


Senior Secured Loans

### Credit opportunities

Investments in cyclical credit opportunities delivered 20.3% during the year versus a benchmark of 7.00%. These investments seek to take advantage of specific opportunities where 'technical' factors mean that assets can be acquired at a discount to their long-term economic value.

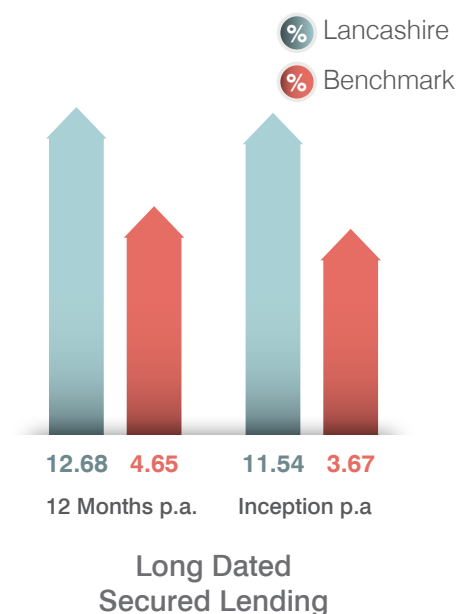
Generating returns in this credit category requires manager skill in identifying investment opportunities and in managing investments to achieve maximum value. The investments may be illiquid, meaning they have to be held to maturity in order to realise gains. They provide a diversification benefit and the expectation of excess returns over the medium term. However, valuations require a degree of manager judgement, so return figures should be treated with caution until the portfolio is mature and has a significant track record of realising mark-to-market gains.



### Loans secured on real assets

These showed significant returns during the period: 12.7% versus a benchmark of 4.7%. The current environment continues to provide an excellent backdrop for good quality investments to be made, with higher expected returns than might be achievable in the longer-term.

These investments generally provide a very low-risk profile, being secured, typically, on real estate. Properly underwritten and managed, there is a very low expectation of loss. While carrying a lower expectations of long-term return, these investments should provide a very good match for the long-term needs of LCPF to generate income and protect the value of the portfolio.



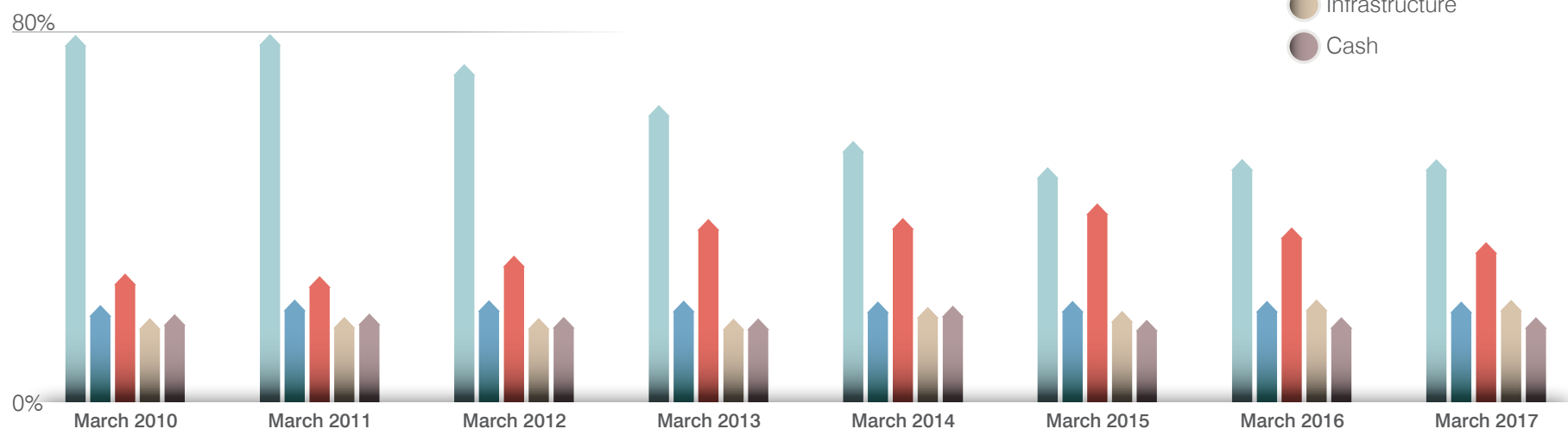


### Trend

The Fund's investment strategy focuses on reducing reliance on assets such as listed equities, whose values can be volatile and unpredictable. Increased allocations in favour of other growth asset classes with predictable cash returns such as infrastructure, real estate and credit have been made with the intention of diversifying assets to create a more robust portfolio.

This move towards a diverse range of asset classes has resulted in listed equity accounting for 44.2% of the Fund at 31 March 2017, compared with 77% at 31 March 2010. During the same period, infrastructure investments have increased from 5.6% to 13.0% in line with the Fund's target allocation of 10-15%.

Fund Allocations Summary Since 31 March 2010



At 31 March 2017, the fund's holdings in different asset classes, policy allocations and ranges were as follows:

Asset Class	Actual Allocation*	Policy Allocation	Range
Global Equities	44.1%	42.5%	40%-50%
Private Equity	8.6%	7.5%	0%-10%
Infrastructure	12.9%	12.5%	10%-12.5%
Real Estate	10.1%	15%	10%-20%
Credit	24.0%	20%	10%-25%
Fixed Income	0%	2.5%	0%-5%
Cash	0.5%	0%	0%-5%

\*Totals do not add to 100% due to rounding.

### Future commitments

As at 31 March 2017, the Fund had committed to invest a further £324.3m in infrastructure investments, £393.1m in private equity funds, £25.2m in property developments, and £390.7m in various credit strategies. These commitments will be met from the holdings of cash and cash equivalents that the Fund holds, distributions of income, maturity of existing investments and rebalancing of positions in other asset classes.

### Cash flow

During 2016-17, cash inflows during the year totaled £366.3m and cash outflows were £326.4m, representing a net cash inflow of £39.9m (compared with an inflow of £39.6m in the previous year).

Benefits payable amounted to £261.1m and were partially offset by net investment income of £109.9m, contributions of £245.5m and transfers in of £10.9m.

Currently, investment income more than covers any shortfall in contributions received versus benefits paid. As outlined above, the Fund continues to shift its asset allocation towards income generating assets to ensure that this remains the case in the medium term.

### Governance

There are four levels of responsibility for the investment management of the Lancashire County Pension Fund:

- The County Council's Pension Fund Committee takes major policy decisions and monitors overall performance. The Pension Fund Committee comprises fourteen County Councillors and seven voting co-optees representing other interested organisations;
- The Investment Panel ("the Panel") provides expert professional advice to the Pension Fund Committee in relation to investment strategy. The Panel supports the Head of Fund with the specialist advice required by the Pension Fund Committee. The Investment Panel consists of two independent external investment advisers and the Head of Fund.
- The Investment Management Team of Local Pensions Partnership Investments Limited undertake day-to-day investment fund selection, monitoring and due-diligence;

- Where LPP I have chosen to make allocations to third party investment managers or to invest in third party unitised investment vehicles, those managers fix precise weightings and select the individual investments within their particular remit;

A more detailed description of the responsibilities of the Committee, its Sub-Committees and the Panel is found in the:

[Governance Policy Statement.](#)

### **Social, environmental, and ethical considerations**

LCPF is committed to responsible asset ownership and became a signatory to the Principles of Responsible Investment (PRI) in March 2015.

All PRI Signatories' make the following commitment:

"As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. In this fiduciary role, we believe that ESG issues can affect the performance of investment portfolios"

(to varying degrees across companies, sectors, regions, asset classes and through time).

We also recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, we commit to the following:

- Principle 1** We will incorporate ESG issues into investment analysis and decision-making processes;
- Principle 2** We will be active owners and incorporate ESG issues into our ownership policies and practices;
- Principle 3** We will seek appropriate disclosure on ESG issues by the entities in which we invest;
- Principle 4** We will promote acceptance and implementation of the Principles within the investment industry;
- Principle 5** We will work together to enhance our effectiveness in implementing the Principles;
- Principle 6** We will each report on our activities and progress towards implementing the Principles.

The Fund reported against the principles for the first time in March 2017 and a copy of the Transparency Report is publicly available from the PRI website. [PRI Reporting Framework.](#)

We have agreed investment arrangements with the Local Pensions Partnership which reflect our commitments and ensure ownership rights conferred by our investments will be used to support corporate governance best practice in the companies we invest in. Shareholder voting and engagement activities are the main routes for exercising this ownership influence.

The Fund is a member of the Local Authority Pension Fund Forum ("LAPFF") which exists to represent the specific investment interests of Local Government Pension Schemes in the UK. 73 like-minded local authority pension funds are members of the Forum and they come together to share insight, discuss priorities and engage collectively on Responsible Investment and Corporate Governance issues.

**Policy on voting**

2016/17 has been a transitional year in which new voting arrangements have been put in place to accommodate the pooling of the Fund's listed equity investments.

Since November 2016, LCPF has owned units in a Global Equities Fund managed by LPP I rather than shares in underlying companies.

As a beneficial co-owner in the fund LCPF is not entitled to direct shareholder voting but has confirmed voting arrangements with LPP I which reflect responsible investment beliefs and the commitments of signatories to the Principles of Responsible Investment.

Shareholder voting for the Global Equities Fund is managed centrally by LPP I rather than being delegated to individual portfolio managers. This enables a consistent approach across the equities within the fund in accordance with a single voting policy. LPP I employs Institutional Shareholder Services (ISS) to oversee ballot management and vote execution and to provide information, analysis, voting recommendations, and reporting facilities via an online voting platform.

ISS voting recommendations are in accordance with an agreed voting policy which is actively reviewed on an annual basis and updated to reflect emerging issues and trends. The recommendations for forthcoming meetings are reviewed by LPP I and where there is a case for departing from the ISS recommendation this is considered carefully as part of making a final decision on voting direction. Where LPP I decides to depart from the ISS voting recommendation the rationale is recorded online and captured in reporting. There were no occurrences of this during the period from 1st November 2016 to 31 March 2017.

A record of voting activity is provided to the Pension Fund Committee quarterly as part of Responsible Investment reporting by LPP I.

**Risk management**

The Lancashire County Pension Fund recognise the importance of managing risks effectively. To this end, the fund have appointed a new officer to manage all risks through effective risk management processes. A central risk register is maintained to identify, record and mitigate all risks under the following four main group headings:

- Investment and Funding;
- Member;
- Operational;
- Transition.

Risk reporting is carried out each quarter to the Lancashire Pension Fund Committee. Additional oversight is also undertaken by the Lancashire Pension Board.

**Compliance with Myners Principles**

The Fund is compliant with the Myners Principles, details of which can be found in the Governance Policy Statement.

## G Accounts of the Fund

### Responsibilities for the Statement of Accounts

#### The responsibilities of the administering authority

The administering authority is required:

- To make arrangements for the proper administration of the financial affairs of the Lancashire County Pension Fund (Pension Fund), and to ensure that an officer has the responsibility for the administration of those affairs. For Lancashire County Council, the respective officer is the Director of Financial Resources, who is also the Director of Financial Resources to the Pension Fund;
- To manage its affairs to secure economic, efficient and effective use of resources, and to safeguard its assets.

#### The responsibilities of the Director of Financial Resources to the Pension Fund

The Director of Financial Resources to the Pension Fund is responsible for the preparation of the Pension Fund's statement of accounts.

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

- In preparing this statement of accounts, the Director of Financial Resources to the Pension Fund has:
- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code.

In addition, the Director of Financial Resources to the Pension Fund has:

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

The Statement of Accounts relate to the financial year ended 31 March 2017 and include the Fund Account and the Statement of Net Assets which are prepared in accordance with standard accounting practice as outlined in the notes to the accounts of the Pension Fund.

#### Neil Kissock

Director of Financial Resources  
31 July 2017

## **Lancashire County Pension Fund – Annual Governance Statement 2016/17**

### **Introduction**

The Lancashire County Pension Fund is a Pension Fund within the Local Government Pension Scheme (LGPS) which is a funded pension scheme created under the terms of the Superannuation Act 1972. Lancashire County Council is the body appointed under statute to act as the Administering Authority for the Fund.

At 31 March 2017 the Lancashire County Pension Fund provides a means of pension saving and retirement security for 167,309 members across 287 organisations with active members and a range of other organisations with only deferred or pensioner members. The Fund is one of the largest funds within the LGPS.

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

of its operations from those of Lancashire County Council more generally it is appropriate to conduct a separate annual review of the governance arrangements of the Pension Fund and this statement sets out that review.

### **The Pension Fund's Responsibilities**

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

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

The Fund has adopted its own Governance Policy Statement in line with the relevant regulations concerning the governance of funds within the LGPS. This statement has regard to relevant standards such as the Myners' principles. The Governance Policy Statement is available through the following link:

[\*\*Governance Policy Statement\*\*](#)

In addition the operation of the Fund is subject to Lancashire County Council's Code of Corporate Governance. The County Council's Annual Governance Statement is prepared in accordance with the Framework prepared by CIPFA/Solace "Delivering Good Governance in Local Government" (2016 edition). The Framework defines the principles that should underpin the governance of each local authority.

This statement sets out both how the Pension Fund has complied with its own Governance Policy Statement and Lancashire County Council's Code of Corporate Governance and also meets the requirements of the Accounts and Audit (England) Regulations which require all relevant bodies to prepare an annual governance statement.

### **The Purpose of the Governance Framework**

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot, particularly in the investment context, eliminate all risk and can therefore only provide reasonable and not

absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Fund's objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This statement reports on the annual review of the governance framework by officers which confirms that the framework has been in place within the Pension Fund for the year ended 31 March 2017.



### **The Fund's Governance Framework**

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

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

The Fund has an established planning process focussed around the triennial actuarial review. Both the Fund and Local Pensions Partnership (LPP) have Strategic Plans which are incorporated into annual service plans for the various teams.

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

Senior managers review new and proposed legislation and the results of activities such as the triennial valuation on an ongoing basis and propose any necessary changes either to objectives and outcomes or the governance arrangements to the Pension Fund Committee.

The Pension Fund Committee meets regularly and considers the various plans and strategies developed in order to meet the strategic objectives of the Fund and to monitor progress on the delivery of the strategic objectives.

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

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

The Pension Fund Committee has approved a strategic plan for the Fund setting out specific objectives in relation to the 4 dimensions of the running of a pension fund. Many of these functions are now performed under contract by LPP and the Strategic Plan forms part of their business objectives. The overall strategic plan will continue to be monitored by the Head of Fund.

Reports on the performance of the Investment Strategy are reported to each meeting of the Pension Fund Committee. This reporting focuses not just on the performance of investments but on the scale of the Fund's liabilities.

Asset allocation strategies are as efficient as possible in providing the best returns (net of fees) for the appropriate amount of risk and an appropriate level of fees.

The administration service is now undertaken by LPP. As part of its responsibility for the Governance of the Fund the Pension Fund Committee are responsible for overseeing the administration function. To do this the Committee receives a quarterly update report on the activities of LPP. This includes amongst other things, performance against the key performance indicators set out in the legal agreements.

A programme of ongoing review of both procedures and processes is maintained and the cost of the administration service charged to the Fund is maintained below the lower quartile cost of comparable authorities as published by the Department of Communities and Local Government.

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

Much of the investment and administration functions are to be performed by LPP. These are to be provided in accordance with several legal agreements between Lancashire County Council and LPP and are to be undertaken in accordance of decisions made by the Pension Fund Committee.

Appropriate guidance documents and constitutional documents such as the Governance Policy Statement provide the basis on which the management of the Fund is undertaken within a defined framework of procedural governance. Matters reserved for the Pension Fund Committee and the Head of Fund are defined in the Governance Policy Statement and more widely in the County Council's Constitution.



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

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

**Review of the effectiveness of the Fund's decision making framework including delegation arrangements and robustness of data.**

The interaction between the Pension Fund Committee and the Investment Panel, including levels of delegation, was reviewed in 2015/16 as part of the production and approval of the new governance policy. Revisions were made to better meet the needs of the Fund in terms of effective delivery of the Investment Strategy, and this is reflected in specific reporting arrangements in relation to investment activity.

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

At the top level these requirements are set out in the Governance Policy Statement and within the County Council's Constitution. These are reviewed on a regular basis and are supported by a range of detailed materials appropriate to specific activities.

The management of risk is central to the Fund's activities and progress on the Fund's risk register especially in light of the relationship with LPP is subject to regular reports to the Committee.

The work on risk is increasing the awareness of risk in various contexts including:

- Investment and Funding Risk
- Member risk
- Operational risk
- Transition risk

**Fulfilling the core functions of an Audit Committee**

In relation to the Fund this role is performed by Lancashire County Council's Audit and Governance Committee, which conducts an annual review of its effectiveness in undertaking this role.

**The ensuring of compliance with relevant laws and regulations, internal policies and procedure and that expenditure is lawful**

The key area of compliance from an operational point of view is with the various Local Government Pension Scheme Regulations covering both the structure and benefits payable by the Fund and the investment of funds.

Compliance with the Scheme Regulations is ensured by a dedicated technical team and the use of a pension's administration system specifically designed for the LGPS.

The Fund's investments are managed in line with the relevant regulations with independent assurance in relation to compliance provided both either the Fund's or LPP's custodian. LPP is a FCA registered company and therefore has to follow strict rules over compliance and has a compliance team which is independent from the investment management team.

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

The basic system of financial control mirrors that of Lancashire County Council, and is centred on principles of appropriate segregation of duties, management supervision, delegation and accountability.

Managers undertake maintenance of and input into the system, including review and reporting of actual performance against plans and budgets in the context of investments, administration and accounting.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner.

The Fund participates in the National Fraud Initiative, previously managed by the Audit Commission and actively investigates all data matches found as a result of this process. The results of this work are reported to the Pension Fund Committee. More generally Lancashire County Council's procedures for investigating allegations of fraud and corruption apply equally to the Fund.

### **Whistle blowing and receiving and investigating complaints from the public**

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

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

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

Elected members undertake training needs analysis linked to the CIPFA Knowledge and Skills Framework. This has resulted in the provision of access to a range of specific reading material and the provision of a programme of learning opportunities targeted at specific areas of identified need. In addition prior to major decisions coming before the Pension Fund Committee topic based training relating to the decision at hand is provided.

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

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

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

The key channels of communication are:

- Newsletters for active, deferred and pensioner members;
- Campaign materials focussed around scheme changes;
- Workshops, conferences and guidance materials provided to employers
- The Fund's website, which contains an increasing transactional capability.
- An annual "brief" for Finance Directors of employer organisations providing information on the performance of the Fund and an update on specific issues of interest, such as the triennial valuation.
- An annual members meeting focussed on the performance of the fund.
- The publication of committee papers, minutes and various annual reports and policy documents on the internet.

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

The Fund is bound by Lancashire County Council's partnership protocol, which highlights the need for such arrangements to reflect good practice in terms of governance. The Fund itself has a number of "partnerships", which are largely in the form of jointly procured contracts for the provision of services for which suitable governance arrangements are in place. The main arrangement which involves the pension fund is LPP. This is a collaboration with the London Pensions Fund Authority with Lancashire County Council holding half of the shareholding in the company. For all arrangements where there is a relationship between the Fund and another organisation the Fund seeks to spell out clearly the expectations and requirements on each party, whether in contractual form where appropriate or through a form of "service level agreement" where a contract is not appropriate.

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

The Fund seeks to comply with the requirements of CIPFA's Knowledge and Skills Framework. Training is ongoing and will continue to be focussed on the needs identified through an analysis of training needs.

The Fund has, in line with the relevant LGPS regulations, taken steps to separate its banking arrangements from those of the County Council and these have been reviewed by both internal and external auditors and been seen to be satisfactory. The Fund is also continuing to develop the way in which it uses its accounting system in order to gain greater efficiency in back office operations and make tasks such as accounts preparation easier.

### Review of Effectiveness

The Pension Fund Committee is responsible for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the Head of the Pension Fund who are responsible for the delivery of the Fund's various activities, who have a responsibility for the maintenance and development of the governance environment, the Chief Internal Auditor's annual report, and also reports of the external auditor and other review agencies such as the Pensions' Regulator and Pensions' Ombudsman.

The key planned activities of the Fund during 2016/17 were:

- Working with the Fund's Actuary and engaging with the employer's throughout the valuation process to ensure that risks to the longer term sustainability of the fund and costs to employers are dealt with in a balanced and transparent manner.
- Finalise a review of the investment strategy, and in particular the Strategic Asset Allocation for the fund based on the actuarial valuation.
- A further review of the Fund's governance arrangements as the relationship with Local Pensions Partnership (LPP) becomes more established.
- A review of the effectiveness of the Local Pensions Board.
- Preparing for the injection of new committee members following the 2017 elections by designing an induction and training program.

The Committee has overseen each of these processes and has continued the Governance arrangements whereby it will delegate executive authority to officers in appropriate circumstances with effective accountability and scrutiny arrangements. This process has embedded the arrangements agreed by the Pension Fund Committee which are set out in the Governance Policy Statement.

The Investment Panel ensures that the Investment Strategy is delivered and that performance is in line with expectations. The Panel is chaired by the Head of the Pension Fund and includes the Fund's two Independent Investment Advisers. The Panel continues to operate under delegated authority from the Pension Fund Committee and it submits a quarterly report to the Committee.

Lancashire County Council's Democratic Services Team is responsible for supporting the Committee and its chair in managing Committee, Sub Committee and Investment Panel meetings. The Director of Governance, Finance and Public Services, as the County Council's Monitoring Officer, carries the same responsibilities in relation to the Fund.

The Fund's Internal Audit Service is provided by the County Council's Internal Audit Service and the Head of Internal Audit who is managerially accountable to the Director of Legal and Democratic services. The Head of Internal Audit provides both a separate annual audit plan and annual report to the Pension Fund Committee, which are subject to approval by the Committee.

The work of Internal Audit is carried out:

- In accordance with the standards set out in relevant professional guidance promulgated by CIPFA and the Institute of Internal Auditors and the requirements of International Public Sector Auditing Standards.
- Informed by an analysis of the risks to which the Fund is exposed. The Internal audit plan is developed with and agreed by the Chief Internal Auditor and the various senior managers responsible for aspects of the Fund's operations.
- During the year the Head of Internal Audit's reports include Internal Audit's opinion on the adequacy and effectiveness of the Fund's system of control.

The Head of Internal Audit's Annual Report for 2016/17 indicates that she is able to provide substantial assurance over the controls operated by the Fund.

External audit of the Fund is provided by Grant Thornton who were appointed by the Audit Commission as a consequence of being appointed as auditor for Lancashire County Council.

- The work is performed to comply with international auditing standards.
- The auditors take a risk based approach to audit planning as set out in the Code of Audit Practice. Grant Thornton will report on the audit of the Fund's financial statements.
- The audit will include a review of the system of internal control and the Annual Governance Statement within the context of the conduct of those reviews relating to the County Council.
- Grant Thornton were appointed for five years following a procurement process managed by the Audit Commission.

### **Actions Planned for 2017/18**

The following specific actions are proposed for completion during 2017/18.

- To support the new Committee especially by providing appropriate training for new members.
- Review and amend as necessary the Terminations Policy.
- To produce a new 3 year Strategic Plan.
- The Investment Panel undertake a full review of the Fund's investment strategy following the triennial funding valuation.

### **County Councillor Eddie Pope**

Chair of the Pension Fund Committee

### **Abigail Leech**

Head of Fund, Lancashire County Pension Fund

Date: 30 June 2017

### **Independent Auditor's statement to the members of Lancashire County Council on the Pension Fund financial statements included in the Lancashire County Pension Fund Annual Report**

The accompanying pension fund financial statements of Lancashire County Pension Fund for the year ended 31 March 2017 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2017 included in Lancashire County Council's ('the authority') Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 10th August 2017 .

The pension fund annual report, and the pension fund financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements is not a substitute for reading the audited Statement of Accounts of the Authority.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



**The Director of Financial Resources' responsibilities for the pension fund financial statements in the pension fund annual report**

Under the Local Government Pension Scheme Regulations 2013 the Director of Financial Resources is responsible for the preparation of the pension fund financial statements which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

**Auditor's responsibility**

Our responsibility is to state to you whether the pension fund financial statements in the pension fund annual report are consistent with the pension fund financial statements in the Authority's Statement of Accounts in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

In addition we read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists of the Management Structure, Foreword by the Chair of the Pension Fund Committee, Governance of the Fund, Administration of the Fund, Knowledge and Skills Framework, Investment Policy and Performance, Local Pension Board Annual Report and Actuarial Valuation.

**Opinion**

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2017 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

**Karen L Murray**

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

4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

15 September 2017

## Lancashire County Pension Fund

## Fund account

2015/16 £m		Note £m	2016/17
<b>Dealing with members, employers and others directly involved in the Fund</b>			
238.6	Contributions	6	245.5
5.5	Transfers in from other pension funds	7	10.9
<b>244.1</b>			<b>256.4</b>
(245.8)	Benefits	8	(261.1)
(12.5)	Payments to and on account of leavers	9	(15.7)
<b>(258.3)</b>			<b>(276.7)</b>
<b>(14.2)</b>	<b>Net withdrawals from dealings with members</b>		<b>(20.4)</b>
(45.3)	Management expenses	10	(49.6)
<b>(59.5)</b>	<b>Net withdrawals including fund management expenses</b>		<b>(70.0)</b>
<b>Returns on investments</b>			
99.1	Investment income	11	109.9
165.9	Profit and losses on disposal of investments and changes in the market value of investments	14	1,133.2
<b>265.0</b>	<b>Net return on investments</b>		<b>1,243.1</b>
<b>205.5</b>	<b>Net increase / (decrease) in the net assets available for benefits during the year</b>		<b>1,173.1</b>
5,830.7	Opening net assets of the scheme		6,036.2
6,036.2	Closing net assets of the scheme		7,209.3

**Net assets statement as  
at 31 March 2017**

31 March 2016 £m		Note	31 March 2017 £m
6,108.0	Investment assets	14	7,135.1
210.3	Cash deposits	14	56.3
(291.0)	Investment liabilities	14	-
<b>6,027.3</b>	<b>Total net investments</b>		<b>7,191.4</b>
27.7	Current assets	20	30.7
(18.8)	Current liabilities	21	(12.8)
<b>6,036.2</b>	<b>Net assets of the Fund available to fund benefits at the at the period end</b>		<b>7,209.3</b>

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 26.

This statement of accounts is that upon which the auditor should enter his certificate and opinion. It presents fairly the position of the Lancashire County Pension Fund as at 31 March 2017 and its income and expenditure for the year then ended.

**Neil Kissock**  
Director of Financial Resources

**County Councillor Alan Schofield**  
Chair of Audit and Governance Committee

## Notes to the Financial Statements

### 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 published accounts show that in 2016/17 cash inflows during the year were £366.3 million and cash outflows were £326.4 million, representing a net cash inflow of £39.9 million (compared with an inflow of £39.6million in the previous year). Benefits payable amounted to £261.1 million and were offset by net investment income of £109.9 million, contributions of £245.5 million and transfers in of £10.9 million.

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 2016/17 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) regulations.

### 1.1 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.

The Fund is a contributory defined benefit pension scheme administered by Lancashire County Council to provide pensions and other benefits for pensionable employees of Lancashire County Council, the district councils in Lancashire and a range of other scheduled and admitted bodies within the county area. 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 fourteen County Councillors and seven voting co-optees representing the further and higher education sectors, the Lancashire borough, district and city councils, Blackburn with Darwen Council, Blackpool Council and trade unions.

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

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

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

[Your Pension Service - Lancashire Fund Information.](#)

The investments of the Fund are managed by external investment managers, including the Local Pensions Partnership (LPP), a joint venture established with effect from 8 April 2016 and owned, in equal shares, by Lancashire County Council and the London Pension Fund Authority (LPFA). LPP manages the administration and investment functions on behalf of the two partner authorities.

The administration and investment management staff involved in the operation of the two funds transferred to the new organisation on 8 April 2016 and the investment operations within the company received regulatory approval from the Financial Conduct Authority on 11 April 2016.

### 1.2 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.



There are 413 employer organisations (2015/16: 369 employer organisations) within Lancashire County Pension Fund including the County Council itself, of which 287 have active members (2015/16: 261) as detailed below:

31 March 2016		31 March 2017
	<b>Lancashire County Pension Fund</b>	
369	Total number of employers	413
261	Number of employers with active members	287
	<b>Number of active scheme members</b>	
27,106	County Council	26,416
29,223	Other employers	29,499
<b>56,329</b>	<b>Total</b>	<b>55,915</b>
	<b>Number of pensioners</b>	
22,414	County Council	23,141
22,093	Other employers	23,012
<b>44,507</b>	<b>Total</b>	<b>46,153</b>
	<b>Number of deferred pensioners</b>	
33,253	County Council	34,668
28,377	Other employers	30,573
<b>61,630</b>	<b>Total</b>	<b>65,241</b>
<b>162,466</b>	<b>Total membership</b>	<b>167,309</b>

### 1.3 Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5 % to 12.5% of pensionable pay for the financial year ending 31 March 2017. Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016 for the three years commencing 1 April 2017.

#### 1.4 Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service, as detailed in the following summary:

	Service Pre 1 April 2008	Service post 31 March 2008	Service post 1 April 2014
<b>Pension</b>	Each year worked is worth 1/80 x final pensionable salary.	Each year worked is worth 1/60 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).
<b>Lump Sum</b>	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.

#### 2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the financial year and its position as at 31 March 2017. The accounts have been prepared in accordance with the *Code of Practice on Local Authority Accounting in United Kingdom 2016/17* 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.

The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in note 26 to these accounts.



### **2.1 Accounting standards issued but not yet adopted**

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, 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 2017 but not yet adopted by the Code.

The Fund has adopted CIPFA guidance on management expenses since 2014/15 when the guidance was introduced. The 2017/18 Code is expected to mandate the current guidance and no material change to the Fund accounts is expected.

The Fund provides a breakdown of pension fund management expenses across three categories: investment management expenses, pension scheme administration costs and oversight and governance expenses. This information can be found in note 10 and further information is provided in accounting policies 3.2.3 to 3.2.6.

The 2017/18 Code of Practice will also amend the reporting of investment asset concentration for pension funds and will require disclosure of any single investment exceeding either 5% of the net assets available for benefits or 5% of any class or type of security. This is consistent with the approach taken in the Financial Reports of Pension Schemes – A Statement of Recommended Practice 2015'. No material impact on the accounts of the Fund is expected.

## **3. Accounting policies**

### **3.1 Fund Account - revenue recognition**

#### **3.1.1 Contribution income**

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis. Member contributions are in accordance with the LGPS Regulations 2013 and employer contributions are at the percentage rate recommended by the scheme actuary, in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary. Any receipts in advance are accounted for as accrued income.

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.

#### **3.1.2 Transfers to and from other schemes**

Transfer values represent amounts received and paid during the period for individual members who have either joined or left the Fund during the financial year and are calculated in accordance with Local Government Pension Scheme Regulations 2013.

Individual transfers in/out are accounted for when received/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.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

### **3.1.3 Investment income**

#### **3.1.3.1 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.

#### **3.1.3.2 Dividend income**

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

#### **3.1.3.3 Distribution from pooled funds**

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

#### **3.1.3.4 Property related income**

Property-related income consists primarily of rental income.

Rental income from operating 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.

Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

#### **3.1.3.5 Movement in the net market value of investments**

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

### **3.2 Fund account – expense items**

#### **3.2.1 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.

### 3.2.2 Taxation

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

### 3.2.3 Management expenses

The code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with the CIPFA guidance "Accounting for Local Government Pension Scheme Management Expenses (2016)".

- 3.2.4 – Administrative expenses
- 3.2.5 – Oversight and governance costs
- 3.2.6 – Investment management expenses

### 3.2.4 Administrative expenses

Administration expenses consist of the following:

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

All administrative expenses are accounted for on an accruals basis.

### 3.2.5 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 pensions 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 oversight and governance expenses are accounted for on an accruals basis. All 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.

### 3.2.6 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 and any fees payable to fund managers which are deducted from fund assets. 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.

Fees of the external investment managers, Local Pensions Partnership and custodian 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.

The fund has negotiated with a number of managers that an element of their fee be performance related.

Where an investment manager's fee note has not been received by the net assets statement date, an estimate based upon the market value of their mandate as at the end of the year is used for the inclusion in the fund account. In 2016/17, £7.1m of fees is based on such estimates (2015/16: £4.7m).

### 3.3 Net assets statement

#### 3.3.1 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).

#### 3.3.2 Freehold and leasehold properties

The properties were valued at open market value at 31 March 2017 by independent property valuers GVA Grimley Limited in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The valuer's opinion of market value and existing use value was primarily derived using comparable recent market transactions on arms-length terms.

### 3.3.3 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, market values of 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.

### 3.3.4 Derivatives

The Fund has used derivative financial instruments to manage its exposure to specific risks arising from its investment activities. These have been valued using appropriate market information. The Fund does not hold derivatives as at 31 March 2017.

Derivatives were previously held in relation to the equity portfolio which is no longer a direct investment of the Fund. Any derivatives in respect of the pooled equity investments will sit within the pools and are not recorded as separate assets or liabilities of the Fund.

Until the transition of equities to the LPPI Global Equity Fund, derivative contract assets were fair valued at bid prices and liabilities were fair valued at offer prices. Changes in fair value of derivative contracts are included in change in market value.

As at 31 March 2016, the future value of forward currency contracts was based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

### 3.3.5 Loans and receivables

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

The Fund's loans and receivables comprise of trade and other receivables and cash deposits.

### 3.3.6 Cash and cash equivalents

Cash comprises 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.

### 3.3.7 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 by the Fund.

### 3.3.8 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 IAS19 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 26).

### **3.3.9 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 Pension Fund. The AVC providers to the Pension Fund are Equitable Life and Prudential. 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 as a note only (note 19).

### **3.3.10 Securities lending**

During the year, all equities were transitioned into the LPP Global Equities Pool. Securities lending by Northern Trust, the Fund's custodian, effectively ended on transition. Until this date, Northern Trust were authorised to release stock to a third party under stock lending arrangements up to the statutory limits for this activity.

Any income from securities lending within the LPP Global Equities Pool will be reinvested within the pool.

Note 13 provides details of stock lending income and average on loan value during the period to transition of equities.

## **4. Critical judgements in applying accounting policies**

### **4.1 Unquoted private equity and infrastructure investments**

It is important to recognise the highly subjective nature of determining the fair value of private equity and infrastructure investments. They are inherently based on forward looking estimates and judgements involving many factors. Unquoted private equities and infrastructure investments are valued by the investment managers using the International Private Equity and Venture Capital Valuation Guidelines 2012.

### **4.2 Pension Fund liability**

The Pension Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 26. This estimate is subject to significant variances based on changes to the underlying assumptions.

## 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 amounts reported for assets and liabilities at the net assets statement date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could be materially different from the assumptions and estimates.

The items in the net assets statement at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

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 2012 or equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The market value of private equity and infrastructure investments in the financial statements totals £1,421.8 m.  There is a risk that these investments might be under or overstated in the accounts.
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 comprise level three assets whose valuations involve a degree of management judgement.	The market value of long-term credit investments in the financial statements (excluding the loan to Heylo Housing listed separately below) totals £1,591.6m.  There is a risk that these investments might be under or overstated in the accounts.
Loans secured on real assets	The Heylo Housing Trust loans are held at the best estimate of market value. The value is based on long term expectations of interest rates, inflation and credit spreads in the housing association sector. Exact market benchmarks for these estimates may not be easily observable.	The market value of housing authority loans to Heylo Housing totals £138.6m in the financial statements.  There is a risk that this may be under or overstated.
Indirect property valuations	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 £99.4m.  There is a risk that these investments may be under or overstated in the accounts.
Actuarial present value of retirement benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Mercers) is engaged to provide the authority with expert advice about the assumptions to be applied.	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 £450m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £150m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £240m.



## 6. Contributions receivable

2015/16 £m	By Category	2016/17 £m
54.9	Members	55.5
<b>Employers:</b>		
122.4	Normal contributions	124.5
49.0	Deficit recovery contributions	48.5
12.3	Augmentation contributions	17.0
<b>183.7</b>	<b>Total employers contributions</b>	<b>190.0</b>
<b>238.6</b>		<b>245.5</b>
<b>By Authority</b>		
104.2	County Council	109.5
113.2	Scheduled bodies	114.7
21.2	Admitted bodies	21.3
<b>238.6</b>		<b>245.5</b>

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

Within the employee contributions figure for 2016/17, £0.3m is voluntary and additional regular contributions (2015/16: £0.4m).

## 7. Transfers in from other Pension Funds

2015/16 £m		2016/17 £m
5.5	Individual transfers in from other schemes	10.9
<b>5.5</b>		<b>10.9</b>

## 8. Benefits payable

2015/16 £m	By Category	2016/17 £m
200.2	Pensions	207.3
40.5	Commutation and lump sum retirement benefits	48.2
5.1	Lump sum death benefits	5.6
<b>245.8</b>		<b>261.1</b>
<b>By Authority</b>		
107.2	County Council	113.3
120.4	Scheduled bodies	128.6
18.2	Admitted bodies	19.2
<b>245.8</b>		<b>261.1</b>

## 9. Payments to and on accounts of leavers

2015/16 £m		2016/17 £m
0.7	Refunds to members leaving service	0.7
11.2	Individual transfers	14.4
0.6	Group transfers	0.6
<b>12.5</b>		<b>15.7</b>

## 10. Management expenses

2015/16 £m		2016/17 £m
4.1	Fund administrative costs	3.2
32.5	Investment management expenses <sup>1</sup>	42.7
8.7	Oversight and governance costs <sup>2</sup>	3.7
<b>45.3</b>		<b>49.6</b>

<sup>1</sup> Included within investment management expenses for the year ended 31 March 2017 are costs of the transition of equities to the LPP Global Equities Fund, paid to the transition manager and amounting to £2.0m.

<sup>2</sup> Oversight and governance costs above include external audit fees which amounted to £34,169 (2015/16: £34,169)

## 10.1 Investment management expenses

2015/16 £m		2016/17 £m
1.5	Transaction costs	1.6
27.9	Fund value based management fees <sup>1</sup>	31.8
-	Cost of global equities transition	2.0
2.9	Performance related fees	7.1
0.2	Custody fees	0.2
<b>32.5</b>		<b>42.7</b>

<sup>1</sup> Fund value based management fees include costs invoiced directly to the Fund by investment managers and fees accounted for by investment managers within net asset value and recognised in the fund account in accordance with CIPFA 2016 guidance on accounting for local government pension scheme management expenses. 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.

## 11. Investment income

2015/16 £m		2016/17 £m
3.3	Fixed interest securities	1.4
41.6	Equity dividends	32.0
1.1	Index linked securities	1.5
15.2	Pooled investment vehicles	34.1
7.1	Pooled property investments	11.2
29.2	Net rents from properties	28.2
0.5	Interest on cash deposits	0.7
1.1	Other	0.8
<b>99.1</b>	<b>Total before taxes</b>	<b>109.9</b>

## 12. Property income

2015/16 £m		2016/17 £m
32.3	Rental income	31.3
(3.1)	Direct operating expenses	(3.1)
<b>29.2</b>	<b>Net income</b>	<b>28.2</b>

## 13. Stock lending

Northern Trust the Fund's custodian, are authorised to release stock to a third party under stock lending arrangements up to the statutory limits for this activity. Stock lending by Northern Trust ceased when all directly held equities were transitioned into the LPP Global Equities Pool. Stock lending income to the date of transition was £0.8m (2015/16: £1.5m).

There were no directly held securities on loan at 31 March 2017. The average on loan value, wholly comprised of equities, for the period to transition was £67.8m. Assets on loan at 31 March 2016 consisted of £76.2m equities.

Any income from securities lending within the LPP Global Equities Pool will be reinvested within the pool.

## 14. Reconciliation of movements in investments and derivatives

2016/17

	Market value as at 1 April 2016	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value <sup>3</sup>	Market value as at 31 March 2017
	£m	£m	£m	£m	£m
Fixed interest securities	123.1	189.5	(190.5)	10.1	132.2
Equities <sup>1</sup>	2,069.9	1,867.8	(4,358.0)	420.3	-
Index linked securities	63.7	125.1	(66.7)	5.0	127.1
Pooled investment vehicles <sup>2</sup>	2,855.0	3,396.3	(780.0)	665.4	6,136.7
Pooled property investments <sup>2</sup>	80.6	13.2	0.0	5.6	99.4
Direct property	608.1	95.2	(104.5)	38.2	637.0
	<b>5,800.4</b>	<b>5,687.1</b>	<b>(5,499.7)</b>	<b>1,144.6</b>	<b>7,132.4</b>
Derivatives Contracts:					
Forward currency contracts asset value	294.5				-
Forward currency contracts liability value	(291.0)				-
<b>Forward currency contracts</b>	<b>3.5</b>	<b>47.7</b>	<b>(13.2)</b>	<b>(38.0)</b>	<b>-</b>
Other investment balances:					
Cash deposits	210.3				56.3
Investment accruals	13.1				2.7
<b>Net Investment assets</b>	<b>6,027.3</b>				<b>7,191.4</b>

<sup>1</sup> All direct equity holdings were transitioned into the Local Pensions Partnership Global Equities Pool with effect from 1 November 2016.

<sup>2</sup> The value of pooled property investments was previously included within total pooled investment vehicles. Pooled investment vehicles includes the LPP Global Equities Pool.

<sup>3</sup> The change in market value of net investment assets disclosed above is included in the total profit and loss on disposal of investments and change in market value of investments reported on the face of the Fund account. £1,133.2m on the face of the Fund account also includes profits and losses on disposals and the change in market value of derivative contracts.

## 14. Reconciliation of movements in investments and derivatives

2015/16

	Market value as at 1 April 2015 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Market value as at 31 March 2016 £m
Fixed interest securities	148.8	103.2	(126.8)	(2.1)	123.1
Equities <sup>1</sup>	2,000.7	377.7	(347.6)	39.1	2,069.9
Index linked securities	317.9	865.0	(1,115.5)	(3.7)	63.7
Pooled investment vehicles <sup>2</sup>	2,697.1	918.5	(842.6)	82.0	2,855.0
Pooled property investments <sup>2</sup>	43.0	31.9	-	5.7	80.6
Direct property	531.4	84.4	(52.6)	44.9	608.1
	<b>5,738.9</b>	<b>2,380.7</b>	<b>(2,485.1)</b>	<b>165.9</b>	<b>5,800.4</b>
Derivative Contracts:					
Forward currency contracts asset value	632.4				294.5
Forward currency contracts liability value	(629.6)				(291.0)
<b>Forward currency contracts</b>	<b>2.8</b>	<b>24.9</b>	<b>(12.6)</b>	<b>(11.6)</b>	<b>3.5</b>
Other investment balances:					
Cash deposits	60.0				210.3
Investment accruals	11.7				13.1
<b>Net investment assets</b>	<b>5,813.5</b>				<b>6,027.3</b>

<sup>1</sup> All direct equity holdings were transitioned into the Local Pensions Partnership Global Equities Pool with effect from 1 November 2016.

<sup>2</sup> The value of pooled property investments was previously included within total pooled investment vehicles.

## Investments analysed by manager

31 March 2016				31 March 2017	
£m	%			£m	%
<b>Public equity</b>					
733.3	12.1%	Baillie Gifford	-	-	-
350.1	5.8%	MFS	-	-	-
324.6	5.4%	Morgan Stanley	-	-	-
209.7	3.5%	NGAM	-	-	-
496.0	8.2%	Robeco	-	-	-
234.5	3.9%	AGF	-	-	-
251.2	4.2%	MFG (Magellan)	-	-	-
<b>2,599.4</b>	<b>43.1%</b>		-	-	-
<b>Private equity</b>					
336.5	5.6%	Capital Dynamics	452.7	6.3%	
11.7	0.2%	Standard Life	28.2	0.4%	
<b>348.2</b>	<b>5.8%</b>		<b>480.9</b>	<b>6.7%</b>	







31 March 2016			31 March 2017	
£m	%		£m	%
Long term credit investments				
56.0	0.9%	Ares Institutional	-	-
74.5	1.2%	Babson	-	-
73.0	1.2%	Hayfin	52.4	0.7%
0.0	0.0%	Highbridge	0.0	0.0%
4.9	0.1%	Kreos	33.8	0.5%
5.9	0.1%	Muzinich Private Debt Fund	17.6	0.2%
47.3	0.8%	Permira Credit Solutions	76.6	1.1%
57.0	0.9%	THL	-	-
18.4	0.3%	White Oak	68.8	1.0%
83.6	1.4%	Heylo Housing	138.6	1.9%
214.6	3.5%	Prima	256.8	3.6%
83.0	1.4%	Venn Commercial Real Estate	83.7	1.2%
11.4	0.2%	Westmill	10.9	0.2%
125.0	2.1%	Bluebay	132.5	1.8%
60.0	1.0%	HSBC	71.5	1.0%
83.1	1.4%	Investec	101.7	1.4%
134.0	2.2%	Pictet	159.6	2.2%
89.2	1.5%	CRC	152.5	2.1%
53.0	0.9%	EQT	51.2	0.7%
109.9	1.8%	MFO King Street	128.4	1.8%
52.4	0.9%	Monarch	67.0	0.9%
54.0	0.9%	Neuberger Berman	61.9	0.9%
47.6	0.8%	Pimco Bravo	64.8	0.9%
<b>1,537.8</b>	<b>25.5%</b>		<b>1,730.2</b>	<b>24.1%</b>



31 March 2016			31 March 2017	
£m	%		£m	%
Liquid credit (cash and bonds)				
283.8	4.7%	Local Pensions Partnership and LCC Treasury Management	135.2	1.9%
<b>283.8</b>	<b>4.7%</b>		<b>135.2</b>	<b>1.9%</b>
Global equity funds				
-	-	Local Pensions Partnership	3,168.2	44.1%
-	-		<b>3,168.2</b>	<b>44.1%</b>
Infrastructure				
62.6	1.0%	Arclight Energy	95.7	1.3%
66.4	1.1%	Capital Dynamics Cape Byron	85.7	1.2%
31.7	0.5%	Capital Dynamics Clean Energy	31.1	0.4%
76.0	1.3%	Capital Dynamics Red Rose	60.5	0.8%
0.7	0.0%	Capital Dynamics US Solar	-	-
9.6	0.2%	EQT Infrastructure	26.6	0.4%
34.3	0.6%	Global Infrastructure Partners	60.3	0.8%
70.4	1.1%	Guild Investments Ltd	130.1	1.8%
0.0	0.0%	GLIL Infrastructure	42.6	0.6%
35.2	0.6%	Highstar Capital	61.5	0.9%
34.0	0.6%	Icon Infrastructure	69.8	1.0%
7.5	0.1%	ISQ Global Infrastructure	101.3	1.4%
135.9	2.3%	Madrilena Red de Gas (MRG)	146.6	2.0%
5.2	0.1%	Stonepeak Infrastructure	28.9	0.4%
<b>569.5</b>	<b>9.5%</b>		<b>940.6</b>	<b>13.1%</b>



31 March 2016			31 March 2017		
£m		%	£m		%
Property					
608.1	10.1%	Knight Frank	637.0	8.9%	
30.4	0.5%	Gatefold Hayes	33.4	0.5%	
14.0	0.2%	Kames Target	25.0	0.4%	
36.1	0.6%	M&G Europe fund	41.0	0.6%	
688.6	11.4%		736.4	10.2%	
6,027.3	100.0%		7,191.4	100.0%	

**Fixed interest securities**

31 March 2016		31 March 2017
£m		£m
85.3	UK corporate bonds quoted	20.9
0.0	Overseas public sector	13.6
37.8	Overseas corporate bonds quoted	97.7
<b>123.1</b>		<b>132.2</b>

**Equities**

31 March 2016		31 March 2017
£m		£m
191.3	UK quoted	-
1,878.6	Overseas quoted	-
<b>2,069.9</b>		<b>-</b>

**Index linked securities**

31 March 2016 £m	31 March 2017 £m
63.7	UK quoted 127.1
<b>63.7</b>	<b>127.1</b>

**Direct property investments**

31 March 2016 £m	31 March 2017 £m
515.7	UK – freehold 538.8
92.4	UK – long leasehold 98.2
<b>608.1</b>	<b>637.0</b>

**Pooled investment vehicles**

31 March 2016 £m	UK managed funds:	31 March 2017 £m
60.0	Fixed income funds	71.5
88.6	Private equity	79.5
107.7	Infrastructure	136.1
173.1	Long term credit investments	189.6
44.5	Property funds	58.3
<b>Overseas managed funds:</b>		
1,097.3	Fixed income funds	1,125.1
259.6	Private equity	401.4
461.8	Infrastructure	761.8
120.6	Long term credit investments	204.1
485.7	Equity funds	3,168.2
0.6	Cash funds	0.0
36.1	Property funds	41.0
<b>2,935.6</b>		<b>6,236.1</b>

### 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 as follows.

31 March 2016*		31 March 2017
£m		£m
<b>531.4</b>	<b>Opening balance</b>	<b>608.1</b>
66.4	Purchases	27.6
15.7	New construction	23.1
2.3	Subsequent expenditure	44.5
(52.6)	Disposals	(104.5)
44.9	Net increase in market value	38.2
<b>608.1</b>	<b>Closing balance</b>	<b>637.0</b>

\*Comparatives as at 31 March 2016 have been restated to disclose new construction and subsequent expenditure separately rather than include within the purchases figure.



### Operating leases

The Fund leases out property under operating leases.

The future minimum lease payments receivable under non-cancellable leases in future years are:

2015/16 £m		2016/17 £m
29.5	Leases expiring in the following year	32.3
87.0	Leases expiring in 2 to 5 years	101.5
87.6	Leases expiring after 5 years	106.0
<b>204.1</b>	<b>Total future minimum lease payments receivable under existing non-cancellable leases</b>	<b>239.8</b>

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.

The income is contractually secured against a wide range of tenants who in turn operate in a range of market sectors. Income is generally reviewed to market rent five yearly, and there is also an element of the portfolio income that is indexed or has fixed uplifts (generally being in the range of 2-4% per annum). The portfolio also features a number of vacant properties for which the future income depends on the terms agreed by tenants, and the investment manager is working with letting agents to fill these voids.

### Cash deposits

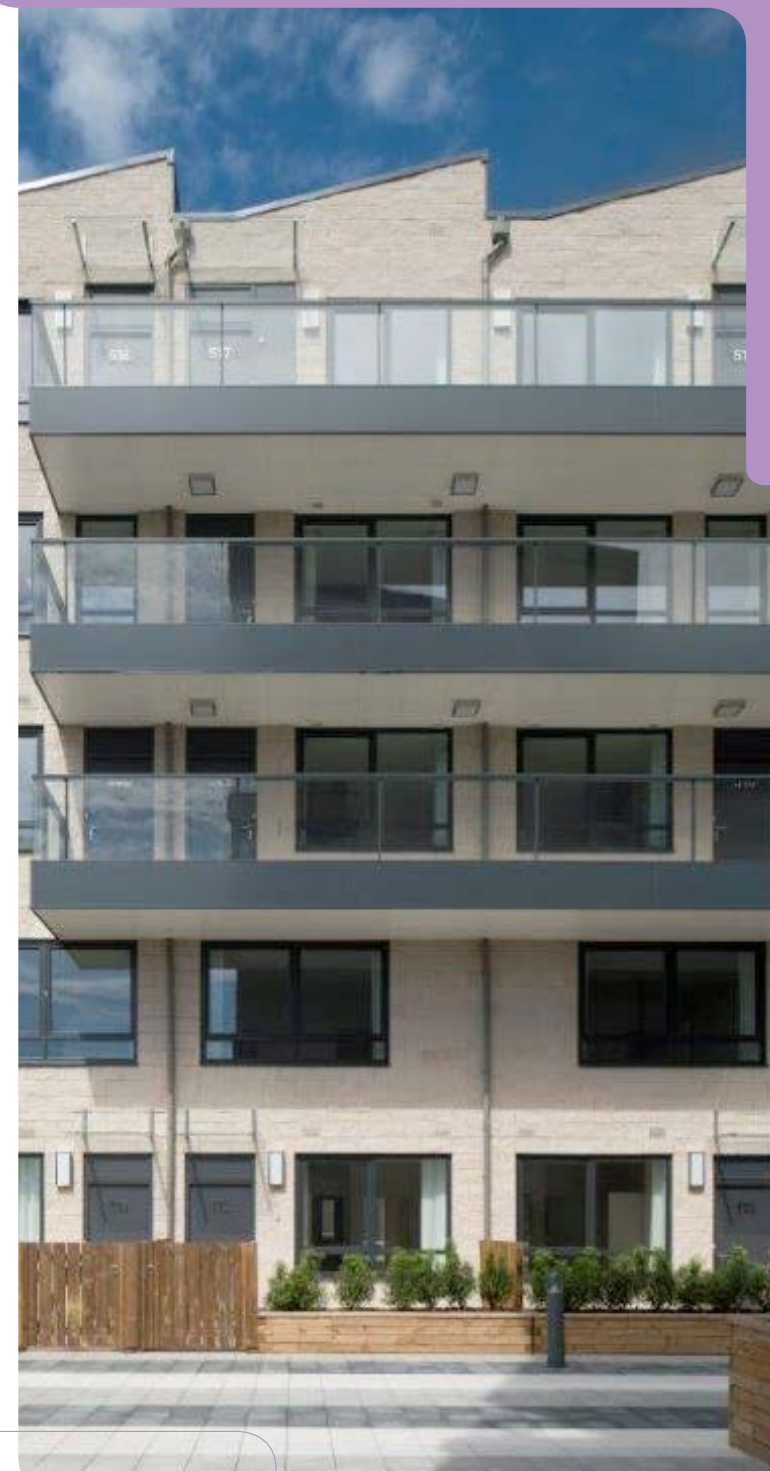
31 March 2016 £m		31 March 2017 £m
114.9	Sterling	18.2
95.4	Foreign currency	38.1
<b>210.3</b>		<b>56.3</b>

## 15. Financial instruments classification

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

**31 March 2017**

	Fair value through profit or loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m
<b>Financial assets</b>			
Fixed interest securities	132.2		
Index linked securities	127.1		
Pooled investment vehicles	6,136.8		
Pooled property investments	99.4		
Cash deposits		56.3	
Investment accruals	2.6		
Debtors		30.7	
<b>Total financial assets</b>	<b>6,498.1</b>	<b>87.0</b>	
<b>Financial liabilities</b>			
Creditors			12.8
<b>Total financial liabilities</b>			<b>12.8</b>



**31 March 2017**

	Fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost
	£m	£m	£m
<b>Financial assets</b>			
Fixed interest securities	123.1		
Equities	2,069.9		
Index linked securities	63.7		
Pooled investment vehicles	2,935.6		
Derivative contracts	294.5		
Cash deposits		210.3	
Investment accruals	13.1		
Debtors		27.7	
<b>Total financial assets</b>	<b>5,499.9</b>	<b>238.0</b>	
<b>Financial liabilities</b>			
Derivative contracts	291.0		
Creditors			18.8
<b>Total financial liabilities</b>	<b>291.0</b>		<b>18.8</b>

## 16. Net gains and losses on financial instruments

The net gain on financial assets at fair value through profit and loss was £1,133.2 (2015/16: £165.9m after adjusting for directly owned property).

## 17. Financial instruments - fair value hierarchy

### 17.1 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.



**17.1.1 Level 1**

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Examples include quoted equity investments, including those held in the LPP I Global Equity Fund, unit trusts, UK pooled fixed income funds, overseas pooled fixed income funds, UK and overseas quoted fixed interest securities. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

**17.1.2 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. Such instruments include bonds secured on affordable housing assets. The technique for valuing these assets is independently verified.

The bonds secured on affordable housing assets are based on long term expectations of interest rates, inflation and credit spreads in the housing association sector.

**17.1.3 Level 3**

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

The values of the investment in private equity and infrastructure are based on valuations provided to 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. 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.

The value of the overseas indirect property fund investment is based on valuations provided to the overseas indirect property fund in which Lancashire County Pension Fund has invested. These valuations are at the current open market value, as defined by the RICS Appraisal and Valuation Standards. These valuations are performed monthly.

#### 17.1.4 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.

Loans and receivables are excluded from this table as they are held at amortised cost.

##### 31 March 2017

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial assets at fair value through profit and loss	3,549.9	158.7	2,789.5	6,498.1
Non-financial assets at fair value through profit and loss (property holdings)		637.0		637.0
<b>Net investment assets</b>	<b>3,549.9</b>	<b>795.7</b>	<b>2,789.5</b>	<b>7,135.1</b>

##### 31 March 2016\*

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial assets at fair value through profit and loss	3,341.1	245.6	1,913.2	5,499.9
Non-financial assets at fair value through profit and loss (property holdings)*		608.1		608.1
Financial liabilities at fair value through profit and loss	(291.0)			(291.0)
<b>Net investment assets</b>	<b>3,050.1</b>	<b>853.7</b>	<b>1,913.2</b>	<b>5,817.0</b>

\*The information for 2015/16 has been restated from the audited 2015/16 accounts to include investments in directly held property as a result of changes to the Code.



**17.1.5 Basis of valuation**

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting the valuations provided
Equity funds	Level 1	Unadjusted quoted bid market prices.	Not required.	Not required.
Fixed income funds	Level 1	Unadjusted market values based on current yields.	Not required.	Not required.
Corporate and overseas government bonds	Level 2	Market approach – active ‘over the counter’ markets.	Corroborative indicative quotes, interest rates, inflation.	Not required.
Direct property holdings	Level 2	Valuation performed by independent professional valuers GVA Grimley in accordance with RICS valuation standards (9th edition).	Comparable recent market transactions on arm’s length terms; general changes in property market prices; rental growth; vacant properties.	Not required.
Pooled property investments	Level 3	Current open market value in accordance with RICS Appraisal and Valuation Standards.	Unobservable fund net asset value.	Ability to exit fund; market opinion; general market movements.
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 2012 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.

### 17.1.6 Reconciliation of fair value measurements within level 3

	Financial assets at fair value through profit and loss £m
<b>Market value 1 April 2016</b>	<b>1,913.2</b>
Purchases during the year and derivative payments	878.4
Sales during the year and derivative receipts	(364.2)
Unrealised gains	290.8
Realised gains	71.3
<b>Market value 31 March 2017</b>	<b>2,789.5</b>

## 18. Nature and extent of risks arising from financial instruments

### 18.1 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.

### 18.2 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.



### 18.3 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. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

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.

#### 18.3.1 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 2016/17 reporting period.

Asset type	Potential market movements (+/-)
Total bonds (including index linked)	6.4%
Total equities	9.6%
Alternatives	6.4%
Total property	2.4%

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 2017 £m	Percentage change %	Value on increase £m	Value on decrease £m
Investment portfolio assets:				
Total bonds (including index linked)	1,433.1	6.4%	1,524.8	1,341.4
Total equities	3,649.1	9.6%	3,999.4	3,298.8
Alternatives	1,313.8	6.4%	1,397.9	1,229.8
Total property	736.4	2.4%	746.7	726.1
<b>Total assets available to pay benefits</b>	<b>7,132.4</b>		<b>7,676.2</b>	<b>6,588.6</b>

Asset type	31 March 2016 £m	Percentage change %	Value on increase £m	Value on decrease £m
Investment portfolio assets:				
Total bonds (including index linked)	1,233.0	6.4%	1,311.9	1,154.1
Total equities	2,902.9	9.6%	3,181.6	2,624.2
Alternatives	975.7	6.4%	1,038.1	913.3
Total property	688.8	2.4%	705.3	672.3
<b>Total assets available to pay benefits</b>	<b>5,800.4</b>		<b>6,236.9</b>	<b>5,363.9</b>



### 18.4 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 2017 and 31 March 2016 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

31 March 2016 £m	Asset type	31 March 2017 £m
210.3	Cash and cash equivalents	56.3
<b>210.3</b>	<b>Total</b>	<b>56.3</b>

#### 18.4.1 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 +/- 100 BPS change in interest rates:

Asset type	Change in year in net assets available to pay benefits		
	31 March 2017 £m	+100BPS £m	-100BPS £m
Cash and cash equivalents	56.3	0.6	(0.6)
<b>Total change in assets available</b>	<b>56.3</b>	<b>0.6</b>	<b>(0.6)</b>

Asset type	Change in year in net assets available to pay benefits		
	31 March 2016 £m	+100BPS £m	-100BPS £m
Cash and cash equivalents	210.3	2.1	(2.1)
<b>Total change in assets available</b>	<b>210.3</b>	<b>2.1</b>	<b>(2.1)</b>

## 18.5 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 £.

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 2017 and as at the previous year end:

31 March 2016 £m	Currency exposure – asset type	31 March 2017 £m
850.9	Overseas bonds (including index linked)	1,071.4
2,622.9	Overseas equities	3,569.6
868.0	Overseas alternatives	1,101.9
36.1	Overseas property	41.0
<b>4,377.9</b>	<b>Total overseas assets</b>	<b>5,783.9</b>

### 18.5.1 Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisers, 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 adviser'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 (2015/16 6.1%).

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	31 March 2017 £m	Change in year in net assets available to pay benefits	
		+6.1% £m	-6.1% £m
Overseas bonds (including index linked)	1,071.4	3,787.3	3,351.8
Overseas equities	3,569.6	1,136.7	1,006.0
Overseas alternatives	1,101.9	1,169.1	1,034.6
Overseas property	41.0	43.5	38.5
<b>Total change in assets available</b>	<b>5,783.9</b>	<b>6,136.6</b>	<b>5,431.0</b>

Currency Exposure - Asset Type	31 March 2016 £m	Change in year in net assets available to pay benefits	
		+6.1% £m	-6.1% £m
Overseas bonds (including index linked)	850.9	902.8	799.0
Overseas equities	2,622.9	2,782.9	2,462.9
Overseas alternatives	868.0	920.9	815.0
Overseas property	36.1	38.3	33.9
<b>Total change in assets available</b>	<b>4,377.9</b>	<b>4,644.9</b>	<b>4,110.8</b>

### 18.6 Credit risk

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

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

Contractual credit risk is represented by the net payment or receipts that remain outstanding, and the cost of replacing the derivatives position in the event of a counterparty default.

The residual risk is minimal due to the various insurance policies held by the exchanges to cover defaulting counterparties.

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

Deposits are not made with banks and financial institutions unless they are rated independent and meet the Fund's credit criteria.

The Fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.

The Fund's cash holding under its treasury management arrangements at 31 March 2017 was £56.3m (31 March 2016: £210.3m.)

This was held with the following institutions:

31 March 2016 £m	Summary	Rating	31 March 2017 £m
	Bank deposit accounts		
154.8	Northern Trust	A1+	47.9
55.4	Svenska Handelsbanken	A1+	8.4
	Bank current accounts		
0.1	NatWest	A3	-
<b>210.3</b>	<b>Total</b>		<b>56.3</b>

### 18.7 Liquidity risks

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.

All financial liabilities at 31 March 2017 are due within one year.

## 19. Additional voluntary contributions (AVC'S)

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 Equitable Life and Prudential is shown below. (This summary has not been subject to Audit and the Pension Fund relies on the individual contributors to check deductions made on their behalf are accurately reflected in the statements provided by the AVC providers). The figures relate to the financial year 1 April 2016 to 31 March 2017 for Prudential and 1 September 2015 to 31 August 2016 for Equitable Life 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*.

	Equitable Life £m	Prudential £m	Total £m
<b>Value At Start of the Year</b>	<b>0.8</b>	<b>22.0</b>	<b>22.8</b>
Income (incl. contributions, bonuses, interest & transfers in)	0.0	7.0	7.0
Expenditure (incl. benefits, transfers out & change in market value)	(0.1)	(4.7)	(4.8)
<b>Value at the end of the year</b>	<b>0.7</b>	<b>24.3</b>	<b>25.0</b>

## 20. Current assets

31 March 2016 £m		31 March 2017 £m
13.9	Contributions due – employers	14.1
4.6	Contributions due – members	4.6
9.2	Debtors	12.0
<b>27.7</b>		<b>30.7</b>

31 March 2016 £m	Analysis of debtors	31 March 2017 £m
14.9	Other local authorities	14.6
12.8	Other entities and individuals	16.1
<b>27.7</b>		<b>30.7</b>

## 21. Current liabilities

31 March 2016		31 March 2017
£m		£m
1.1	Unpaid benefits	5.7
17.7	Accrued expenses	7.1
<b>18.8</b>		<b>12.8</b>

31 March 2016	Analysis of creditors	31 March 2017
£m		£m
2.1	Other local authorities	5.0
16.7	Other entities and individuals	7.8
<b>18.8</b>		<b>12.8</b>

## 22. Contractual commitments

As at 31 March 2017 the commitments relating to outstanding call payments due to unquoted limited partnership funds held in the venture capital and infrastructure part of the portfolio totalled £663.4m (2016: £665.3m). The amounts 'called' by these funds are irregular in both size and timing and commitments to these partnerships are drawn down over a number of years. The term of an individual investment can be up to 10 years. Realisation of these investments in the form of distributions normally occurs towards the end of the investment period, when portfolio companies have built value and can be liquidated.

Commitments to outstanding call payments due to certain credit strategies stood at £390.7m (2016: £497.2m). The majority of these amounts are expected to be called over the coming two years and relate to various different investments including direct lending and distressed credit opportunities which are expected to begin repaying capital after 5 years.

In order to maintain a steady level of investment in the long term, the Fund will enter into further commitments to fund this type of strategy over the coming years.

The commitments on direct property development contracts relating to properties under construction held in the direct property part of the portfolio totalled £24.6m (2016: £19.9m). These amounts are expected to be drawn down over the next 12 months based on valuation certificates.

The commitment on indirect property of £0.6m (2016: £13.8m). These amounts are expected to be drawn down over the next few months.

## 23. 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.

### 23.1 Lancashire County Council

The Lancashire County Pension Fund is administered by Lancashire County Council. Consequently, there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £0.4 m (2015/16: £3.7m) 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 £87.0m to the fund in 2016/17 (2015/16: £81.4m). 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, scheme administration expenses, employer risk services and liability modelling. Payments made for the year to 31 March 2017 amount to £8.2m (2015/16: nil).

### 23.2 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 2017 payroll, are included within the debtors figure in note 20.

### 23.3 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 2016/17 regarding membership of, and transactions with such persons or their related parties. No related party transactions were identified during the year to 31 March 2017.

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

## 24. Key management personnel

The key management personnel of the Fund are the Lancashire County Council Director of Financial Resources and the Head of Fund.

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

2016/17	Employment period	Salary <sup>1</sup>	Pension contributions <sup>1</sup>	Total including pension contributions <sup>1</sup>
		£	£	£
Head of Fund	01/04/16 – 31/03/17	52,175	6,664	58,839
Director of Financial Resources (Section 151 officer)	01/04/16 – 31/03/17	4,732	563	5,295
2015/16	Employment period	Salary <sup>1</sup>	Pension contributions <sup>1</sup>	Total including pension contributions <sup>1</sup>
		£	£	£
*Director of Lancashire Pension Fund	01/04/15 - 31/03/16	86,199	10,800	96,999
**Head of Fund	01/12/15 – 31/03/16	16,316	2,167	18,483
***Director of Financial Resources (Section 151 officer)	29/02/16 – 31/03/16	401	25	426
****Chief Investment Officer	01/04/15 - 31/03/16	120,150	13,230	133,380

<sup>1</sup> The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work.

\*The Director of Lancashire Pension fund held the position for the full 12 month period. This position was terminated on 31 March 2016.

\*\*The Head of Fund took up this new post on 1 December 2015

\*\*\*The Director of Financial Resources was appointed on 29 February 2016. This position was previously held by an interim consultant.

\*\*\*\*The Chief Investment Officer position transferred to the Local Pensions Partnership on 7 April 2016.



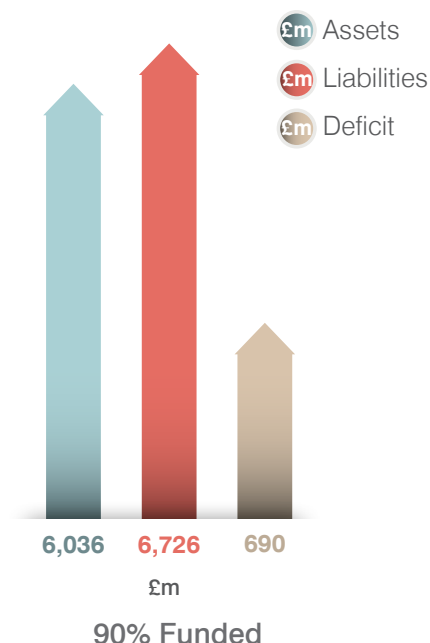
## 25. Funding arrangements

### Accounts for the year ended 31 March 2017 - 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 2016 to determine the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the Fund's assets of £6,036 million represented 90% of the Fund's past service liabilities of £6,726 million (the "Funding Target") at the valuation date. The deficit at the valuation was therefore £690 million.



The valuation also showed that a Primary contribution rate of 14.9% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and then 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 (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period is 16 years, and the total initial recovery payment (the "Secondary rate") for 2017/18 is approximately £41.5 million. The Secondary rate of the employer's contribution is an adjustment to the Primary rate to arrive at the overall rate the employers are required to pay. For most employers, the Secondary rate will increase at 3.7% per annum. Finally, some employers have opted to prepay their contributions, either on an annual basis each April or by paying all 3 years' contributions in April 2017.

In each case, that contribution is reduced to reflect its earlier payment.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated 31 March 2017. 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 Funding Target and the Primary rate of contribution were as follows:

	<b>For past service liabilities (Funding Target)</b>	<b>For future service liabilities (Primary rate of contribution)</b>
Rate of return on investments (discount rate)	4.4% per annum	4.95% per annum
Rate of pay increases (long term)*	3.7% per annum	3.7% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.2% per annum	2.2% per annum

\* Allowance was also made for short-term public sector pay restraint over a 4 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2019. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2020.

## 26. Actuarial present value of promised retirement benefits

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2017 (the 31 March 2016 assumptions are included for comparison):

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2017.

During the year, corporate bond yields fell, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (2.5% p.a. versus 3.6% p.a.).

	31 March 2016	31 March 2017
Rate of return on investments (discount rate)	3.6% per annum	2.5% per annum
Rate of pay increases*	3.5% per annum	3.8% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.3% per annum

\* includes a corresponding allowance to that made in the latest formal actuarial valuation for short-term public sector pay restraint.

The expected long-term rate of CPI inflation increased during the year, from 2.0% p.a. to 2.3%. Both of these factors combined served to significantly increase the liabilities over the year. The pay increase assumption at the year-end has also changed to allow for short-term public sector pay restraint, which serves to reduce the liabilities.

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2016 was estimated as £8,106 million. Interest over the year increased the liabilities by c£291million, and allowing for net benefits accrued/paid over the period also increased them by c£6 million (after allowing for any increase in liabilities arising as a result of early retirements/augmentations). There was then a further increase in liabilities of £1,662 million made up of "actuarial losses" (mostly changes in the actuarial assumptions used, primarily the discount rate and assumed rate of future CPI as referred to above).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2017 is therefore £10,065 million.

### John Livesey

Fellow of the Institute and Faculty of Actuaries  
Mercer Limited  
May 2017

## H Lancashire Local Pension Board Annual Report - 2016/17

A year ago, I wrote my first report as the Independent Chair of the Lancashire County Pension Fund's Local Pension Board (LPB). I commented then that we had successfully established the Board in accordance with the regulations, but were still finding our feet within the overall governance structure.

This was particularly so given the changes taking place as a result of the formation of the London Pensions Partnership Ltd (LPP) pool to manage the investments, liabilities and administration of the Fund. I ended my report by stressing the need for the LPB to add value to the Fund's governance and activities.

Although still early days, I said then that I believed it was already fulfilling two important functions: offering challenge to the executive; and providing valuable Members' and Employers' perspectives to the Executive which they might otherwise struggle to obtain.

Twelve months on, as a Board we have a much clearer view of our role and where and how we can add value, and I shall devote some of this report to setting that out in more detail.

First, however, I should report on the mechanics. The Board has nine members, four Employer representatives who were chosen to be representative of the Fund's Employers, four Member representatives elected in a public election, and myself as the Independent Chair. All members served throughout the year. My term comes to an end in March 2019, while members may serve for a maximum of two terms of four years.

We have met four times during the year, and held one Working Group (comprising 3 Board members) to consider revised Terms of Reference.

The following table shows members attendance at Board meetings:

Name	Representing	5 July 2016	18 Oct 2016	17 Jan 2017	11 Apr 2017
W Bourne	Chair	✓	✓	✓	✓
S Browne	Employer - LCC	✓	✓	apologies	✓
C Gibson	Employer - Others	✓	✓	✓	apologies
K Haigh	Active members	✓	✓	✓	✓
J Hall	Deferred members	apologies	✓	✓	✓
R Harvey	Pensioner members	✓	✓	✓	✓
CC T Martin	Employer – LCC	✓	apologies	apologies	apologies
Y Moulton	Active members	✓	✓	✓	✓
S Thompson	Employer – Unitary, City, Borough, Police & Fire	✓	apologies	✓	✓

Information about the Board, including minutes and public papers are available on the Pension Fund website.

The Board has a small internal budget, which is used primarily to defray the cost of Members' attendance at training events or conferences. During the year £14,000 was spent.

The year has included a triennial actuarial valuation, a new set of investment regulations, as well as the FCA authorisation of LPP and the transfer of assets to it, so there has been no shortage of important subjects. In all of these, the Pension Fund Committee has primary responsibility for executive and strategic decisions, and the LPB's remit is one of scrutiny. We are there as a second pair of eyes on behalf of the Fund's stakeholders, especially the Employers who make contributions and the Members who both contribute and receive pensions, to ensure that good governance is in place. In practice this means that the legal and regulatory requirements are complied with, that due process is followed, that risks are considered beforehand, monitored, and where possible mitigated, and that all is done in an efficient manner. However, it is important to underline the fact that executive power resides with the Committee, and we can only make recommendations or note our concerns.

For our scrutiny role, we rely considerably on third party verification reports from various parties, whether it be from Officers, from internal service providers such as auditors, or from independent parties. These are presented at meetings, and we will normally discuss the background and if we are not comfortable, we will ask to see the original documents. For example during the year we noted our concerns to the Pension Fund Committee that although LPP had commenced operations, the formal governance structure for monitoring its activities had yet to be put in place. Since then, a formal review has been conducted by PWC, and recommendations put in place.

The second major focus of the LPB's activities is assisting the Pension Fund Committee in the efficient running of the Fund. Here the perspectives which Employer and Member representatives on the Board bring to bear are of undoubted value. Looking at ways to improve communication between the Fund and its stakeholders is a perpetual task, but one example is the tracing of Members whose addresses are missing.

This was reviewed by the LPB in 2015, a policy of conducting a tracing exercise on a regular basis put in place by Officers, and as result over 3,000 deferred Members are now back in contact with the Fund, and will be able to receive the pensions they are entitled to.

Efficiency is also about keeping an eye on costs. The great majority of costs are now incurred by LPP, because investment and administration activities have been transferred to them. It is important that the Fund obtains good value for the money spent here, and we have made the Pension Fund Committee aware of the importance we place on monitoring the value achieved over a long period in order to demonstrate the benefits delivered to the Fund from the establishment of the pool.

As part of the process of pooling with LPP, there is scope to reduce costs by reviewing and consolidating the arrangements by which the Fund and the LPFA conduct administration. The LPB is supportive of this quite ambitious plan, but is aware that change brings risks with it.

We accordingly recommended the Pension Fund Committee conduct an audit to confirm that the risks which transformation inevitably brings have been properly assessed and where possible mitigated. At the time of writing this is still work in process, but we believe our comments have been given due consideration to the benefit of stakeholders.

New investment regulations came into law during the year under consideration as part of the process of pooling. Among other things, they make it clear that the LPB is one of the bodies which need to be consulted in certain circumstances, underlining its status within the formal governance structure as the only body with stakeholder representation. We reviewed the proposed Investment Strategy Statement, required under the new regulations, outside our meeting cycle for time constraint reasons, and made known to the Pension Fund Committee a number of concerns. It is our understanding the Statement will be reviewed again later this year.

Governance is one of the keys to a well-run Fund, and it became apparent to the LPB during the year that in the course of the formation of LPP, the Fund itself had been left with too little resource in this area.

We viewed this as particularly concerning at a time when the governance structures were becoming increasingly complex as a result of the pooling process. We therefore made a formal recommendation to the CEO of Lancashire County Council that the Head of the Fund be provided with more support. At the time of writing, I understand that a new hire has been made to achieve this.

The LPB also sees all breaches of law or regulations, and considers among other things whether there is a requirement to report a breach to the Pensions Regulator. During the year, no breach was sufficiently serious or systemic that this was necessary, but we will continue to keep a beady eye on the performance of LPP.

After a full year of operation, we conducted an appraisal of the LPB, in accordance with our terms of reference. This exercise resulted in a number of recommendations, and considerably greater clarity how we should operate.

Our remit is clearly one of scrutiny, and it is the Pension Fund Committee's role to manage the relationship with LPP. We will use our Member and Employer perspectives to assist the Fund in seeking better ways to do things.

Where the LPB sees a proposed formal document or decision before it is ratified by the Committee, we will make known our concerns by means of a formal note. Where, as inevitably happens on occasion, we only see a decision after it has been taken, we will make a formal recommendation to the relevant body, usually the Committee.

As a result of the appraisal we also recommended some changes to our Terms of Reference, to bring them in line both with the public requirements for the LPB and the way we have defined our remit. The new Terms of Reference can be found on the Pension Fund website.

Training is also required under the Pensions Act 2013, and is covered by the Fund's Training Policy, which was refreshed during the year alongside that for the Pension Fund Committee. Members are invited to and have attended Training Workshops in Lancashire, and are encouraged to attend useful seminars and conferences which will help them to increase their knowledge levels.

The table below shows the number of training events each Board member attended during the year:

Name	Internal events attended	External events attended
W Bourne	Nil	1
S Browne	3	Nil
C Gibson	1	Nil
K Haigh	7	3
J Hall	3	Nil
R Harvey	7	3
CC T Martin	3	Nil
Y Moulton	3	1
S Thompson	2	1

In the next year, the LPB's focus is likely to be on continuing to scrutinise the governance arrangements around LPP as they settle down. We are likely to spend more time on the administration side, as that is where the biggest changes will be happening. We are also proposing to continue to look at engagement with employers and members.

Lancashire County Pension Fund has one of the most effective engagement policies anywhere in the country, but that is not a reason for looking for further improvements. The LPB is the best placed body to promote that because it is representative. In both these areas, we will look to share best practice with the equivalent body on our LPP partner, the London Pension Fund Authority's Pension Board.

I will finally highlight the support we get from, first, the Pension Fund Committee and the Chair in particular, and secondly the Officers. The LPB's ultimate objective is the same as that of the Committee, but we also have a clear duty to challenge it on occasion.

This can only function effectively if the relationship is a good one, so that when we note concerns or make comments, they are taken constructively. Even when we have made the Committee's lives less than comfortable, the Chair has always been fully supportive of our interventions and comments. Without the assistance of the Officers running the fund, the LPB would simply not function.

I have no doubt that in this year the LPB has by acting as a scrutinising body been able to add value during this year now that it has bedded down.

We look forward to the next year with confidence, expecting to be able to make our contribution to making a well-run fund even better.

#### **William Bourne**

Independent Chair of the Lancashire Local Pension Board.  
July 2017.



## I Actuarial Valuation

An actuarial valuation of the Fund is carried out every three years by the Fund's actuary Mercer. The most recent valuation carried out was at 31 March 2016 which determines contribution rates effective from 1 April 2017 to 31 March 2020.

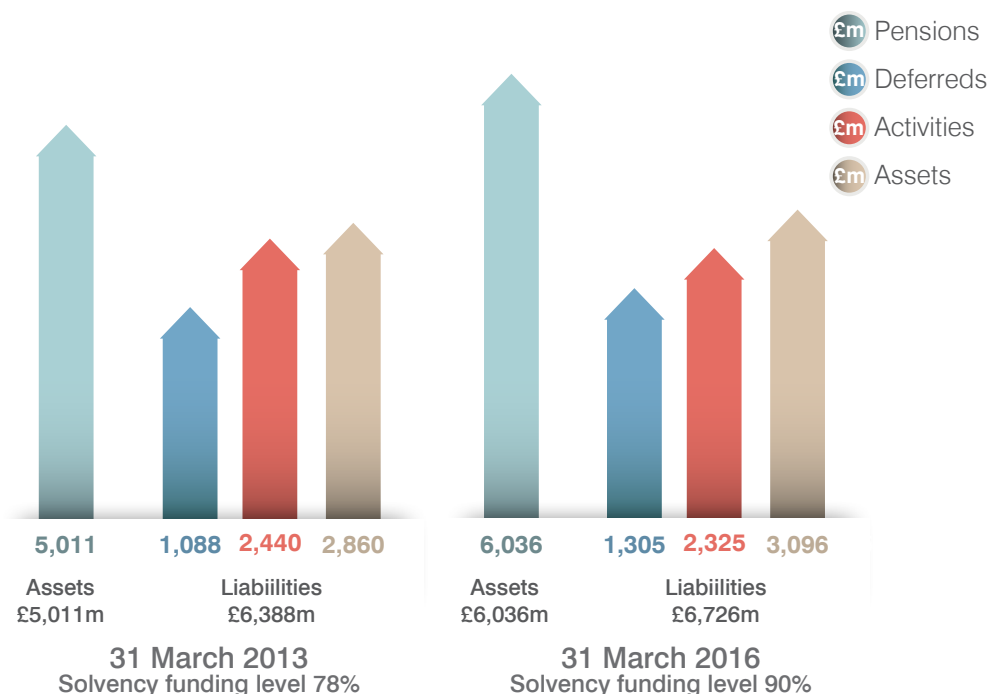
The Funding objective is to achieve and then maintain assets equal to the Funding Target. The Funding Target is the present value of 100% of projective accrued liabilities, including allowance for projected final pay. This is to comply with the requirements of the LGPS regulations to secure the solvency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

The FSS specifies an average period for achieving full funding of 16 years. The FSS sets out the circumstances in which this may vary from one employer to another.

Where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put into place which requires additional contributions to correct the shortfall.

The valuation (effective from 1 April 2017) revealed a funding level of 90% and an average employer's contribution rate of 14.9% plus a deficit contribution in 2017/18 of £41.5m.

For most employers the deficit contribution will increase at 3.7% per annum for 16 years. The chart below, taken from the certified actuarial valuation as at 31 March 2016, compares the assets and liabilities of the Fund at 31 March 2016. Figures are also shown for the last valuation as at 31 March 2013 for comparison.



The employer contributions for 2017/18 are based on the 2016 valuation and the recommended employer contributions for the period 1 April 2017 to 31 March 2020 are set out in the Schedule to the Rates and Adjustments of this report.

The projected unit method of valuation was used for the valuation and is in common use for funding Pension Funds in the United Kingdom. The Valuation results depend on financial and demographic assumptions and these are detailed in full in the Actuarial Valuation and at Appendix 1 of the Funding Strategy Statement. Your Pension Service - Lancashire Fund Information

**The Rates and adjustments certified and accompanying schedule extracted from the actuarial valuation are as follows:**

Rates and adjustments certificate issued in accordance with Regulation 62

Name of Fund: **Lancashire County Council**

### **Lancashire County Pension Fund**

#### **Primary contribution rate**

I hereby certify that, in my opinion, the primary rate of the employers' contribution for the whole Fund for each of the three years beginning 1 April 2017 is 14.9% of pensionable pay.

The primary rate of contribution for each employer for the three year period beginning 1 April 2017 is set out in the attached schedule.

#### **Secondary contribution rate**

I hereby certify that, in my opinion, the secondary rate of the employer's contribution for the whole Fund for each of the three years beginning 1 April 2017 is as follows:

2017/18	£36.0 million plus 0.6% of pensionable pay
2018/19	£37.1 million plus 0.7% of pensionable pay
2019/20	£38.1 million plus 0.9% of pensionable pay

The secondary rate of contribution for each employer for each of the three years beginning 1 April 2017 is set out in the attached schedule. Contribution amounts payable

The total contribution payable for each employer is the total of the primary and secondary rates as detailed in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) unless otherwise noted in the schedule.

#### **Further adjustments**

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's Actuary and the Administering Authority.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer in total over the 3 years covered by the certificate. Additional contributions or a different pattern of contributions may be paid if requested by the employer concerned at the sole discretion of the Administering Authority as agreed with the Actuary. The total contributions payable by each employer will be subject to a minimum of zero.

The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

In cases where an element of an existing Scheme employer's deficit is transferred to a new employer on its inception, the Scheme employer's deficit recovery contributions, as shown on the schedule to this Certificate in Appendix H, may be reallocated between the Scheme employer and the new employer to reflect this, on advice of the Actuary and as agreed with the Administering Authority so that the total payments remain the same overall.

The Administering Authority and employer with advice from the Fund's Actuary can agree that contributions payable under this certificate can be sourced under an alternative financing arrangement which provides the Fund with equivalent cash contributions.

### **Regulation 62(8)**

No allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions. Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.



**John Livesey**

Fellow of the Institute  
and Faculty of Actuaries



**Mark Wilson**

Fellow of the Institute  
and Faculty of Actuaries

## Schedule to the rates and adjustments certificate dated 31 March 2017

Employer	Primary Rate 2017/18 to 2019/20	Secondary Rates			Total Contribution Rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Major Authorities							
Blackburn with Darwen Borough Council	14.8%	-2.4% plus £4,773,000	-1.4% plus £4,773,000	£4,857,500	12.4% plus £4,773,000	13.4% plus £4,773,000	14.8% plus £4,857,500
Blackpool Borough Council	14.8%	*£3,315,200	*£4,087,500	*£4,501,400	14.8% plus *£3,315,200	14.8% plus *£4,087,500	14.8% plus *£4,501,400
Burnley Borough Council	15.4%	*£1,379,800	*£1,370,600	*£1,361,400	15.4% plus *£1,379,800	15.4% plus *£1,370,600	15.4% plus *£1,361,400
Chorley Borough Council	14.4%	£790,500	£840,500	£966,300	14.4% plus £790,500	14.4% plus £840,500	14.4% plus £966,300
Fylde Borough Council	15.2%	*£583,800	*£579,900	*£576,000	15.2% plus *£583,800	15.2% plus *£579,900	15.2% plus *£576,000
Hyndburn Borough Council	15.3%	12.7%	12.7%	12.7%	28%	28%	28%
Lancashire Chief Constable	14.0%	**£1,791,700	**£1,858,000	**£1,926,700	14% plus **£1,791,700	14% plus **£1,858,000	14% plus **£1,926,700
Lancashire County Council - excluding schools	15.1%	*£9,534,200	*£9,470,300	*£9,406,900	15.1% plus *£9,534,200	15.1% plus*£9,470,300	15.1% plus *£9,406,900
Lancashire County Council schools	15.1%	4.7%	4.8%	4.9%	19.8%	19.9%	20.0%
Lancashire Fire & Rescue Service	14.7%	*** (£312,700)	*** (£324,300)	*** (£336,300)	14.7% less ***£312,700	14.7% less ***£324,300	14.7% less ***£336,300
Lancaster City Council	15.5%	*£945,900	*£939,600	*£933,300	15.5% plus *£945,900	15.5% plus *£939,600	15.5% plus *£933,300
Pendle Borough Council	15.5%	*£1,219,900	*£1,211,700	*£1,203,600	15.5% plus *£1,219,900	15.5% plus *£1,211,700	15.5% plus *£1,203,600
Preston City Council	15.4%	*£1,409,100	*£1,399,700	*£1,390,300	15.4% plus *£1,409,100	15.4% plus *£1,399,700	15.4% plus *£1,390,300
Ribble Valley Borough Council	16.5%	**£173,500	**£179,900	**£186,500	16.5% plus **£173,500	16.5% plus **£179,900	16.5% plus **£186,500
Rossendale Borough Council	15.6%	*£996,900	*£990,200	*£983,600	15.6% plus *£996,900	15.6% plus *£990,200	15.6% plus *£983,600
South Ribble Borough Council	14.9%	**£547,200	**£567,500	**£588,400	14.9% plus **£547,200	14.9% plus **£567,500	14.9% plus **£588,400
West Lancashire District Council	16.3%	*£985,600	*£979,000	*£972,400	16.3% plus *£985,600	16.3% plus *£979,000	16.3% plus *£972,400
Wyre Borough Council	15.8%	*£707,700	*£702,900	*£698,200	15.8% plus *£707,700	15.8% plus *£702,900	15.8% plus *£698,200

Employer	Primary Rate	Secondary Rates			Total Contribution Rates		
	2017/18 to 2019/20	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Other Scheme Employers							
Accrington & Rossendale College	15.1%	£269,300	£279,200	£289,600	15.1% plus £269,300	15.1% plus £279,200	15.1% plus £289,600
Blackburn College	14.2%	£82,800	£85,900	£89,000	14.2% plus £82,800	14.2% plus £85,900	14.2% plus £89,000
Blackburn St Mary's College	14.6%	£9,100	£9,400	£9,800	14.6% plus £9,100	14.6% plus £9,400	14.6% plus £9,800
Blackpool & The Fylde College	14.4%	£192,600	£199,700	£207,100	14.4% plus £192,600	14.4% plus £199,700	14.4% plus £207,100
Blackpool Coastal Housing]	13.9%	-1.9	-1.9%	-1.9%	12%	12%	12%
Blackpool Housing Company Ltd	13.4%	-0.1%	-0.1%	-0.1%	13.3%	13.3%	13.3%
Blackpool Sixth Form College	12.1%	-0.3%	-0.3%	-0.3	11.8%	11.8%	11.8%
Burnley College	13.2%	£124,900	£129,500	£134,300	13.2% plus £124,900	13.2% plus £129,500	13.2% plus £134,300
Cardinal Newman College	13.9%	£49,400	£51,200	£53,100	13.9% plus £49,400	13.9% plus £51,200	13.9% plus £53,100
County Councils Network	5.2%	£700	£700	£800	5.2% plus £700	5.2% plus £700	5.2% plus £800
Edge Hill University	14.3%	£780,300	£809,200	£839,100	14.3% plus £780,300	14.3% plus £809,200	14.3% plus £839,100
Lancaster & Morecambe College	15.3%	£121,300	£125,800	£130,400	15.3% plus £121,300	15.3% plus £125,800	15.3% plus £130,400
Myerscough College	14.2%	£165,800	£171,900	£178,300	14.2% plus £165,800	14.2% plus £171,900	14.2% plus £178,300
Nelson and Colne College	14.0%	£50,700	£52,500	£54,500	14% plus £50,700	14% plus £52,500	14% plus £54,500
Police & Crime Commissioner	13.9%	£3,800	£3,900	£4,100	13.9% plus £3,800	13.9% plus £3,900	13.9% plus £4,100
Preston College	13.3%	£259,900	£269,500	£279,500	13.3% plus £259,900	13.3% plus £269,500	13.3% plus £279,500
Runshaw College	15.7%	£86,000	£89,200	£92,500	15.7% plus £86,000	15.7% plus £89,200	15.7% plus £92,500
University of Central Lancashire	14.3%	£949,800	£984,900	£1,021,400	14.3% plus £949,800	14.3% plus £984,900	14.3% plus £1,021,400

Employer	Primary Rate 2017/18 to 2019/20	Secondary Rates			Total Contribution Rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Designated/Resolution Body							
Blackpool Transport Services Ltd	23.1%	-23.1%	-23.1%	-23.1%	0%	0%	0%
Catterall Parish Council	25.3%	Nil	Nil	Nil	25.3%	25.3%	25.3%
Darwen Town Council	15.9%	Nil	Nil	Nil	15.9%	15.9%	15.9%
Garstang Town Council	17.5%	Nil	Nil	Nil	17.5%	17.5%	17.5%
Habergham Eaves Parish Council	15.8%	Nil	Nil	Nil	15.8%	15.8%	15.8%
Kirkland Parish Council	25.2%	-0.7%	-0.7%	-0.7%	24.5%	24.5%	24.5%
Lancs Sports Partnership Ltd	10.9%	-0.6%	-0.6%	-0.6%	10.3%	10.3%	10.3%
Marketing Lancashire Ltd	12.6%	-1.1%	-1.1%	-1.1%	11.5%	11.5%	11.5%
Morecambe Town Council	19.2%	-1.2%	-1.2%	-1.2%	18%	18%	18%
Old Laund Booth Parish Council	15.9%	Nil	Nil	Nil	15.9%	15.9%	15.9%
Penwortham Town Council	15.8%	-3.4%	-3.4%	-3.4%	12.4%	12.4%	12.4%
Pilling Parish Council	27.6%	£100	£100	£100	27.6% plus £100	27.6% plus £100	27.6% plus £100
Preesall Town Council	23.2%	£100	£100	£100	23.2% plus £100	23.2% plus £100	23.2% plus £100
Rosendale Transport Ltd.	25.6%	Nil	Nil	Nil	25.6%	25.6%	25.6%
St Anne's on Sea Town Council	17.0%	£1,100	£1,100	£1,200	17% plus £1,100	17% plus £1,100	17% plus £1,200
The Lancashire Colleges Ltd	17.8%	-3.7%	-3.7%	-3.7%	14.1%	14.1%	14.1%
Whittle-le-woods Parish Council	17.0%	Nil	Nil	Nil	17%	17%	17%
Whitworth Town Council	12.8%	£2,200	£2,200	£2,300	12.8% plus £2,200	12.8% plus £2,200	12.8% plus £2,300

Employer	Primary Rate	Secondary Rates			Total Contribution Rates		
	2017/18 to 2019/20	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Academies/Schools							
Academy at Worden	14.6%	£13,400	£13,900	£14,400	14.6% plus £13,400	14.6% plus £13,900	14.6% plus £14,400
Accrington Academy	14.3%	-2.9%	-2.9%	-2.9%	11.4%	11.4%	11.4%
Albany Science College (Academy)	16.2%	£23,800	£24,700	£25,600	16.2% plus £23,800	16.2% plus £24,700	16.2% plus £25,600
All Saints CE Primary School (Academy)	14.1%	£16,200	£16,800	£17,400	14.1% plus £16,200	14.1% plus £16,800	14.1% plus £17,400
Anchorsholme Academy	16.0%	£34,900	£36,200	£37,500	16% plus £34,900	16% plus £36,200	16% plus £37,500
ANWET - Darwen Aldridge Community Academy	14.3%	-2%	-2%	-2%	12.3%	12.3%	12.3%
ANWET - Darwen Vale Academy	15.1%	£64,600	£67,000	£69,500	15.1% plus £64,600	15.1% plus £67,000	15.1% plus £69,500
ANWET - Sudell PS Academy	19.1%	£18,300	£19,000	£19,700	19.1% plus £18,300	19.1% plus £19,000	19.1% plus £19,700
Bacup and Rawtenstall Grammar School (Academy)	14.8%	£22,600	£23,400	£24,300	14.8% plus £22,600	14.8% plus £23,400	14.8% plus £24,300
Belthorn Primary Academy	18.6%	£7,300	£7,600	£7,900	18.6% plus £7,300	18.6% plus £7,600	18.6% plus £7,900
BFET (Marton Primary Academy)	16.3%	£22,800	£23,600	£24,500	16.3% plus £22,800	16.3% plus £23,600	16.3% plus £24,500
BFET (South Shore Academy)	14.9%	£48,200	£50,000	£51,800	14.9% plus £48,200	14.9% plus £50,000	14.9% plus £51,800
Bishop Rawstorne C of E High Academy	17.5%	£28,500	£29,600	£30,600	17.5% plus £28,500	17.5% plus £29,600	17.5% plus £30,600
Blackpool MAT (Revoe)	14.6%	£47,500	£49,300	£51,100	14.6% plus £47,500	14.6% plus £49,300	14.6% plus £51,100
Blessed Edward MAT (Christ)	16.3%	£11,900	£12,300	£12,800	16.3% plus £11,900	16.3% plus £12,300	16.3% plus £12,800
Blessed Edward MAT (St Cuthbert)	15.3%	£24,900	£25,800	£26,800	15.3% plus £24,900	15.3% plus £25,800	15.3% plus £26,800
Blessed Edward MAT (St Mary's)	15.5%	£46,500	£48,200	£50,000	15.5% plus £46,500	15.5% plus £48,200	15.5% plus £50,000
Bowland High Academy Trust	17.6%	£29,000	£30,100	£31,200	17.6% plus £29,000	17.6% plus £30,100	17.6% plus £31,200
Cidari Ed Ltd (Marsden St John)	17.0%	£9,600	£10,000	£10,400	17% plus £9,600	17% plus £10,000	17% plus £10,400
Cidari Edu Ltd (Baines Endowed)	12.7%	£39,300	£40,800	£42,300	12.7% plus £39,300	12.7% plus £40,800	12.7% plus £42,300
Cidari Education Trust	8.8%	£2,400	Nil	Nil	8.8% plus £2,400	8.8%	8.8%
Cidari Education Ltd (St Aidans)	14.0%	£17,100	£17,700	£18,400	14% plus £17,100	14% plus £17,700	14% plus £18,400
Cidari Education Ltd (St Barnabas)	16.2%	£20,100	£20,800	£21,600	16.2% plus £20,100	16.2% plus £20,800	16.2% plus £21,600
Cidari Education Ltd (St James)	13.8%	£17,300	£17,900	£18,600	13.8% plus £17,300	13.8% plus £17,900	13.8% plus £18,600
Clitheroe Royal Grammar School (Academy)	16.7%	£58,000	£60,100	£62,400	16.7% plus £58,000	16.7% plus £60,100	16.7% plus £62,400
CSCST (Burnley High Free School)	13.6%	£300	£300	£300	13.6% plus £300	13.6% plus £300	13.6% plus £300
Devonshire Academy	15.7%	£36,900	£38,300	£39,700	15.7% plus £36,900	15.7% plus £38,300	15.7% plus £39,700



	2017/18 to 2019/20	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
<b>Academies/Schools</b>							
Education Partnership Trust (Coal Clough)	17.6%	£20,000	£20,700	£21,500	17.6% plus £20,000	17.6% plus £20,700	17.6% plus £21,500
Education Partnership Trust (Eden School)	10.7%	£1,400	£1,500	£1,600	10.7% plus £1,400	10.7% plus £1,500	10.7% plus £1,600
Education Partnership Trust (Pleckgate HS)	15.9%	£66,200	£68,600	£71,200	15.9% plus £66,200	15.9% plus £68,600	15.9% plus £71,200
FACT (Unity Academy)	13.5%	£59,500	£61,700	£64,000	13.5% plus £59,500	13.5% plus £61,700	13.5% plus £64,000
FCAT (Aspire Academy)	17.1%	£48,500	£50,300	£52,200	17.1% plus £48,500	17.1% plus £50,300	17.1% plus £52,200
FCAT (Montgomery HS Academy)	14.3%	£55,000	£57,000	£59,100	14.3% plus £55,000	14.3% plus £57,000	14.3% plus £59,100
Fulwood Academy	15.2%	-3.9%	-3.9%	-3.9%	11.3%	11.3%	11.3%
Fylde Coast Academy Trust	13.4%	£1,500	£1,600	£1,600	13.4% plus £1,500	13.4% plus £1,600	13.4% plus £1,600
Garstang Community Academy	17.9%	£27,900	£28,900	£30,000	17.9% plus £27,900	17.9% plus £28,900	17.9% plus £30,000
Hambleton Primary Academy	13.6%	£6,800	£7,100	£7,300	13.6% plus £6,800	13.6% plus £7,100	13.6% plus £7,300
Hawe Side Primary School	15.6%	£17,500	£18,100	£18,800	15.6% plus £17,500	15.6% plus £18,100	15.6% plus £18,800
Hodgson Academy	17.5%	£43,400	£45,000	£46,700	17.5% plus £43,400	17.5% plus £45,000	17.5% plus £46,700
Lancashire Care Foundation	20.1%	-5%	-5%	-5%	15.1%	15.1%	15.1%
Lancaster Girls Grammar School (Academy)	15.5%	£41,900	£43,400	£45,000	15.5% plus £41,900	15.5% plus £43,400	15.5% plus £45,000
Lancaster Royal Grammar School (Academy)	17.9%	£66,500	£69,000	£71,500	17.9% plus £66,500	17.9% plus £69,000	17.9% plus £71,500
Langdale Free School	15.4%	Nil	Nil	Nil	15.4%	15.4%	15.4%
Lostock Hall Academy Trust	17.2%	£30,100	£31,200	£32,400	17.2% plus £30,100	17.2% plus £31,200	17.2% plus £32,400
Maharishi School (Free School)	18.4%	-0.1%	-0.1%	-0.1%	18.3%	18.3%	18.3%
Moorside Community PS Academy	14.8%	£10,800	£11,200	£11,600	14.8% plus £10,800	14.8% plus £11,200	14.8% plus £11,600
Norbreck Primary Academy	15.0%	£18,400	£19,100	£19,800	15% plus £18,400	15% plus £19,100	15% plus £19,800
Lostock Hall Academy Trust	17.2%	£30,100	£31,200	£32,400	17.2% plus £30,100	17.2% plus £31,200	17.2% plus £32,400
Maharishi School (Free School)	18.4%	-0.1%	-0.1%	-0.1%	18.3%	18.3%	18.3%
Moorside Community PS Academy	14.8%	£10,800	£11,200	£11,600	14.8% plus £10,800	14.8% plus £11,200	14.8% plus £11,600
Norbreck Primary Academy	15.0%	£18,400	£19,100	£19,800	15% plus £18,400	15% plus £19,100	15% plus £19,800
Parbold Douglas CE Academy	16.1%	£9,700	£10,100	£10,400	16.1% plus £9,700	16.1% plus £10,100	16.1% plus £10,400
Park Academy	13.2%	£55,300	£57,300	£59,500	13.2% plus £55,300	13.2% plus £57,300	13.2% plus £59,500

Employer	Primary Rate 2017/18 to 2019/20	Secondary Rates			Total Contribution Rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Academies/Schools							
Parklands High School (Academy)	14.6%	£5,900	£26,800	£27,800	14.6% plus £25,900	14.6% plus £26,800	14.6% plus £27,800
Pendle Education Trust (Colne Primet)	17.5%	£14,200	£14,700	£15,300	17.5% plus £14,200	17.5% plus £14,700	17.5% plus £15,300
Pendle Education Trust (Castercliff)	17.2%	£24,900	£25,800	£26,800	17.2% plus £24,900	17.2% plus £25,800	17.2% plus £26,800
Pendle Education Trust (Walter Street Primary School)	15.5%	£14,700	£15,200	£15,800	15.5% plus £14,700	15.5% plus £15,200	15.5% plus £15,800
Penwortham Priory Academy	15.4%	£17,100	£17,700	£18,300	15.4% plus £17,100	15.4% plus £17,700	15.4% plus £18,300
Queen Elizabeth’s Grammar School	16.1%	£67,100	£69,600	£72,200	16.1% plus £67,100	16.1% plus £69,600	16.1% plus £72,200
Ripley St Thomas C of E Academy	17.6%	£43,000	£44,600	£46,200	17.6% plus £43,000	17.6% plus £44,600	17.6% plus £46,200
Roseacre Primary Academy	15.3%	£23,100	£24,000	£24,800	15.3% plus £23,100	15.3% plus £24,000	15.3% plus £24,800
St Christopher’s C of E high School (Academy)	16.1%	£88,000	£91,300	£94,600	16.1% plus £88,000	16.1% plus £91,300	16.1% plus £94,600
St Georges Academy	15.1%	£39,200	£40,700	£42,200	15.1% plus £39,200	15.1% plus £40,700	15.1% plus £42,200
St Luke and St Philip (Academy)	14.7%	£28,100	£29,100	£30,200	14.7% plus £28,100	14.7% plus £29,100	14.7% plus £30,200
St Michael’s C of E High School (Academy)	16.5%	£45,600	£47,200	£49,000	16.5% plus £45,600	16.5% plus £47,200	16.5% plus £49,000
St Wilfrid’s C of E Academy	13.9%	£91,900	£95,300	£98,800	13.9% plus £91,900	13.9% plus £95,300	13.9% plus £98,800
Tarleton Academy	14.9%	£29,400	£30,500	£31,600	14.9% plus £29,400	14.9% plus £30,500	14.9% plus £31,600
Tauheedul Education Trust	11.2%	-1.1%	-1.1%	-1.1%	10.1%	10.1%	10.1%
Tauheedul ET (Eden BS Preston)	10.8%	£900	Nil	Nil	10.8% plus £900	10.8%	10.8%
Tauheedul ET (Eden GS Birmingham)	10.1%	Nil	Nil	Nil	10.1%	10.1%	10.1%
Tauheedul ET (Eden GS Slough)	12.2%	£100	Nil	Nil	12.2% plus £100	12.2%	12.2%
Tauheedul ET (Olive Blackburn)	8.5%	-1%	-1%	-1%	7.5%	7.5%	7.5%
Tauheedul ET (Olive London)	8.3%	-1.1%	-1.1%	-1.1%	7.2%	7.2%	7.2%
Tauheedul ET Eden BS Bolton FS	14.2%	£100	£100	£100	14.2% plus £100	14.2% plus £100	14.2% plus £100
Tauheedul ET Eden GS Coventry	8.6%	-0.3%	-0.3%	-0.3%	8.3%	8.3%	8.3%
Tauheedul ET Eden GS Waltham	11.6%	£1,300	£1,300	£1,400	11.6% plus £1,300]	11.6% plus £1,300	11.6% plus £1,400
Tauheedul ET Islam Girls HS	16.1%	£17,900	£18,600	£19,200	16.1% plus £17,900	16.1% plus £18,600	16.1% plus £19,200
Tauheedul Islam Boys High School (Free School)	10.5%	£900	£900	£1,000	10.5% plus £900	10.5% plus £900	10.5% plus £1,000
Thames Primary Academy	14.2%	£29,100	£30,200	£31,300	14.2% plus £29,100	14.2% plus £30,200	14.2% plus £31,300

Employer	Primary Rate 2017/18 to 2019/20	Secondary Rates			Total Contribution Rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Academies/Schools							
The Heights Free School	14.0%	£22,600	£23,400	£24,300	14% plus £22,600	14% plus £23,400	14% plus £24,300
Tower MAT (Blackpool Gateway Academy)	12.0%	£4,400	£4,600	£4,700	12% plus £4,400	12% plus £4,600	12% plus £4,700
Waterloo Primary School (Academy)	14.2%	£30,900	£32,000	£33,200	14.2% plus £30,900	14.2% plus £32,000	14.2% plus £33,200
Wensley Fold CE Primary Academy	14.1%	£29,900	£31,000	£32,200	14.1% plus £29,900	14.1% plus £31,000	14.1% plus £32,200
Westcliff Primary School (Academy)	15.3%	£12,600	£13,100	£13,500	15.3% plus £12,600	15.3% plus £13,100	15.3% plus £13,500
Witton Park Academy Trust	15.8%	£55,900	£58,000	£60,100	15.8% plus £55,900	15.8% plus £58,000	15.8% plus £60,100



Employer	Primary Rate	Secondary Rates			Total Contribution Rates		
	2017/18 to 2019/20	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Admitted Bodies (Community)							
Arnold Schools Ltd.	19.4%	£26,200	£27,100	£28,100	19.4% plus £26,200	19.4% plus £27,100	19.4% plus £28,100
Blackpool Fylde Wyre Blind Society	21.6%	-20.6%	-20.6%	-20.6%	1%	1%	1%
Blackpool Zoo	19.6%	-4.4%	-4.4%	-4.4%	15.2%	15.2%	15.2%
Blackpool, Fylde and Wyre Credit Union	21.2%	-1.6%	-1.6%	-1.6%	19.6%	19.6%	19.6%
Calico Housing Limited	13.8%	£209,200	£216,900	£224,900	13.8% plus £209,200	13.8% plus £216,900	13.8% plus £224,900
Catholic Caring Services	16.6%	£65,500	£67,900	£70,400	16.6% plus £65,500	16.6% plus £67,900	16.6% plus £70,400
Chorley Community Housing	16.4%	-3.9%	-3.9%	-3.9%	12.5%	12.5%	12.5%
Community and Business Partners CIC	14.8%	-2%	-2%	-2%	12.8%	12.8%	12.8%
Community Council of Lancashire	19.5%	£26,000	£27,500	£28,500	19.5% plus £26,000	19.5% plus £27,500	19.5% plus £28,500
Community Gateway Association	16.1%	-1.5%	-1.5%	-1.5%	14.6%	14.6%	14.6%
Contour Housing Group	22.2%	-22.2%	-22.2%	-22.2%	0%	0%	0%
Fylde Community Link	16.8%	£11,200	£11,700	£12,100	16.8% plus £11,200	16.8% plus £11,700	16.8% plus £12,100
Galloways Society for Blind	20.2%	£16,600	£17,200	£17,800	20.2% plus £16,600	20.2% plus £17,200	20.2% plus £17,800
Hyndburn Homes Ltd	18.4%	-2.8%	-2.8%	-2.8%	15.6%	15.6%	15.6%
Kirkham Grammar School (Independent)	19.9%	£29,300	£30,400	£31,500	19.9% plus £29,300	19.9% plus £30,400	19.9% plus £31,500
Lancashire County Branch Unison	18.2%	-18.2%	-18.2%	-18.2%	0%	0%	0%
Lancaster University	13.4%	£504,700	£523,400	£542,700	13.4% plus £504,700	13.4% plus £523,400	13.4% plus £542,700
Leisure in Hyndburn	13.0%	£47,800	£49,600	£51,400	13% plus £47,800	13% plus £49,600	13% plus £51,400
Local Pensions Partnership Ltd	12.4%	Nil	Nil	Nil	12.4%	12.4%	12.4%
Lytham Schools Foundation	18.0%	-4.4%	-4.4%	-4.4%	13.6%	13.6%	13.6%
North West & North Wales Sea Fisheries Committee	16.6%	£25,500	£26,500	£27,500	16.6% plus £25,500	16.6% plus £26,500	16.6% plus £27,500
Pendle Leisure Trust	12.6%	£20,600	£21,400	£22,200	12.6% plus £20,600	12.6% plus £21,400	12.6% plus £22,200
Preston Care and Repair	13.7%	£3,600	Nil	Nil	13.7% plus £3,600	13.7%	13.7%
Progress Housing Group Ltd	17.9%	-2.3%	-2.3%	-2.3%	15.6%	15.6%	15.6%
QEGS Blackburn Ltd	16.5%	-0.3%	-0.3%	-0.3%	16.2%	16.2%	16.2%
Ribble Valley Homes Ltd	18.9%	-10.2%	-10.2%	-10.2%	8.7%	8.7%	8.7%

Employer	Primary Rate	Secondary Rates			Total Contribution Rates		
	2017/18 to 2019/20	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Admitted Bodies (Community)							
Rossendale Leisure Trust	13.6%	-2.1%	-2.1%	-2.1%	11.5%	11.5%	11.5%
Surestart Hyndburn	13.8%	£22,400	£23,200	£24,100	13.8% plus £22,400	13.8% plus £23,200	13.8% plus £24,100
The Ormerod Home Trust Ltd.	21.2%	£145,100	£150,400	£156,000	21.2% plus £145,100	21.2% plus £150,400	21.2% plus £156,000
Together Housing	14.7%	£87,700	£90,900	£94,300	14.7% plus £87,700	14.7% plus £90,900	14.7% plus £94,300
University of Cumbria	14.0%	£608,700	£631,200	£654,600	14% plus £608,700	14% plus £631,200	14% plus £654,600
Wyre Housing Association	19.3%	£257,600	£267,100	£277,000	19.3% plus £257,600	19.3% plus £267,100	19.3% plus £277,000
Admitted Bodies (Contractor)							
Alternative Futures Group Ltd	22.2%	-22.2%	-22.2%	-22.2%	0%	0%	0%
Andron (formerly Solar)	21.3%	-21.3%	-21.3%	-21.3%	0%	0%	0%
Bootstrap Enterprises Ltd	18.8%	-17.9%	-17.9%	-17.9%	0.9%	0.9%	0.9%
Bulloughs (Carr Head PS)	25.6%	£500	Nil	Nil	25.6% plus £500	25.6%	25.6%
Bulloughs (Lytham Hall)	21.0%	Nil	Nil	Nil	21%	21%	21%
Bulloughs (Our Lady)	16.8%	-7.3%	-7.3%	-7.3%	9.5%	9.5%	9.5%
Burnley Leisure	13.6%	-2%	-2%	-2%	11.6%	11.6%	11.6%
Capita (Rossendale BC Transfer)	20.7%	-20.7%	-20.7%	-20.7%	0%	0%	0%
Catering Academy Ltd	20.1%	-20.1%	-20.1%	-20.1%	0%	0%	0%
Caterlink (Mount Pleasant School)	16.8%	-1.9%	-1.9%	-1.9%	14.9%	14.9%	14.9%
CG Cleaning (Kennington Rd)	22.7%	-17.4%	Nil	Nil	5.3%	22.7%	22.7%
CG Cleaning (St Augustine)	22.1%	-3%	Nil	Nil	19.1%	22.1%	22.1%
Churchill (Holy Family)	21.4%	-16%	Nil	Nil	5.4%	21.4%	21.4%
Churchill (St Anne St Joseph)	18.5%	-2.8%	Nil	Nil	15.7%	18.5%	18.5%
Cofely FM Ltd (Blake/Cross)	26.7%	-26.7%	-26.7%	-26.7%	0%	0%	0%
Cofely FM Ltd (Lend Lease)	21.9%	-5.4%	-5.4%	-5.4%	16.5%	16.5%	16.5%
Cofely FM Ltd (Pleckgate)	18.8%	-10.8%	-10.8%	-10.8%	8%	8%	8%
Cofely FM Ltd (Witton Park)	23.2%	-3.2%	-3.2%	-3.2%	20%	20%	20%

Employer	Primary Rate 2017/18 to 2019/20	Secondary Rates			Total Contribution Rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Admitted Bodies (Contractor)							
Compass Contract Services	23.4%	-0.4%	-0.4%	-0.4%	23%	23%	23%
Compass Contract Services (UK) Ltd (Preston College)	20.9%	-0.9%	-0.9%	-0.9%	20%	20%	20%
Consultant Caterers Ltd	22.5%	-17.8%	-17.8%	-17.8%	4.7%	4.7%	4.7%
Creative Support Limited (Midway Mental health)	18.2%	-4.2%	-4.2%	-4.2%	14%	14%	14%
Creative Support Ltd	21.0%	-21%	-21%	-21%	0%	0%	0%
Elite CES Ltd (Fulwood Cadley)	19.9%	Nil	Nil	Nil	19.9%	19.9%	19.9%
Elite CES Ltd (Moor Nook PS)	23.1%	Nil	Nil	Nil	23.1%	23.1%	23.1%
Elite Cleaning and Environmental Services Ltd	16.7%	-9.8%	-9.8%	-9.8%	6.9%	6.9%	6.9%
Eric Wright Facilities Management Ltd (Highfield High School)	20.2%	-19.5%	-19.5%	-19.5%	0.7%	0.7%	0.7%
FCC Environment	20.6%	Nil	Nil	Nil	20.6%	20.6%	20.6%
Fylde YMCA	16.5%	-16.5%	-16.5%	-16.5%	0%	0%	0%
I CARE	26.1%	-26.1%	-26.1%	-26.1%	0%	0%	0%
Ind Living Fund (Blackpool BC)	19.7%	-2%	Nil	Nil	17.7%	19.7%	19.7%
Lend Lease Cons.(EMEA) ICT	18.8%	-5.3%	-5.3%	-5.3%	13.5%	13.5%	13.5%
Lend Lease Cons.(EMEA) ph3	13.9%	-3%	-3%	-3%	10.9%	10.9%	10.9%
Lend Lease Construction (EMEA) Limited (Fulwood Academy)	16.9%	-1.9%	-1.9%	-1.9%	15%	15%	15%
Liberata (UK) Ltd (Burnley)	18.7%	-1.4%	-1.4%	-1.4%	17.3%	17.3%	17.3%
Liberata UK Ltd (Pendle)	19.2%	-6.5%	-6.5%	-6.5%	12.7%	12.7%	12.7%
Mack Trading Int. (Ltd)	21.1%	-21.1%	-21.1%	-21.1%	0%	0%	0%
May Gurney Fleet and Passenger Services Limited	21.7%	-21.7%	-21.7%	-21.7%	0%	0%	0%
Mellor's (Bishop Rawstorne)	21.2%	-6%	-6%	-6%	15.2%	15.2%	15.2%
Mellors (Brinscall St John)	18.9%	-0.1%	-0.1%	-0.1%	18.8%	18.8%	18.8%
Mellor's (Hambleton PS)	27.6%	-1.7%	-1.7%	-1.7%	25.9%	25.9%	25.9%
Mellors (Queens Drive)	20.5%	Nil	Nil	Nil	20.5%	20.5%	20.5%

Employer	Primary Rate	Secondary Rates			Total Contribution Rates		
	2017/18 to 2019/20	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Admitted Bodies (Contractor)							
Mellors (Trinity, St Michael)	24.7%	Nil	Nil	Nil	24.7%	24.7%	24.7%
Mellor's (Worden SC)	28.8%	-28.8%	-28.8%	-28.8%	0%	0%	0%
Mellor's Catering (Belthorn Academy)	21.1%	Nil	Nil	Nil	21.1%	21.1%	21.1%
NCP Services Ltd	23.6%	-23.6%	-23.6%	-23.6%	0%	0%	0%
RCCN (Basnett Nursery)	22.2%	Nil	Nil	Nil	2.2%	2.2%	22.2%
Ridge Crest Clean Nrth Sacred	28.8%	-28.8%	-28.8%	-28.8%	0%	0%	0%
Service Alliance (Barnoldswick)	21.3%	Nil	Nil	Nil	21.3%	21.3%	21.3%
Service Alliance (Whalley PS)	22.2%	Nil	Nil	Nil	22.2%	22.2%	22.2%
Service Alliance Ltd (Altham)	25.7%	-3.1%	Nil	Nil	22.6%	25.7%	25.7%
Service Alliance Ltd (RCC)	26.6	£500	Nil	Nil=	26.6% plus £500	26.6%	26.6%
South Ribble Community Leisure (Serco)	13.5%	£80,400	£83,400	£86,500	13.5% plus £80,400	13.5% plus £83,400	13.5% plus £86,50
Urbaser Ltd	23.9%	£400	£400	£400	23.9% plus £400	23.9% plus £400	23.9% plus £400
West Lancashire Community Leisure (Serco)	14.9%	-14.9%	-14.9%	-14.9%	0%	0%	0%



Employer	Primary Rate	Secondary Rates			Total Contribution Rates		
	2017/18 to 2019/20	2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Other Employers Confirmed Post Valuation							
Freckleton Parish Council	18.6%	Nil	Nil	Nil	18.6%	18.6%	18.6%
PET (West Craven)	17.2%	£18,100	£18,800	£19,500	17.2% plus £18,100	17.2% plus £18,800	17.2% plus £19,500
Andron Heyhouses	23.3%	Nil	Nil	Nil	23.3%	23.3%	23.3%
Blessed Edward Trust	10.7%	Nil	Nil	Nil	10.7%	10.7%	10.7%
Churchill Moorside	25.1%	-4.3%	-4.3%	-4.3%	20.8%	20.8%	20.8%
Clayton-le-Woods Parish Council	17.8%	-0.9%	-0.9%	-0.9%	16.9%	16.9%	16.9%
Cliviger Parish Council	15.9%	Nil	Nil	Nil	15.9%	15.9%	15.9%
Compass HHC	21.6%	Nil	Nil	Nil	21.6%	21.6%	21.6%
Education Partnership Trust	11.2%	-0.4%	-0.4%	-0.4%	10.8%	10.8%	10.8%
FCAT Mereside Primary Academy	16.3%	£27,600	£28,600	£29,700	16.3% plus £27,600	16.3% plus £28,600	16.3% plus £29,700
Mellors Lostock	21.9%	Nil	Nil	Nil	21.9%	21.9%	21.9%
PET	15.5%	£700	£700	£700	15.5% plus £700	15.5% plus £700	15.5% plus £700
Tauheedul Highfield Humanities	16.4%	£57,700	£59,800	£62,000	16.4% plus £57,700	16.4% plus £59,800	16.4% plus £62,000
Tauheedul Olive Birmingham	7.6%	Nil	Nil	Nil	7.6%	7.6%	7.6%
Tauheedul Olive Bolton	11.1%	Nil	Nil	Nil	11.1%	11.1%	11.1%
Tauheedul Olive Preston	9.7%	Nil	Nil	Nil	9.7%	9.7%	9.7%
Taylor Shaw (Parklands HS)	22.4%	-3%	-3%	-3%	19.4%	19.4%	19.4%
Tor View	12.6%	£57,300	£59,400	£61,600	12.6% plus £57,300	12.6% plus £59,400	12.6% plus £61,600
Vision Learning Trust	13.3%	-0.1%	-0.1%	-0.1%	13.2%	13.2%	13.2%

Employer	Primary Rate 2017/18 to 2019/20	Secondary Rates			Total Contribution Rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Employers Grouped with Council							
Andron Fearn's Sport College	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Bulloughs (St Patrick)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Churchill (Clayton Brook)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Churchill (Morecambe Bay)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Consultant Cleaners (St James)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Elite CES Ltd (St Annes)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Elite CES Ltd (Carr Hill)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
I Care (Ind)	14.8%	-2.4%	-1.4%	Nil	12.4%	13.4%	14.8%
Maxim (Acorns PS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Maxim (Newton Bluecoat)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Maxim (St Matthews CE PS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Mellors (Delph Side PS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Mellors (Holy Cross)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Mellors (Little Hoole)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Mellors (White Ash PS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Premiserv (St Peter)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
RCCN (Burscough)	15.1%	Nil	Nil	Nil	15.1%	15.1%	5.1%
RCCN (Our Ladys Catholic HS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
RCCN (St Johns)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
RCCN (Whitefield)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (Clitheroe Pendle Primary)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (St Mary Magdalene)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (St Marys RCP)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (St Wilfred)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (Whittlefield)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%

**Employer****Proportion of Pension  
Increases to be Recharged %****Other Interested Bodies with no Pensionable Employees**

Blackpool & Fylde Society for the Deaf	100
Burnley & Pendle Development Association	100
Burton Manor Residential College	100
Ex Department of Transport	100
Ex National Health Service	100
Fylde Coast Development Association	100
Lancashire South East Probation Committee	100
Spastics Society	100

**Notes:**

1. Cash payments in respect of £ lump sums marked \* are payable by 30 April 2017. Cash payments in respect of £ lump sums marked \*\* are payable by 30 April of the year in which they are due. Cash payments in respect of £ lump sums marked \*\*\* are payable by the end of the year in which they are due. Where applicable these amounts have been reduced to reflect this early payment;

2. With the agreement of the Administering Authority employers may also opt to pay any other element of their employer contributions early, with either all three years being paid in April 2017 or payment being made in the April of the year in question. The cash amounts payable will be reduced in return for this early payment as follows:

- Payments made in the April of the certified year will be reduced by 2.1% (i.e. the above amounts will be multiplied by 0.979)
- 2018/19 payments made in April 2017 will be reduced by 6.3% (i.e. the above amounts will be multiplied by 0.937)

- 2019/20 payments made in April 2017 will be reduced by 10.2% (i.e. the above amounts will be multiplied by 0.898)

For these cases the employer will need to estimate in advance the pensionable pay for the entire period, and a balancing adjustment to reflect the actual pensionable pay over the period would be made at the end of the period (no later than 19th April or 22nd April as appropriate following the year-end).

3. The percentages shown are percentages of pensionable pay and apply to all members, including those who are members under the 50:50 option under the LGPS from 1 April 2014;
4. The total contributions payable by each employer each year will be subject to a minimum of zero;

5. In cases where an element of an existing Scheme Employer's deficit is transferred to a new employer on its inception, the Scheme Employer's deficit recovery contributions shown in this certificate may be reallocated between the Scheme Employer and the new employer to reflect this, on advice from the actuary.

6. There are a number of additional employers who no longer had any active members within the Fund as at the valuation date. Any final contribution requirement for these employers will be assessed by the Fund in due course on the basis of actuarial advice.

7. The Fund has implemented an internal captive insurance arrangement in order to pool the risks associated with ill health retirement costs. The captive has been designed for employers that could be materially affected by the ill health retirement of one or more of their members. The employers (both existing and new) that will be included in the captive are those with less than 150 active members (excluding major Councils). New employers entering the Fund who fall into this category will also be included. For those employers in the ill-health captive arrangement, allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

## J Contacts

<http://www.yourpensionservice.org.uk>

### **Benefits and other administrative issues**

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## K Glossary

### **Accounting policies**

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

### **Accrual**

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

### **Active management**

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

### **Actuarial strain**

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

### **Actuarial valuation**

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

### **Actuary**

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

### **Additional voluntary contributions (AVC's)**

This is an extra contribution a member can pay to their own pension scheme to increase future pension benefits.

### **Administering authority**

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

### **Admitted bodies**

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

### **Alternative investments**

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

### **Asset allocation**

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

### **Assumed pensionable pay**

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

### **Auditor**

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

**Auto enrolment**

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

**Benchmark**

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

**Bid price**

The price a buyer pays for a stock.

**Bonds**

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

**Career average revalued earnings (CARE) scheme.**

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

**Cash and cash equivalents**

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

**Collateral**

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

**Conflicts of interest**

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

**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.

**Currency forward**

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

**Current assets and liabilities**

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

**Custody /Custodian**

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

**Debtors**

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

**Deficit**

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

**Defined benefit**

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

**Discount rate**

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

**Emerging markets**

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

**Equities**

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



**ESG (environmental, social and corporate governance)**

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

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

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

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

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

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

**Financial instrument**

A contract between two parties that involves a monetary exchange for some type of debt or asset.

**Fixed interest securities**

Investments in stocks mainly issued by governments, which guarantee a fixed rate of interest.

**Future service contribution rate**

The contribution rate payable by an employer, expressed as a % of pensionable pay. This rate is the rate which will be sufficient to meet the costs of new benefits being accrued by active members in the future.

**Funding level**

The ratio of a Pension scheme's assets to its liabilities. Used as a measure of the scheme's ability to meet its future liabilities.

**Index-linked securities**

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

**Infrastructure**

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

**Investment management expenses**

All expenses relating to managing the Fund's investments.

**Investment strategy**

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

**Liabilities**

Financial liabilities are debts owed to creditors for outstanding payments due to be paid.

Pension liabilities are the pension benefits and payments that are due to be paid when someone retires.

**LPP – Local Pensions Partnership**

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

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

**Market value**

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

**Myners review**

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

**Over the counter (OTC)**

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

**Past service liability**

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

**Pension boards**

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

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

**Pooled investment vehicles**

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

**Private equity**

Shares in un-quoted companies.

**Property**

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

**Related party**

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

**Responsible investment**

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

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

**Stock lending**

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

**Transfer values**

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

**Triennial actuarial valuation**


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

**Venture capital**

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

**50:50 scheme**

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



# Lancashire County Pension Fund

**Governance Policy Statement –  
Updated April 2017**

Lancashire County Council as  
administering authority of  
**Lancashire County Pension Fund**



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# Lancashire County Pension Fund

## Governance Policy Statement (Updated as at April 2017)

### Introduction

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

### Purpose of the Governance Policy Statement

3. The regulations regarding governance policy statements require an administering authority, after consultation with such persons as they consider appropriate, to prepare, maintain, publish and keep under review a written statement setting out:
  - (a) whether the authority delegates its functions, or part of its functions under these Regulations to a committee, a sub-committee or an officer of the authority;
  - (b) if the authority does so—
    - (i) the terms, structure and operational procedures of the delegation,
    - (ii) the frequency of any committee or sub-committee meetings,
    - (iii) whether such a committee or sub-committee includes representatives of Scheme employers or members, and if so, whether those representatives have voting rights;
  - (c) the extent to which a delegation, or the absence of a delegation, complies with guidance given by the Secretary of State and, to the extent that it does not so comply, the reasons for not complying; and
  - (d) details of the terms, structure and operational procedures relating to the local pension board established under regulation 53(4)
4. Certain functions set out in the statement are not specific to the Pension Fund but are the wider responsibility of the administering authority and are included within the statement for completeness.



## **Governance of the Lancashire County Pension Fund**

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

## **The Pension Fund Committee** (Non-executive committee)

### **Composition and role:**

1. The Pension Fund Committee ("the Committee") comprises fourteen County Councillors and seven voting co-optees representing the following organisations:
  - a. One co-optee representing the Further and Higher Education sector in Lancashire;
  - b. One co-optee from Blackburn with Darwen Council;
  - c. One co-optee from Blackpool Council;
  - d. Two co-optees representing Trade Unions; and
  - e. Two co-optees representing the Lancashire Borough and City Councils.
2. The role of the Committee is to:
  - a. Fulfil the role of Scheme Manager, as set out in regulations, of the Lancashire County Pension Fund ("the Fund" or "LCPF");
  - b. Establish policies in relation to investment management, which shall include meeting with the Investment Panel to consider future Investment policy for the Fund;
  - c. Monitor and review investment activity and the performance of the Fund; and
  - d. present an annual report to the Full Council on the state of the Fund and on the investment activities during the preceding year.
3. The Committee shall meet at least quarterly, or otherwise as necessary, with the Investment Panel in attendance.
4. Meetings of the Committee shall be open to the public, but the public may be excluded where information of an exempt or confidential nature is being discussed – see Access to Information Procedure Rules set out at Appendix 'H' to the County Council's Constitution.

### **General:**

5. To exercise Lancashire County Council's responsibility for the management of the Fund, including the administration of benefits and strategic management of Fund assets and liabilities.
6. To determine which pension related functions and responsibilities should be exercised under a Scheme of Delegation to the Head of the LCPF, the Director of Financial Resources (S.151 Officer) and the Director of Governance, Finance and Public Services.



7. To review governance arrangements and the efficient and effective use of external advisors to ensure good decision-making.
8. To appoint a minimum of two suitable persons to an Investment Panel through a sub committee convened for that purpose.
9. To establish sub-committees and panels as necessary to undertake any part of the Committee's functions.
10. To receive an annual report from the Lancashire Local Pension Board on the nature and effect of its activities.

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

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

**Investment:**

12. To determine the strategic asset allocation policy, giving due recognition to the options made available by the Local Pensions Partnership Ltd (LPPL).
13. To monitor the performance of the Fund's investments and ensure that best practice is being adopted and value for money is being delivered
14. To submit an annual report to the Full Council on the performance and state of the Fund and on the investment activities during the year.
15. To approve and review on a regular basis an overall Investment Strategy and subsidiary Strategies for such asset classes as the Investment Panel consider appropriate.
16. To have overall responsibility for investment policy.

**Administration:**

17. To approve the Annual Administration Report
18. To approve the Pensions Administration Strategy Statement

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

**Funding:**

20. To approve the Funding Strategy Statement which shall include the Fund's policy in respect of:

the Funding Target;  
the collection of employee contributions;  
the collection of employer contributions;  
the collection of additional employer contributions; and  
Admissions and Terminations.

21. To approve Scheme Funding Advice.
22. To review ongoing funding updates for potential cash contribution implications.

**Procurement:**

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

**Training:**

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

**Local Pensions Partnership Ltd (LPPL):**

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

**Incorporation or winding up of subsidiaries:**

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

**Merger/acquisition of any business undertaking:**

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

**Financial and Business:**

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

**Shares, shareholder loans and constitutional:**

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

**Control, management, directors and employees:**

35. To approve the remuneration policy of LPPL Non-Executive Directors.

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

### **Contract with related parties**

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

### **Investment Panel**

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

**The Panel will:**

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

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

The membership of the panel comprises:

- (a) Head of Fund (as Chair)
- (b) Not less than two independent advisers appointed in accordance with arrangements determined by the Pension Fund committee.

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

They may secure specialist advice within allocated budgets.

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

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

**Matters reserved to Full Council**

**Administration**

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

2. To approve applications for early payment of preserved pension benefits on compassionate grounds.
3. To approve payments under the County of Lancashire Act 1984.
4. To determine the actual injury allowance payable on each individual qualifying case of injury or disease, both retrospective and for the future.
5. To review annually the actual amounts of injury allowances payable under the Local Government Superannuation Regulations, as amended, to employees who have sustained injuries or contracted diseases, as a result of anything they were required to do in carrying out their work and to make any changes appropriate to reflect changes in the relevant financial circumstances of the payee.

#### **Local Pensions Partnership Ltd (LPPL):**

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

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

#### **Dilution on Shareholding/Issue of Shares and Share Options**

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

#### **Creation of any Holdco of LPPL**

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

#### **Change of Company status**

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

## **Matters reserved to the Employment Committee**

### **Local Pensions Partnership Ltd (LPPL):**

#### **Approval of LPPL's Remuneration Policy**

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

#### **Changes to Directors' Remuneration Policy**

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

#### **Proposed redundancies of any Group employees**

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

#### **Proposed re-location of any LPPL employees**

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

#### **Chief Executive**

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



## **Pension Fund - Scheme of Delegation to Officers**

The following functions have been delegated to the Head of the Lancashire County Pension Fund (LCPF), the Director of Governance, Finance and Public Services, and the Director of Financial Resources (as the Council's S.151 officer) as indicated below:

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

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

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

## **Matters reserved to the Director of Governance, Finance and Public Services**

### **Agreements**

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

### **Administration**

In consultation with the Director of Financial Resources:

2. To authorise the payment of any statutory pensions, gratuities, grants, etc. under the provisions of the Superannuation and Pensions Acts and Regulations and any Local Acts.
3. To approve applications for early payment of preserved pension benefits on compassionate grounds.
4. To approve payments under the County of Lancashire Act 1984.
5. To determine the actual injury allowance payable on each individual qualifying case of injury or disease, both retrospective and for the future.
6. To review annually the actual amounts of injury allowances payable under the Local Government Superannuation Regulations, as amended, to employees who have sustained injuries or contracted diseases, as a result of anything they were required to do in carrying

out their work and to make any changes appropriate to reflect changes in the relevant financial circumstances of the payee.

**Local Pensions Partnership Ltd (LPPL):**

**Guarantees and Indemnities**

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

**Disputes and proceedings**

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

## **Matters reserved to S.151 Officer**

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

### **Accounts and Records**

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

### **Local Pensions Partnership Ltd (LPPL):**

#### **Shares, shareholder loans and constitutional:**

2. Save as provided for in the Shareholders Agreement, to approve an increase in the amount of any Shareholder Loans or the variation of the terms of any Shareholder Loans.
3. To approve the repurchase, repayment, redemption or cancellation of any Shareholder Loan other than in accordance with the terms of any Loan Agreement, Loan Notes or the terms of the Shareholders Agreement.
4. To enter into any agreement with a Shareholder for the provision of additional funds or financial support from that Shareholder which differ from the terms on which the other Shareholder is providing equivalent finance or support.

## Matters reserved to the Head of the Lancashire County Pension Fund

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

1. To set the appropriate funding target for the Fund.
2. To place any monies not allocated to investments on short term deposit in accordance with arrangements approved by the Pension Fund Committee.
3. In consultation with the Investment Panel, to monitor and review the performance of investments made by LPPL and to report to each meeting of the Pension Fund Committee on the exercise of this delegation.
4. To arrange and authorise the provision of appropriate and necessary training for members of the Pension Fund Committee including the attendance at conferences and other similar pension fund related events by members of the Pension Fund Committee.
5. To accept for admission into the Lancashire County Pension Fund employees of authorities and bodies as prescribed in Regulations including transferee and community admissions which are considered as 'exceptional circumstances', subject to an approved Admission Agreement, and subject to any necessary indemnities as appropriate.
6. To prepare and submit the following to Pension Fund Committee:
  - a. A rolling 3 Year Strategic Plan for the Fund;
  - b. Statement of Investment Principles (to include policy on the management of cash balances) ,
  - c. Governance Policy Statement
  - d. Governance Compliance Statement.
  - e. Pension Fund Annual Report, including the Annual Administration Report.
  - f. The Funding Strategy Statement to include the Fund's policy in respect of:
  - g. the Funding Target;
  - h. the collection of employee contributions;
  - i. the collection of employer contributions;
  - j. the collection of additional employer contributions; and
  - k. Admissions and Terminations.
  - l. Pensions Administration strategy statement;
  - m. Communication Policy statement;
  - n. Internal Dispute Resolution Procedure;
  - o. Death Grant Procedure;
  - p. Bulk Transfer Payment Policy;
  - q. Commutation policy (small pensions);
  - r. Transfer policy; and
  - s. Abatement policy
7. To carry out the administrative functions of the administering authority relating to the Local Government Pension Scheme,
8. To approve the payment of death grants in accordance with the agreed Death Grant Procedures.

9. To appoint any required external support (subject to the role of the Pension Fund Committee and the Investment Panel), their terms of office and remit.
10. To deal with stage 2 appeals under the Internal Dispute Resolution Procedure.
11. To provide support to the Local Pension Board to enable it to fulfil its role and responsibilities as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013.

**Local Pensions Partnership Ltd (LPPL):**

To approve the following:

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

## **Compliance with Good Practice in Engagement and Representation**

The Myners' first principle states that decisions should only be taken by persons or organisations with the skills, information and resources necessary to take them effectively. Where trustees elect to take investment decisions, they must have sufficient expertise and appropriate training to be able to evaluate critically any advice they take.

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

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

On this basis, it is open to pension committees to include representatives from district councils, scheme members and other lay representatives, with or without voting rights, provided that they are eligible to be committee members (eligibility rules are set out in section 15 of the Local Government and Housing Act 1989). Membership of the Lancashire Pension Fund Committee is set out on page 2 of this statement DCLG is committed to ensure that all LGPS committees operate consistently at best practice standards. Therefore, in addition to the regulatory requirement to produce this Governance Policy Statement, the LGPS regulations 1997 were further amended on 30 June 2007 to require administering authorities to report the extent of compliance to a set of best practice principles to be published by DCLG, and where an authority has chosen not to comply, to state the reasons why. The Fund's statement is set out at Appendix I.

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

### **With Employing Authorities**

The ratio of contributors from the various employing authorities in the Lancashire County Pension Fund may be analysed as follows

Scheduled bodies 93%

Admitted Bodies 7%

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

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

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

### **With Employees**

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

- Full annual report
- Statement of Investment Principles
- Funding Strategy Statement

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



## **Pension Board of the Lancashire County Pension Fund**

### **Terms of Reference and Delegated Authorities**

#### **1. Role and remit of the Board.**

- a) To assist Lancashire County Council as Administering Authority in its role as Scheme Manager:
  - i. to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
  - ii. to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator; and
  - iii. in such other matters as the LGPS regulations may specify
- b) To ensure the effective and efficient governance and administration of the LGPS for the Lancashire County Pension Fund;
- c) To provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.
- d) To review and scrutinise governance processes and procedures to ensure that the Lancashire County Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.
- e) To meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than four times in any year.
- f) To review the key policy documents to ensure they are fit for purpose.
- g) The Pension Board must assist the Scheme Manager with such other matters as the scheme regulations may specify. It is for scheme regulations and the Scheme Manager to determine precisely what the Pension Board's role entails. This role involves but is not limited to oversight and comment on:
  - i Assist with the development of improved customer services

- ii monitor performance of administration, governance and investments against key performance targets and indicators
  - iii Review the effectiveness of processes for the appointment of advisors and suppliers to the Administering Authority
  - iv Monitor investment costs including custodian and transaction costs.
  - v Monitor internal and external audit reports.
  - vi Review the Risk Register as it relates to the scheme manager function of the Authority.
  - vii Assist with the development of improved management, administration and governance structures and policies.
  - viii Review the outcome of actuarial reporting and valuations.
  - ix Assist in the development and monitoring of process improvements on request of Committee.
  - x Assist in the development of asset voting and engagement processes and compliance with the UK Stewardship Code.
  - xi Any other area within the core function (ie. Ensuring effective and efficient governance of the Scheme) the Board deems appropriate.
- 
- h) To review the outcome of internal and external audit reports in relation to the Fund.
  - i) To make such recommendations to the Pension Fund Committee and/or Full Council as it considers appropriate in relation to any matter that the Board considers may improve the performance of the Fund
  - j) To submit in March each year a proposed annual work plan to the Pension Fund Committee for the forthcoming financial year
  - k) To carry out any activities relating to the efficient governance and administration of the Fund which the Pension Fund Committee or Full Council may request the Board to undertake

The Pension Board shall meet sufficiently regularly to discharge its duties and responsibilities effectively, but not less than four times in any year.

## 1. Membership and Appointment Process

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

- (a) 4 employer representatives, of whom;
  - (i) 2 shall be nominated by Lancashire County Council, where these are councillors or officers they shall meet the requirements of the relevant regulations in relation to avoidance of conflict with the County Council's role as Administering Authority;
  - (ii) 1 shall be nominated by the Unitary, City, and Borough Councils and the Police and Fire bodies which are employers within the Lancashire County Pension Fund;
  - (iii) 1 shall be nominated by all other employers within the Fund.
- (b) 4 scheme member representatives of whom;
  - (i) 2 shall represent and be drawn from active members of the Lancashire County Pension Fund;
  - (i) 1 shall represent and be drawn from pensioner members of the Lancashire County Pension Fund;
  - (ii) 1 shall represent and be drawn from deferred members of the Lancashire County Pension Fund.
- (c) 1 independent member selected by the Scheme Manager, who shall not be a member of the Lancashire County Pension Fund and who shall be appointed as Chair of the Board. Such appointment will only be made following an openly advertised competition for the role.

Members in all categories will only be appointed to the Board by the Scheme Manager if they meet the skill and knowledge requirements set out in the relevant regulations and guidance, and as set out in section 7, below.

Members of the Board in categories a) iii., and b) i., ii., and iii., shall only be appointed after all employers or members of the Fund in those categories have been invited to put forward nominations. Where there is more than one nomination in any category then any nominee who meets the relevant knowledge and skills requirement will be included on a ballot of all members or employers in the relevant category. The winner in such a ballot will be the candidate with the greatest number of votes under the "first past the post" method.

Members of the Board will serve for a term of four years. Other than as a result of retirement at the expiry of this period the term of office will come to an end:

- (a) For employer representatives who are councillors if they cease to hold office as a councillor;

- (b) For employer representatives who are not councillors when they cease to be employed by the employing body where they were employed on appointment;
- (c) For scheme member representatives if they cease to be a member of the relevant member group.

Each Board member should endeavour to attend all Board meetings during the year and is required to attend at least 3 meetings each year. Given the nature of the Board as a supervisory body and the need for appropriate knowledge and skills and the clear avoidance of conflicts of interest substitute members are not permitted.

In the event of consistent non-attendance by any Board member, then the tenure of that membership should be reviewed by the other Board members in liaison with the Scheme Manager.

Other than by ceasing to be eligible as set out above, a Board member may only be removed from office during a term of appointment by the unanimous agreement of all of the other members. The removal of the independent member requires the consent of the Scheme Manager.

## 2. Quorum

The Board shall not be quorate unless the Chair and at least 2 employer representatives and 2 scheme member representatives are present.

## 3. Conflicts of Interest

The policy for identifying conflicts of interest is set out in a separate policy document.

## 4. Board Review Process

The Board will undertake each year a formal review process to assess how well it and its members are performing with a view to seeking continuous improvement in the Board's performance.

## 5. Advisers to the Board

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

## 6. The Board shall ensure that the performances of the advisers so appointed are reviewed on a regular basis.

## 7. Knowledge and Skills

A member of the Pension Board must be conversant with –

- (a) The legislation and associated guidance of the Local Government Pension Scheme (LGPS).
- (b) Any document recording policy about the administration of the LGPS which is for the time being adopted by the Lancashire County Pension Fund.

A member of the Pension Board must have knowledge and understanding of –

- (a) The law relating to pensions, and
- (b) Any other matters which are prescribed in regulations.

It is for individual Pension Board members to be satisfied that they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the Pension Board.

In line with this requirement Pension Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Pension Board members are therefore required to maintain a written record of relevant training and development.

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

Pension Board members will comply with the Scheme Manager's training policy.

## 8. Board Meetings – Notice Minutes and Reporting

The Scheme Manager shall give notice to all Pension Board members of every meeting of the Pension Board, and shall ensure that all papers are published on the Lancashire County Pension Fund Website at least 5 working days prior to each meeting. These may at the discretion of the Scheme Manager be edited to exclude items on the grounds that they would either involve the likely disclosure of exempt information as specified in Part 1 of Schedule 12A of the Local Government Act 1972 or it being confidential for the purposes of Section 100A(2) of that Act and/or they represent data covered by the Data Protection Act 1998.

The Scheme Manager shall ensure that a formal record of Pension Board proceedings is maintained. Subsequent to each meeting the Chair will be asked to approve the minutes for publication as a draft and circulation to all members of the Board.

The Pension Board shall on an annual basis produce a report on both the nature and effect of its activities for consideration by the Administering Authority. The contents of this annual report will be subject to consideration and agreement at a meeting of the Board, but should include, inter alia:

- (a) Details of the attendance of members of the Board at meetings,

- (b) Details of the training and development activities provided for members of the board and attendance at such activities;
- (c) Details of any recommendations made by the Board to the Scheme Manager and the Scheme Manager's response to those recommendations;
- (d) Details of the costs incurred in the operation of the Board

The Board in considering items of business at its ordinary meetings shall in relation to each item consider whether it wishes to make a recommendation to the Scheme Manager, to which the Scheme Manager shall respond at the subsequent meeting.

#### 9. Remit of the Board

The Pension Board must assist the Scheme Manager with such other matters as the scheme regulations may specify. It is for scheme regulations and the Scheme

Manager to determine precisely what the Pension Board's role entails. This role involves but is not limited to oversight and comment on:

- (a) Performance standards;
- (b) Customer service standards;
- (c) Data quality and record keeping;
- (d) Relative and absolute costs of running the fund;
- (e) Learning from appeals and complaints;
- (f) The application of specific policies within the fund, and
- (g) The steps required to address any deficit within the fund.

#### 10. Standards of Conduct

The role of Pension Board members requires the highest standards of conduct and therefore the "seven principles of public life" will be applied to all Pension Board members and embodied in their code of conduct.

These principles are –

- (a) Selflessness
- (b) Integrity
- (c) Objectivity
- (d) Accountability



- (e) Openness
- (f) Honesty
- (g) Leadership

#### 11. Decision making

Each member of the Pension Board will have an individual voting right but it is expected the Pension Board will as far as possible reach a consensus. The Chair of the Pension Board will not have a final deciding vote.

#### 12. Publication of Pension Board information

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

Up to date information will be posted on the Lancashire County Pension Fund website showing

- (a) The names, contact details and other relevant information about the Pension Board members
- (b) How the scheme members are represented on the Pension Board
- (c) The responsibilities of the Pension Board as a whole
- (d) The full terms of reference and policies of the Pension Board and how they operate
- (e) Details of the Pension Board appointment process
- (f) Any specific roles and responsibilities of individual Pension Board members.

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

#### 13. Accountability

The Pension Board will be collectively and individually accountable to the Scheme Manager.

#### 14. Expense Reimbursement and Remuneration

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

Members of the Board shall be reimbursed a mileage allowance for use of their own car at the rate proscribed by the Inland Revenue from time to time as adopted by Lancashire County Council.

Where members of the Board are in employment their employer will be able to reclaim from the Lancashire County Pension Fund a sum equivalent to salary, employers' national insurance contributions and employers' pension contributions, in respect of time spent by the individual in fulfilling their duties as a member of the Board, including attendance at relevant training and development activities.

The Chair of the Board shall receive a fixed annual allowance set initially (2015) at £10,000 pa (in addition to travel and subsistence expenses) to be inflated in April each year by the retail price index for the previous September.

(a) Reporting Breaches

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

(b) Definitions

The undernoted terms shall have the following meaning when used in this document:

"Pension Board" or "Board"	Means the local Pension Board for the Lancashire County Council as administering authority for the Lancashire County Pension Fund as required under the Public Service Pensions Act 2013
"Scheme Manager"	Means the Pension Fund Committee as administering authority of the Lancashire County Pension Fund.
"Chair"	The individual responsible for chairing meetings of the Board and guiding its debates.
"LGPS"	The Local Government Pension Scheme as constituted by the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and

Amendment) Regulations 2014 and The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009

“Scheme”

Means the Local Government Pension Scheme as defined under “LGPS”

## **Review**

This document is reviewed following any material changes to the administering authority’s governance policy and was last reviewed in May 2016.

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

Principle		Compliance
A. Structure	<p>(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</p> <p>(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee (1)</p> <p>(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</p> <p>(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.</p>	<p>√</p> <p>Partial (see Note 1)</p> <p>√</p> <p>√</p>
B. Representation	<p>(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1)</p> <p>These include:</p> <p>(i) employing authorities (including non-scheme employers, e.g. admitted bodies)</p> <p>(ii) scheme members (including deferred and pensioner scheme members)</p> <p>(iii) independent professional observers (2)</p> <p>(iv) expert advisers (on an ad hoc basis)</p>	Partial (see Notes 1 and 2)
C. Selection and Role of Lay Members	<p>(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. (It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all time.)</p>	√
D. Voting	<p>(a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.</p>	√

Principle		Compliance
E. Training/Facility time/expenses	(a) That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.	√
	(b) That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	√
F. Meetings - Frequency	(a) that an administering authority's main committee or committees meet at least quarterly.	√
	(b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.	√
	(c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	√
G. Access	(a) that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	√
H. Scope	(a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	√
I. Publicity	(a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	√

#### Notes - Reasons for partial compliance

1) Unitary Councils, District Councils and Further and Higher Education employers, are represented. Other admitted bodies only represent **9%** of contributors to the Fund and are therefore not represented. However, all employers receive a full annual report and are alerted to important events. Although employee representatives, i.e. Trade Unions, do not formally represent deferred and pensioner scheme members, it is accepted that representation is available to deferred and pensioners members via this route where necessary and/or appropriate. In addition the interests of all scheme members and employers are specifically represented in the composition of the Local Pension Board.

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

your  
pension  
service

# LANCASHIRE COUNTY PENSION FUND

## Annual Administration Report 2017



Administered by





# 1. INTRODUCTION

## Purpose

This administration report is produced in accordance with the Service Level Agreement (SLA) for the provision of pension administration services to Lancashire County Pension Fund. The report describes the performance of Your Pension Service (YPS) against the standards set out in the SLA during the period 1 April 2016 to 31 March 2017.

## Annual Plan – 2016/17



Due



Completed

Event	Responsibility Your Pension Service (YPS)											
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Application of Pension Increases												
Issue Annual Benefit Statement to Active Members												
Issue Annual Benefit Statement to Def Members												
Issue P60s and Newsletter to Pensioners												
Issue Newsletter to Active Members												
Complete HMRC Scheme Returns												
Provide FRS17 data												

# 2. PERFORMANCE

## EPIC Update

Since 1 April 2014 employers have been submitting monthly files to Your Pension Service, which replace many of the forms that they used to complete, and enable YPS to accurately post and reconcile contributions and pensionable pay to individual member records.

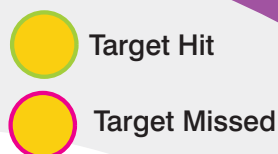
YPS use an internally designed system called "EPIC" to do this. EPIC has helped YPS to ensure that active member data is accurate and up to date, and that every member receives their correct pension pot entitlement.

It is also important to have up to date and accurate data in order to properly assess the liabilities of the Fund.

Almost 90% of employers submit monthly files on time. Employers who fail to submit by the deadline are contacted initially with the offer of support and training. Repeated failure to meet the deadline for submission of monthly files is escalated within the employer organisation.



# Performance Standards



## Service Level Agreements

During the reporting period 25,563 individual calculations/enquiries were completed, of which 24,807 met the performance standard; an overall performance of 97% was achieved.

### LGPS

#### Performance Standard



## 3. MEMBERSHIP

### Fund membership

Lancashire County Pension Fund	31/03/16	31/03/17
Number of active scheme members		
County Council	27,106	26,416
Other employers	29,223	29,499
<b>Total</b>	<b>56,329</b>	<b>55,915</b>
Number of pensioners		
County Council	22,414	23,141
Other employers	22,093	23,012
<b>Total</b>	<b>44,507</b>	<b>46,153</b>
Number of deferred pensioners		
County Council	33,253	34,668
Other employers	28,377	30,573
<b>Total</b>	<b>61,630</b>	<b>65,241</b>
<b>Total membership</b>	<b>162,466</b>	<b>167,309</b>

As at 31 March there were 4,592 pending leavers

## 4. CUSTOMER SERVICE

### Retirement Experience

Elapsed time from retirement to first pension payment.

Average 45 days  
to payment  
of pension  
(54 Days in 2015/16)

2,527 new  
pensioners

## Compliments/Complaints



During the period the service received 29 compliments and they related to the Good Customer Service provided by the staff within Your Pension Service.

Almost all the complaints were from members relating to the late payment of pension and time taken to process pensions. We are currently working with employers to assist them in providing more timely/accurate information.

## Telephone helpdesk

A dedicated helpdesk, AskPensions provides the first point of contact for members and employers. The helpdesk has a target to answer 90% of calls offered. Between 1 April 2016 and 31 March 2017, 60,255 calls were received and 88% of them were answered. Additional resources are now in place to address the dip in performance.

The service also received and responded to over 30,000 emails as at 31 March 2017.

# 5. FIRST STAGE APPEALS

Members who disagree with decisions taken by their employer or administering authority may appeal using the Internal Dispute Resolution Procedure (IDRP) under the LGPS rules. The IDRP is a formal appeal procedure which contains two stages. The first stage allows the person to ask the body who originally made the decision to review it, i.e. either the employer or the administering authority. The second stage allows the person, if they are not satisfied with the outcome at the first stage, to ask the Appeals Officer at the administering authority to review the disagreement.

The appeals in the main related to ill health and late transfers.

Period 01/04/2016 - 31/03/2017



## 6. EMPLOYER RISK

### Employer Risk Team - Admissions and Exits

The team manages the admissions and exits process for the Fund, with significant volumes of activity in the year:

Admissions and Exits 2016/17	Admissions	Exits
In progress at beginning of year	21	44
New cases to be processed	49	13
Cases completed	58	27
In progress at end of year	12	30

Good progress has been made in reducing the number of in progress admissions and terminations, with processes becoming more streamlined following a change in Fund policy.

The bulk of new admissions result from scheme employers, largely academies, contracting out services to contractors; when this occurs transferring staff have a right to retain membership of the LGPS, so the contractor is then admitted to the Fund.

The bulk of exits relate to contractors whose contract (to provide services to scheme employers) has expired, and affected staff either transfer to a new contractor or back to the original scheme employer. Other exits occur, for example due to consolidation between employers, or where previously admitted employers choose to leave the LGPS.

From June 2016 a fee, payable to the Fund, has been applied for new admissions.

### Risk Assessment and Covenant

Funds within the LGPS are required to regularly assess the risk presented to them by employers, to ensure that all monies due to funds are paid.

The team manages the covenant and risk assessment process, and has completed assessments for the majority of higher risk employers, by looking back at three years' historic financial information and engaging with employers. These risk assessments have been linked to the March 2016 Fund valuation process, which determines how much employers must pay to the Fund over the next triennial cycle. As a result of the team's efforts, ongoing risk to the Fund has been reduced.

The team has developed an assessment methodology which is rigorous and consistent, but which places a minimal burden on employers in complying with the risk assessment process.

# 7. COMMUNICATIONS

## The Team

Communications are delivered by the Partnerships Team - a manager and three client liaison officers. They are the link between Your Pension Service scheme members and employers.

## Employers

The Partnerships Team visits employers (with more than 100 active members) on an annual basis in order to maintain relationships, update employers of any change affecting them and to address any issues that may have arisen during the year. 32 visits have been carried out across Lancashire over the year to date. The annual employer visits are extremely popular, they give the scheme employer an opportunity to build and maintain excellent working relationships.

The annual practitioners conference was held on 21 October at Woodlands Conference centre in Chorley. This year the conference concentrated on better ways of working with employers and helping them with key processes including use of the employer services online facility.

The day included a presentation from Pensionwise and an update on the new regulations.

## Employees/Scheme Members

Pension surgeries are hosted throughout the county on an annual basis from October through to March. The sessions help members to understand their annual benefit statements, although any member can attend so that their queries can be dealt with face to face. 14 surgeries have been held across Lancashire since October 2016.

Drop in sessions are hosted during the year where members (including pensioners) can be helped through the process of registering to use the online self-service portal. Four drop in sessions have been held over the year.

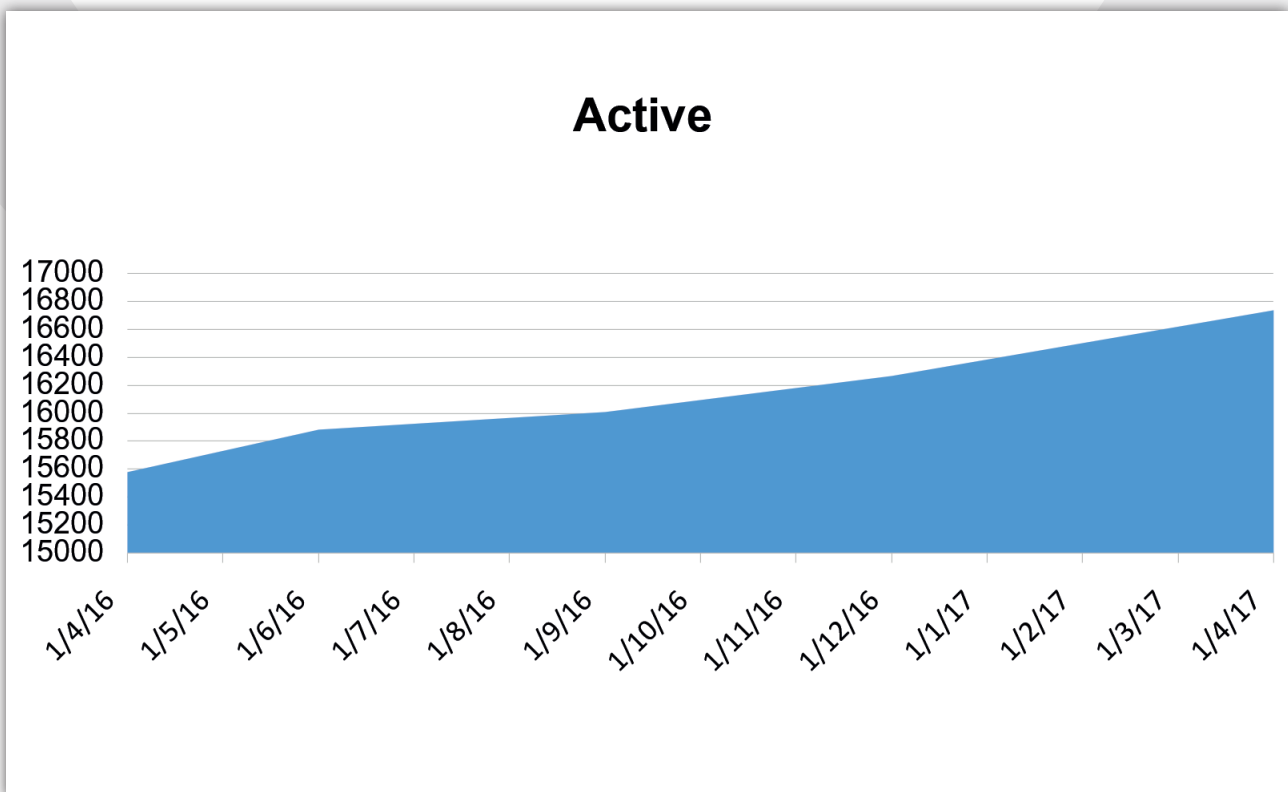
It is worth noting that the Fund was represented at 29 pre-retirements courses throughout Lancashire this year.

## 8. MY PENSION ONLINE (MPO)

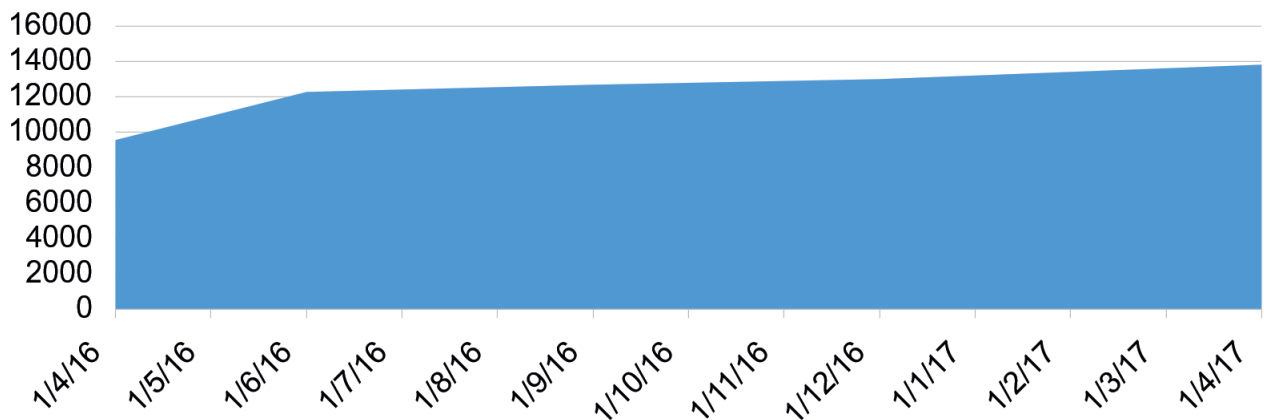
My Pension Online is an online facility that was developed in 2012 and launched comprehensively throughout 2013. Through 'My Pension Online' members can view their details and also securely update any changes in contact details. As well as this, members can run various pension estimates assisting with planning for retirement. Members can also view their annual benefit statement via My Pension Online. Other benefits of the system include: allowing members to view their nominated beneficiaries; access a host of forms and guides and also allows Your Pension Service to communicate with registered members via email. Currently over 47,700 members are registered online.

At every opportunity The Partnerships Team promote 'My Pension Online' always encouraging members to sign up online. The team includes the benefits of 'My Pension Online' in all presentations. Throughout the period the team continued to deliver "drop in sessions" where members sign up and are shown how to navigate the system, these continue to be held throughout the county.

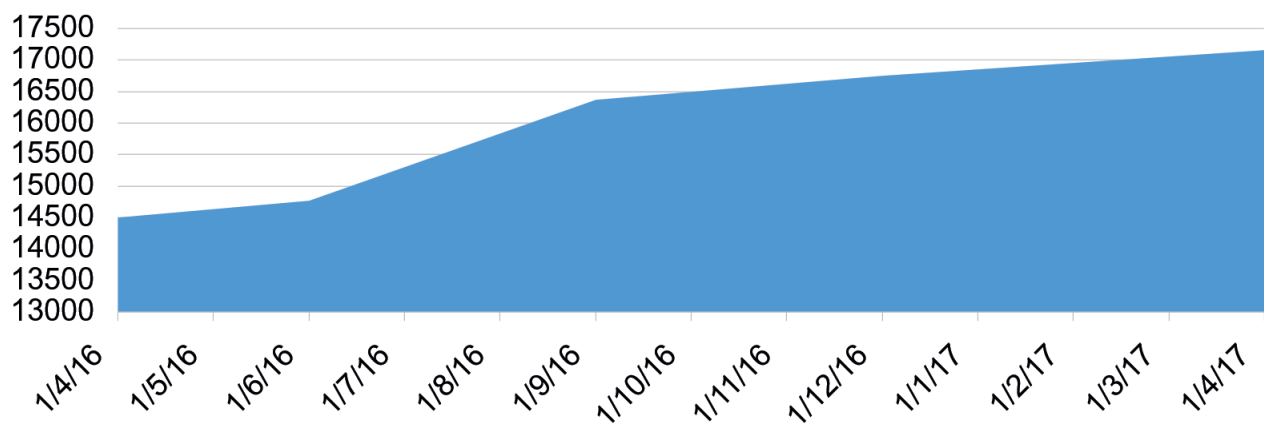
Below is a summary of how membership of 'My Pension Online' has grown throughout the period.



## Deferred



## Pensioners / spouses





## 9. LEGISLATIVE CHANGE

Another interesting year has passed, although compared to recent years we have seen very little change. There were however, a number of proposals suggested throughout the year which could have significant impact in the world of pensions for the future.

### Changes that took effect in the year

- At the Spring Budget 2017, the government introduced a new tax charge when a member transfers their pension benefits to an overseas pension scheme. The charge applies to transfers requested on or after 9 March 2017. Some members will be exempt from the charge, for instance, whether the member is living in the same country in which the overseas pension scheme is based.
- The Government Actuary's Department (GAD) amended the majority of the factors we use to process pensions. This includes the factors we use to calculate the reduction to pensions drawn early and the increase to pensions drawn late.
- The government reduced the Lifetime Allowance (LTA) from £1.25 million to £1 million and the Annual Allowance for high earners and members who expect the value of their savings to exceed £1 million can apply for protection against the LTA reduction.

### Proposals

- The Government announced proposed reforms to the rules covering public sector exit payments, for example, introducing a cap of £95,000. The proposals will have an impact on the Scheme, particularly the level of pension benefits we will pay to certain persons upon redundancy. We await further information from the government.
- In May 2016, the government launched a consultation on amendments to the Scheme's rules. These included:
  - offering members more freedom and choice as to when and how they may draw their additional voluntary contributions (AVC) fund;
  - allowing members aged between 55 and 60 who left before 1 April 2014 to draw their deferred benefits at a reduced rate without needing their former employer's consent;
  - changing the rules about what pension arrangements must be offered to LGPS employees whose employment is compulsorily transferred to a new employer.
- Certain members will have a pension that contains a Guaranteed Minimum Pension (GMP) element. In November 2016, the government launched a consultation in respect of members who attain their SPA on after 6 December 2018. The consultation considers whether the element should be fully inflation proofed and, if so, how this should be done. We are currently waiting for the government to respond to the consultation.

# Lancashire County Pension Fund

**Local Government Pension Scheme  
Communication Policy Statement**

**1 April 2014**

Lancashire County Council  
as administering authority of  
**Lancashire County Pension  
Fund**

# Local Government Pension Scheme

## Communication Policy Statement

### Introduction

This is the Communication Policy Statement of Lancashire County Pension Fund which is administered by Lancashire County Council; the administering authority. All Local Government Pension Scheme (LGPS) administering authorities in England and Wales are required to prepare maintain and publish a written statement setting out their policy concerning communications with: -

- **Members;**
- **Representatives of members;**
- **Prospective members; and**
- **Scheme Employers**

In particular, the statement must set out their policy on: -

- ***The provision of information and publicity about the Scheme to members, representatives of members and Scheme Employers;***
- ***The format, frequency and method of distributing such information or publicity; and***
- ***The promotion of the Scheme to prospective members and their employers.***

### Policy

Lancashire County Pension Fund recognises the government's objective to help people save for their retirement and will aim to: -

- ***Actively encourage the provision of good pension information and the promotion of pensions in the workplace.***
- ***Increase transparency and build trust, confidence and engagement in pension saving as the norm.***

To achieve its aim the administering authority will undertake to: -

- ***Provide clear, accurate and timely communication about the Local Government Pension Scheme to all stakeholders.\****
- ***Actively promote the Scheme to prospective members and their employers.***
- ***Take a multimedia approach in recognition that different styles and methods of communication suit different stakeholders***
- ***Use and encourage the use of electronic/online communication and information sharing.***
- ***Support Scheme employers, providing publicity and information toolkits, to enable employers to fulfil their responsibility to communicate and share information with members in relation to the Scheme.***
- ***Treat information security with the upmost importance.***

## Communication Policy Statement

### Communication Programme

The Fund will regularly review the format, frequency and method of communication. The following programme is currently in use.

Information	Stakeholder*	Format	Frequency	Method of distribution
Actuarial Valuation	All Stakeholders	Presentation, formal report,	Triennial with annual updates	Email, mail, website and face to face briefings.
Fund Policy and Statements	All Stakeholders	website	As amended	Mail/email
Annual Benefit Statements	Members	Online self service	Annual	Online/email alert
Customer Satisfaction Survey	All Stakeholders	Website	Ongoing	Click question
Member Guides	Members	website	On or before employment. On request	Via employer HR/payroll departments Mail/intranet
Employer Updates	Employer	Website, online	As required	email/internet
Pensioner payslips/P60's	Member	Online self service, paper	Annually	email/mail
Employer Guide	Employer	Website,	As amended	email /internet
Employer Training	Employer	Presentation Webcast	On request in line with SLA	Face to face – In house Employer locations. Website
Factsheets	All members	Paper/website	On request / as required	Mail/email/ internet

## Communication Policy Statement

Individual member information	All Stakeholders	Paper, Online self service	As required	Mail, email
Employer information pack	Employer	Paper/website	On Admission	Face to Face
Newsletters	Members	Paper/website	Annual	Online
Scheme change and legislative change	All Stakeholder	Presentation/webcast Website	As required and on request	Face to face/internet
Fund Report and Accounts	All Stakeholders	Paper/website	Annually	Mail/email/ internet
Service Level Standards	All Stakeholders	website	As amended	Internet /intranet
Query	All Stakeholders	Telephone/email/online	Mon – Fri	Telephone/email/ Online

*\*Stakeholders are defined as members, representatives of members, prospective members and employers (members are defined as active, deferred or pensioner members).*

### Scheme Regulations and Overriding Legislation

Lancashire County Pension Fund undertakes to comply with Local Government Pension Scheme Regulations and the relevant Overriding Legislation; In particular, the Fund undertakes to comply with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 [2013/2734]. A full list of Scheme and related legislation is set out below: -

Local Government Pension Scheme Regulations 2013 [2013/2356]

Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 [2014/ ]

Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 [2013/2734]

And the following Acts (including relevant secondary legislation made under each Act not mentioned above)

## Communication Policy Statement

Finance Act 2004 [c.12]

Pension Schemes Act 1993 [c.48]

Pensions Act 1995 [c.26]

Pensions Act 2008 [c.30]

Public Service Pensions Act 2013 [c.25]

Welfare Reform and Pensions Act 1999 [c.30]

Pensions (Increase) Act 1971 [c.56]

Date Protection Act 1998 [c.29]

### **Review**

This statement will be reviewed where there is any material change to the Funds policy in respect of communication.





# Lancashire County Pension Fund

Pension Administration  
Strategy Statement  
2014

Lancashire County Council  
as administering authority of  
**Lancashire County Pension  
Fund**

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Compliance	5
Your Pension Service Undertakings	5 – 13
Scheme Employer Undertakings	14 – 21
Annex A – Regulation 59	22 – 23

## **Acknowledgement & Review**

This statement will be reviewed by Your Pension Service on an annual basis.

Signed and dated

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**Diane Lister**

Head of Your Pension Service

---

Date

### **Employer Acknowledgement**

Signed and dated

---

**Signature of Fund Employer**

Date

---

Employer

---

Name

---

Designation

## **Background**

Lancashire County Council as 'Administering Authority' is required by law to administer the Local Government Pension Scheme in Lancashire.

The Council delegates its functions in respect of Scheme to its Pension Fund Committee who further delegates the administration of the Scheme to Your Pension Service under the terms of a Service Level Agreement.

## **Purpose**

Regulation 59 of the Local Government Pension Scheme Regulations 2013 allows for the Administering Authority to prepare and publish, following consultation with Fund Employers, a 'Pension Administration Strategy' to facilitate best practices and efficient customer service in respect of the following:-

- Procedures for liaison and communication with Scheme employers;
- The establishment of performance levels which the administering authority and fund employers are expected to achieve;
- Procedures to ensure compliance with statutory requirements in connection with the administration of the LGPS;
- Procedures for improving the methods of passing information between the administering authority and fund employers;
- The circumstances when the administering authority may consider recovering additional costs that have been incurred due to the unsatisfactory performance of a Scheme employer;
- Any other matters that the administering authority consider suitable for inclusion in the 'Pension Administration Strategy.'

Regulation 59 is set out fully at Annex A.

## **Compliance**

The undertakings set out within this Pension Administration Strategy will be reviewed annually. Scheme employers will be consulted on any changes to the Strategy. In no circumstance does this Strategy override the contents of the Service Level Agreement with Lancashire County Pension Fund nor does it override any provision or requirement of the Regulations set out at Section 1.6, nor is it intended to replace the more extensive commentary provided by the Employers Guide to the day to day procedures of the LGPS.

## **1. Your Pension Service' Undertakings**

### **1.1. Liaison and Communication**

**a)** Your Pension Service has a dedicated Partnerships Team who will act as primary contact for employers in respect of all areas of pension administration. The Team are responsible for all aspects of communication and employer liaison.

#### **The Service will:**

**b)** Ensure that Employer Forums and Conferences are held on a regular basis and actively seek to promote the Local Government Pension Scheme via attendance at the following events, in conjunction with the employer:

- Pre Retirement courses
- New Starters Induction courses
- Benefit Statement and AVC surgeries

Attendance by Your Pension Service will be subject to a maximum of 10 working days in any financial year. Attendance in excess of 10 working days will be provided at a daily rate to be determined on request.

**c)** Provide a Helpdesk facility for enquiries, available during normal office hours, providing a single access point for information relating to the pension scheme.

**d)** Provide Scheme information: Annual newsletters will be made available to members and potential members of the scheme.

**e)** Provide employer training in the following areas (as appropriate):

- Pension basics and general employer administration functions
- Changes to the regulations
- New technological developments
- Navigation of systems

**f)** Develop, promote and encourage electronic/online communication.

**g)** Carry out annual employer visits for employers with more than 100 employees.

## **1.2. Performance Levels**

A Service Level Agreement is in place for the provision of a range of pension administration services.

The minimum performance targets set are shown below. Performance against these targets is reported to the Pension Fund Committee. The Annual Administration Report as reported to the Pension Fund Committee is available in the Employers area of the Your Pension Service website.

[www.yourpensionservice.org.uk](http://www.yourpensionservice.org.uk)

### **1.2.1. Pensioner Members**

<u>Performance Standard</u>	<u>Minimum Target</u>
<b>a)</b> Make payment of pensions on due date.	100%
<b>b)</b> Production and distribution of annual P60s to pensioners within statutory deadlines.	100%

- |  |      |
|--|------|
| c) Implementation of annual pension increases by payment due date.   | 100% |
| d) Implementation of change in pensioner circumstance including the calculation and quoting of benefits on death of pensioners and administering the recovery of overpayments by payment due date. | 90%  |
| e) Provide information on request in respect of Pension Sharing on Divorce within legislative timescales.  | 100% |
| e) Implement Pension Sharing Orders within legislative timescales.   | 100% |
| f) Respond to general correspondence within 10 working days of receipt.  | 90%  |
| g) Calls to the Pensions Helpdesk answered.  | 90%  |
| h) Undertake annual reviews to establish continuing entitlements to pension for all children over age 17.  | 100% |

### **1.2.2 Active & Deferred Members**

<u>Performance Standard</u>	<u>Minimum Targets</u>
a) Amend personal records within 10 working days of receipt of required documentation.	90%
b) Providing an annual statement of benefit entitlement to all active and deferred members.	100%
c) Calculation of additional membership for transfer values within 10 working days of receipt of transfer details.	90%
d) Action agreed transfer values within 10 working days of receipt of acceptance.	90%



- |  |      |
|--|------|
| <b>e)</b> Provide information on request in respect of Pension Sharing on Divorce within legislative timescales.   | 100% |
| <b>f)</b> Implement Pension Sharing Orders within legislative timescales.  | 100% |
| <b>g)</b> Provide a statement of deferred benefit entitlement on leaving service within 15 working days of date of leaving or receipt of notification, whichever is later.   | 90%  |
| <b>h)</b> Respond to requests for estimates of benefits in relation to retirement, leaving service or on death within 10 working days following receipt of request.  | 90%  |
| <b>i)</b> Calculating and paying refunds of pension contributions, including deducting statutory deductions in accordance with HMRC and DWP regulations within 15 working days of receipt of notification.   | 90%  |
| <b>j)</b> Respond to general correspondence within 10 working days of receipt.   | 90%  |
| <b>k)</b> Calls to the Pensions Helpdesk answered.   | 90%  |
| <b>l)</b> Calculation and payment of retirement benefits, deferred benefits and death in service lump sums in accordance with LGPS rules, members' options and statutory limits. The service includes the recalculation and payment of benefits as a result of amended data received by Your Pension Service. Within 10 working days of receipt of notification or date of entitlement to benefit; whichever is later. | 90%  |
| <b>m)</b> Advise transfer value out within 15 working days of receipt of necessary documentation.  | 90%  |
| <b>n)</b> Action agreed transfer values out within 15 working days of receipt of acceptance.   | 90%  |

### **1.3. Administration of the LGPS and Compliance**

#### **1.3.1. Contributions**

Your Pension Service will ensure the following functions are carried out in relation to the Lancashire County Pension Fund:

- a)** Collect and reconcile employer and employee contributions (plus interest as appropriate).
- b)** Maintain and update members' records regarding additional contributions.
- c)** Calculate service credits, additional pensions or maximum cash on retirement where appropriate based on fund values received from the Additional Voluntary Contribution (AVC) providers.
- d)** Maintain and keep up to date additional contracts for members' contributions and provide information to employers on request on members' contributions regarding breaks in service / maternity/paternity/adoption and leave of absence.
- e)** Account to Her Majesty's Revenue and Customs in respect of income tax on pensions, refunds of AVCs and commutation of pensions where appropriate.
- f)** Send quarterly and annual event reports to HRMC in respect of lifetime and annual allowance reporting requirements.

#### **1.3.2. Year End Information**

- a)** Your Pension Service will process pensioner payroll year end routines and comply with HRMC PAYE legislation
- b)** Your Pension Service will update its systems and member records each year
- c)** At each Actuarial Valuation period, Your Pension Service will forward the required data in respect of each member and provide statistical information on member movements over the valuation period in order that the Fund Actuaries can determine the assets and liabilities of the Fund.
- d)** Your Pension Service will communicate the results of each Actuarial Valuation to Fund Employers within 12 months of the end of the relevant Valuation period.

### **1.3.3. Processing**

Your Pension Service will ensure the following functions are carried out:

#### **a) Data Collection File**

Reconcile contributions and update scheme member personal and financial data received from employers in the LGPS2014 Data Collection File every pay period.

#### **b) New Starters / Disclosure of Information**

Create member records for all new starters admitted to the LGPS. Send a welcome letter to all members, by email if possible.

#### **c) Adjustments of Career Average Pay**

Apply any retrospective adjustments to career average pay and accrual rates as informed by employers.

#### **d) Change in circumstances**

Update and maintain a member's record for any changes received in their circumstances.

#### **e) Absence**

Update member records in line with absence notifications, and set up APC arrangements to cover lost absence as appropriate.

#### **f) Benefit Estimates & Annual Benefit Statements**

Provide every active, deferred and pension credit member a benefit statement each year.

#### **g) Early Leavers**

Process early leavers (deferred benefits / refunds) within 15 working days of the receipt of form YPS Employer – Leaver form. Pensions Increase Order will be applied to all deferred benefits each year in line with the annual Pensions Increase (Review) Order.

**h) Payment of Benefits where employment is continuing**

Arrange payment of retirement benefits and create a new record for ongoing pension scheme membership if applicable.

**i) Retirements**

Calculate and pay benefits within 10 working days of receipt of notification or date of entitlement, whichever is the later.

Arrange to make pension payments on the last working day of each month.

Make payment of compensatory added years pensions as agreed on behalf of the employer in connection with redundancy retirements and recover these amounts via direct debit collection on the date payment is made to the former employee or by an annual payment in advance as agreed with Your Pension Service. Statements will be provided annually to the relevant employer.

Produce and distribute P60s to pensioners by the 31 May each year.

Apply Pensions Increases to pensions on the due date.

Implement changes in pensioner's circumstances by payment due date in the month of the receipt of the information.

**j) Death in Service**

Calculate and pay dependants benefits within 10 working days of receipt of notification or date of entitlement, whichever is the later.

Arrange to make pension payments on the last working day of each month.

Make payments to the member's estate / nomination within one month of receipt of the required documentation.

Produce and distribute P60s to pensioners by the 31<sup>st</sup> May each year.

Apply Pensions Increases to pensions on the due date.

Implement changes in spouse / dependants circumstances.

**1.4. Online Communication and Information Sharing**

**1.4.1 Electronic/online systems**

YPS will develop and actively promote the use of electronic/online facilities for data sharing and communication purposes between employers, scheme members and the Service.

#### **1.4.2 Self Service**

Your Pension Service will develop and actively promote the use of member and employer online self service systems and provide day to day access and query support.

### **1.5. Circumstances for recovery of Additional Costs**

See section 2.5 Employer Undertakings.

### **1.6. Other Matters**

#### **1.6.1. Decisions**

Your Pension Service will ensure that members are notified of any decisions made under the scheme regulations in relation to their benefits within 10 working days of the decision being made and will ensure the member is informed of their right of appeal.

#### **1.6.2. Policies (Administering Authority Discretions)**

Your Pension Service will ensure the appropriate policies are formulated, reviewed and publicised in accordance with the scheme regulations

#### **1.6.3. The Regulations**

Your Pension Service will comply with the principal regulations (as amended from time to time) relevant to this Pension Administration Strategy Statement as shown:

- Local Government Pension Scheme Regulations 2013 [2013/2356]
- Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 [2014/ ]
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 [2013/2734]

And the following Acts (including relevant secondary legislation made under each Act not mentioned above)

- Finance Act 2004 [c.12]
- Pension Schemes Act 1993 [c.48]
- Pensions Act 1995 [c.26]
- Pensions Act 2008 [c.30]
- Public Service Pensions Act 2013 [c.25]
- Welfare Reform and Pensions Act 1999 [c.30]
- Pensions (Increase) Act 1971 [c.56]
- Data Protection Act 1998 [c.29]
- Freedom of Information Act 2000 [c.36]

## **2. Employer Undertakings**

### **2.1. Liaison and Communication**

- a) The employer shall nominate a person / persons who will act as the primary contact(s) for general administration, HR & payroll, financial and regulatory/discretionary issues with Your Pension Service.
- b) The employer will facilitate an annual visit by Your Pension Service with the appropriate primary contact.
- c) The employer shall nominate an authorised signatory/signatories in respect of all documents and instructions received by Your Pension Service
- d) The employer shall ensure representation at Employer Forums and Practitioner Conferences as specified in Section 1.1.
- e) The employer shall undertake to ensure that all personnel dealing with the Local Government Pension Scheme as part of their day to day role undergo appropriate training as noted in Section 1.1.
- f) Where an employer contracts a third party HR or payroll provider the employer must authorise Your Pension Service if they wish YPS to deal directly with the payroll provider in matters of pensions administration.

### **2.2. Performance Levels**

Performance achieved by the Employer in relation to the following will be monitored by Your Pension Service: - .

- Payment of contributions collected, completion and submission of YPS Employer - Contributions Payment form;
- Payment of AVCs to Prudential;
- Submission of YPS LGPS 2014 Payroll Data Collection File every pay period
- Notification of leavers

An annual statement of employer performance will be produced by Your Pension Service.



## **2.3. Administration of the LGPS and Compliance**

### **2.3.1. Contributions**

The employer will ensure that both employee and employer contributions are deducted at the correct rate (plus any additional contributions as Your Pension Service may request the employer to collect). The employer must record the scheme section (50/50 or Main) in accordance with any election made by the scheme member, and deduct contributions as appropriate. The employer must maintain a policy to review employee tiered contribution rates, and notify Your Pension Service of any changes (see 2.3.3c).

All contributions, but not Prudential or Equitable Life AVC's, must be paid to the Lancashire County Pension Fund on a monthly basis and in any case ***before the 19<sup>th</sup> of the month following that in which they were deducted.*** Non-compliance may result in a fine on the employer.

Form 'YPS Employer – Contributions Payment' must be completed and returned each month to [pensionsfinance@lancashire.gov.uk](mailto:pensionsfinance@lancashire.gov.uk) by 6<sup>th</sup> of the calendar month following the month in which the contributions were deducted. The amounts specified on the form will then be recovered by direct debit on 19<sup>th</sup> of that month (or the banking day before if 19<sup>th</sup> is a non-banking day).

Where the 'YPS Employer – Contributions Payment' form is not received in time the direct debit will be recovered based on the previous month's payment and an adjustment made in the following month. Interest may be charged on any shortfall.

The employer will ensure that employee's Equitable Life and Prudential AVC's are paid direct to the provider as soon as possible after deduction but in any case ***before the 19<sup>th</sup> of the month following that in which they were deducted*** as stated above.

### **2.3.2 Pension Strain**

Each quarter YPS will issue an invoice to the employer reflecting the cost of any non-ill health early retirements processed in the previous quarter. The employer must pay the amount within one month of the date of the invoice.

### **2.3.3 Rechargeable Pensions**

Where amounts of discretionary pension are paid by YPS on the employer's behalf, the monthly amounts will be recharged to the employer and will be recovered by direct debit on 28<sup>th</sup> of the month following the month of payment (or the next banking day if 28<sup>th</sup> is a non-banking day).

This also applies in respect of other rechargeable pension e.g. where the employer has liability to pay for pre 1.4.1974 pensions increase payments and other unfunded pensions.

### **2.3.4. Year End Information**

The employer will provide information requested by YPS at year end by no later than 31 May.

### **2.3.3 Processing**

#### **a) Data Collection file**

Employers must submit the YPS LGPS2014 Payroll Data Collection file promptly at the end of every pay period. Data on this file must reconcile to contributions paid over each month, and must contain accurate figures of pensionable pay, including assumed pensionable pay where appropriate, for YPS to post to individual member records. Files should be at the latest submitted by 6<sup>th</sup> of the month following pay period end.

#### **b) New Starters / Disclosure of Information**

At the latest, on the first day of employment, the employer will provide all new starters with LGPS information and request that the employee completes a YPS Member – Enrolment Form.

The employer will notify the member of their formal admittance to the scheme, and the contribution rate they will pay.

If the employee opts out of the LGPS with less than three months active membership, the employer must refund contributions through payroll. The employer must not encourage employees not to join, or to opt out of the scheme.

The employer must continue to monitor the workforce in line with Automatic enrolment legislation, and re-enrol eligible employees to the LGPS at their re-enrolment date.

Employers must submit the YPS LGPS2014 Payroll Data Collection file promptly every pay period, from which YPS will arrange for scheme membership for any new starters.

### **c) Adjustments of Career average pay**

Employers must submit form YPS Employer – Pension Pot Adjustments in the following circumstances

- Where a retrospective change is made to the scheme section and the scheme section was reported incorrectly in a previous pay period;
- Where a member is brought into the scheme retrospectively and arrears of contributions are recovered;
- Where a leaver is overpaid, and pensionable pay has been reported incorrectly in a previous pay period.

### **d) Changes in circumstance**

Employers must submit the YPS LGPS2014 Payroll Data Collection file promptly every pay period, from which YPS will arrange for the update of scheme member records in the following circumstances -

- Change of hours / weeks;
- Change of name;
- Change of marital status;
- Change of contract;
- Change of tiered contribution rate;
- Change of title;
- Change of address.

### **e) Absence**

Employers must submit the YPS LGPS2014 Payroll Data Collection file promptly every pay period, which will provide YPS with information regarding employees who are absent, including assumed pensionable pay where relevant. On return from the following absences, the member will have suffered a loss of pension benefits, and the employer must write to the member with information on how to buy back these benefits through payment of an Additional Pension Contribution (APC).

- Additional Maternity, Paternity or Adoption Leave on no pay
- Unpaid Leave of absence
- Strike

If the member elects to pay APCs to buy lost pension within 30 days of returning from unpaid leave, the employer must fund 2/3rds of the cost. The exception to this is strike where the employee must pay the full cost.

The employer must submit form YPS Employer – Return from Absence within 10 days of return from unpaid leave.

### **f) Benefit Estimates & Annual Benefit Statements**

Employers must submit the YPS LGPS2014 Payroll Data Collection file promptly every pay period. Where YPS have queries on the data or status of any member these must be dealt with by the employer within 5 working days, so that YPS data is always correct and up to date ready for benefit estimate requests.

Where a scheme member requests a benefit estimate for voluntary retirement, they should be directed by the employer to My Pension Online in the first instance. Once registered, the member can process their own estimate, or view their most recent benefit statement.

Employers are also required to use Altair Employer Services to run ad hoc benefit estimates when requested by their scheme members.

If the member requests a more complex estimate, or is retiring within the next 12 months, then the employer can request the estimate from YPS by completing the eform YPS Employer – Estimate request. Or the member can request this themselves

Where a scheme member or employer requires an early retirement estimate which requires the employer's consent there is likely to be a cost to the employer. Therefore the estimate request must be made by the employer, through completion of eform YPS Employer – Estimate request.

### **g) Early Leavers**

The employer will send completed form YPS Employer – Leaver Form to Your Pension Service when an employee leaves employment (or 'opts out' of the scheme) with no entitlement to immediate payment of retirement benefits. The employer will send the form as soon as reasonably practicable and no later than 10 working days of the final payment of salary following termination from the scheme membership.

### **h) Payment of benefits where employment is continuing**

The employer will send YPS Employer – Confirmation of Flexible Retirement form to Your Pension Service as soon as the flexible retirement has been approved.

Completed YPS Employer – Leaver form and YPS Member – Personal Details form will also be forwarded to Your Pension Service together with all supporting documentation, as soon as reasonably practicable and no more than 5 working days of the final payment of salary following the date of termination.

If the member elects to rejoin the Pension Scheme, the employer will set up a new employment record with a new pay reference number to enable separate reporting of pension cumulative and membership from the retired post.

### **i) Retirements**

Employers must always request an estimate of retirement benefits where they are considering allowing a scheme member to retire with early payment of pension (e.g. redundancy and employer consent retirements). There is likely to be a cost to the employer which should be considered before allowing the retirement. This does not apply to ill health retirements.

The employer will send a YPS Employer – Intention to Retire form to Your Pension Service as soon as it is known that an employee is leaving with an entitlement to immediate payment of pension benefits or is aged 60 or over.

Completed YPS Employer – Leaver forms and YPS Member – Personal Details forms will also be forwarded to Your Pension Service together with all supporting

documentation, as soon as reasonably practicable and no more than 5 working days of the final payment of salary following the date of leaving.

Where an employer determines that preserved pension benefits are to be paid early, notification, including the date that benefits are to be brought into payment, will be provided to Your Pension Service within 5 working days following the date of the decision together with all supporting documentation.

Likewise, the employer should notify the member within 5 working days following the date of the decision, if their application has been refused.

#### **j) Death-in-service**

The employer will send a completed YPS Employer – Leaver form to Your Pension Service following the death of a member within 5 working days of being informed of the employees' death. The YPS Employer – Leaver form must provide details of informant and next of kin, if known.

## **2.4 Online Communication and Information Sharing**

### **2.4.1. Data Sharing**

Your Pension Service undertakes to develop alternative methods of data capture to automate processes and ensure that scheme member data held is accurate and up to date. The employer will commit to the online/electronic requirements of Your Pension Service.

### **2.4.2. Self service**

Your Pension Service undertakes to develop member and employer self service system functionality to improve customer service and provide instant access to pension information. The employer will commit to the use of the self service system.

### **2.4.3. e- forms**

Your Pension Service undertakes to develop alternative methods of data capture to automate processes and ensure that scheme member data held is accurate and up to date, including the development of e-forms. The employer will commit to the online/electronic requirements of Your Pension Service, including the requirement to use e-forms.

#### **2.4.2. Access**

The Employing Authority can authorise that specified employees are granted access to all scheme member records for that employer using Altair Employer Services. The employer must be satisfied that the individuals that are authorised have received appropriate information security training, and that system access is used for pension administration purposes only. The employer must observe its obligations under the Data Protection Act 1998 (or any legislation which amends or replaces this Act) arising in connection with use of the account and must not do anything which might imply a breach by Your Pension Service of such Act. The employer shall comply with obligations equivalent to those imposed on a data controller by the seventh principle of the Data Protection Act.

### **2.5 Circumstances for recovery of Additional Costs**

#### **2.5.1. Underperformance**

Where the Administering Authority considers that the Employer has underperformed against the performance levels set out at section 2.2 of this statement, the Administering Authority will seek to recover additional costs under regulation 70 of the Local Government Pension Scheme Regulations 2013.

#### **2.5.2. Late Payment**

In addition the Authority will seek to recover interest on late payment of contributions under the terms of regulation 71 of the Local Government Pension Scheme Regulations 2013 calculated at 1% above base rate on a day to day basis from the due date to the date of payment and compounded with 3 monthly rests.

### **2.6 Other Matters**

#### **2.6.1. Employer Decisions**

Any decision made by the employer under the scheme regulations should be notified to the member within 10 working days of the decision being made and must be accompanied by a statement in respect of their right of appeal.

#### **2.6.2. Policies (Employer Discretions)**

The employer will ensure that policies are formulated, kept under review and publicised in accordance with the scheme regulations.



**Annex A – Regulation 59 Local Government Pension Scheme Regulations 2013**

**Pension administration strategy**

**Regulation 59**

(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters, or

(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

(a) keep its pension administration strategy under review; and

(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

(a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.

# **FUNDING STRATEGY STATEMENT**

## **LANCASHIRE COUNTY PENSION FUND**

**MARCH 2017**

**Lancashire County Council**

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

## EXECUTIVE SUMMARY

Ensuring that the Lancashire County Pension Fund (the “Fund”) has sufficient assets to meet its pension liabilities in the long term is the fiduciary responsibility of the Administering Authority (Lancashire County Council). The Funding Strategy adopted by the Lancashire County Pension Fund will therefore be critical in achieving this.

The purpose of this Funding Strategy Statement (“FSS”) is to set out a clear and transparent funding strategy that will identify how each Fund employer’s pension liabilities are to be met going forward.

**The details contained in this Funding Strategy Statement will have a financial and operational impact on all participating employers in the Lancashire County Pension Fund.**

**It is imperative therefore that each existing or potential employer is aware of the details contained in this statement.**

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



### THE FUND’S OBJECTIVE

The Administering Authority’s long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due. This objective will be considered on an employer specific level where appropriate.

The general principle adopted by the Fund is that the assumptions used, taken as a whole, will be chosen sufficiently prudently for pensions already in payment to continue to be paid, and to reflect the commitments that will arise from members’ accrued pension rights.

The funding strategy set out in this document has been developed alongside the Fund’s investment strategy on an integrated basis taking into account the overall financial and demographic risks inherent in the Fund. The funding strategy includes appropriate margins to allow for the possibility of events turning out worse than expected. Individual employer results will also have regard to their covenant strength and the investment strategy applied to the asset shares of those employers.



### SOLVENCY AND LONG TERM COST EFFICIENCY

Each employer’s contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund’s liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs

being greater overall than if they were provided for at the appropriate time. Equally, the FSS must have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

When formulating the funding strategy, the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary's Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the "solvency" of the pension fund and "long term cost efficiency" of the Local Government Pension Scheme (the "LGPS") so far as relating to the Fund.

### DEFICIT RECOVERY PLAN AND CONTRIBUTIONS



As the solvency level of the Fund is 90% at the valuation date i.e. the assets of the Fund are less than the liabilities, a deficit recovery plan needs to be implemented such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will normally be expressed as £s amounts (flat or increasing year on year) and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford given other competing cost pressures. This may result in some flexibility in recovery periods by employer which would be at the sole discretion of the Administering Authority. The recovery periods will be set by the Fund, although employers will be free to select any shorter deficit recovery period if they wish. Employers may, in certain circumstances at the discretion of the Administering Authority, also elect to make prepayments of contributions which could result in a cash saving over the valuation certificate period.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain the total contributions at the expected monetary levels from the preceding valuation (including any indexation in the £ deficit contributions over the recovery period). Full details are set out in this FSS.

The target recovery period for the Fund as a whole is 16 years at this valuation which is 3 years shorter than the average recovery period from the previous valuation. Subject to affordability and other considerations individual employer recovery periods would also be expected to reduce by 3 years at this valuation.

Where there is an increase in contributions required at this valuation the employer will be able to step-up their contributions over a period to be decided by the Administering Authority.

In exceptional circumstances the Fund may depart from the above principles for an employer or a particular group of employers. Any such exceptions would be determined by the Head of the Fund and reported to the Committee.



### ACTUARIAL ASSUMPTIONS

The actuarial assumptions used for assessing the funding position of the Fund and the individual employers, the "Primary" contribution rate, and any contribution variations due to underlying surpluses or deficits (i.e. the "Secondary" rate) are set out in an Appendix

to this FSS.

The discount rate in excess of CPI inflation (the “real discount rate”) has been derived based on the expected return on the Fund’s assets based on the long term strategy set out in its Investment Strategy Statement (ISS). When assessing the appropriate prudent discount rate, consideration has been given to the level of expected asset returns in excess of CPI inflation (i.e. the rate at which the benefits in the LGPS generally increase each year). It is proposed at this valuation the real return over CPI inflation for determining the past service liabilities is 2.2% per annum and for determining the future service (“Primary”) contribution rates is 2.75% per annum.

Where warranted by an employer’s circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Head of the Fund and reported to the Committee. Employers may also choose to fund using a discount rate in line with the Fund’s termination policy (see below) if they so choose.

The demographic assumptions are based on the Fund Actuary’s bespoke analysis for the Fund, also taking into account the experience of the wider LGPS where relevant.



## EMPLOYER ASSET SHARES

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving each employer’s asset share.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation. In addition the asset share maybe restated for changes in data or other policies.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.



## FUND POLICIES

In addition to the information/approaches required by overarching guidance and Regulation, this statement also summarises the Fund’s practice and policies in a number of key areas:

### 1. Covenant assessment and monitoring

An employer’s financial covenant underpins its legal obligation and crucially the ability to meet its financial responsibilities to the Fund now and in the future. The strength of covenant to the Fund effectively underwrites the risks to which the Fund is exposed. These risks include underfunding, longevity, investment and market forces.

The strength of employer covenant can be subject to substantial variation over relatively short periods of time and, as such, regular monitoring and assessment is vital to the overall risk management and governance of the Fund. The employers’ covenants will be assessed and monitored objectively in a proportionate manner, and an employer’s ability to meet their obligations in the short and long term will be considered when determining its funding strategy.

After the valuation, the Fund will continue to monitor employers' covenants in conjunction with their funding positions over the inter-valuation period. This will enable the Fund to anticipate and pre-empt any material issues arising and thus adopt a proactive approach in partnership with the employer.

## **2. Admitting employers to the Fund**

Various types of employers are permitted to join the LGPS under certain circumstances, and the conditions upon which their entry to the Fund is based and the approach taken is set out in an Appendix to this statement. Examples of new employers include:

- Fund Employers
- Designated bodies - those that are permitted to join if they pass a resolution
- Admission bodies - usually arising as a result of an outsourcing or a transfer to an entity that provides some form of public service and their funding primarily derives from local or central government.

Certain employers may be required to provide a guarantee or alternative security before entry will be allowed, in accordance with the Regulations and Fund policies.

## **3. Termination policy for employers exiting the Fund**

When an employer ceases to participate within the Fund, it becomes an exiting employer under the Regulations. The Fund is then required to obtain an actuarial valuation of that employer's liabilities in respect of the benefits of the exiting employer's current and former employees, along with a termination contribution certificate.

Where there is no guarantor who would subsume the liabilities of the exiting employer, and the employer was admitted into the Fund after 19 November 2009, the Fund's policy is that a discount rate linked to government bond yields is used for assessing liabilities on termination. Any exit payments due should be within 30 days, although instalment plans may be considered by the Administering Authority on a case by case basis. The Administering Authority also reserves the right to modify this approach on a case by case basis if circumstances warrant it.

## **4. Insurance arrangements**

For certain employers, the Fund will insure ill health retirement costs via an internal captive insurance arrangement which pools these risks for eligible employers. The captive arrangement will be operated as per the objectives set out in **Appendix C**.



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## APPENDICES

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# 1

## INTRODUCTION

The Local Government Pension Scheme Regulations 2013 (as amended) (“the 2013 Regulations”) and the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (“the 2014 Transitional Regulations”) (collectively; “the Regulations”) provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Lancashire County Pension Fund (the “Fund”), the Administering Authority will prepare and publish their funding strategy;
- In preparing the FSS, the Administering Authority must have regard to:
  - the guidance issued by CIPFA for this purpose; and
  - the Investment Strategy Statement (ISS) for the Fund published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy set out in the FSS or the ISS.

### BENEFITS

The benefits provided by the Fund are specified in the governing legislation contained in the Regulations referred to above. Benefits payable under the Fund are guaranteed by statute and thereby the pensions promise is secure for members. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

The Fund is a defined benefit arrangement with principally final salary related benefits from contributing members up to 1 April 2014 and Career Averaged Revalued Earnings (“CARE”) benefits earned thereafter. There is also a “50:50 Scheme Option”, where members can elect to accrue 50% of the full Fund benefits in relation to the member only and pay 50% of the normal member contribution.

### EMPLOYER CONTRIBUTIONS

The required levels of employee contributions are specified in the Regulations. Employer contributions are determined in accordance with the Regulations (which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate specifying the “primary” and “secondary” rate of the employer’s contribution).

### PRIMARY RATE

The “Primary rate” for an employer is the contribution rate required to meet the cost of the future accrual of benefits, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer’s covenant.

The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

## **SECONDARY RATE**

The "Secondary rate" is an adjustment to the Primary rate to arrive at the total rate of contribution each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following the actuarial valuation.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be the calculated weighted average based on the whole fund payroll in respect of percentage rates and the total amount in respect of cash adjustments.

# 2

## PURPOSE OF FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The Administering Authority's long term objective is for the Fund to achieve a 100% solvency level over a reasonable time period and then maintain sufficient assets in order for it to pay all benefits arising as they fall due.

The purpose of this Funding Strategy Statement is therefore:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward by taking a prudent longer-term view of funding those liabilities;
- to establish contributions at a level to "secure the solvency" of the pension fund and the "long term cost efficiency",
- to have regard to the desirability of maintaining as nearly constant a primary rate of contribution as possible.

The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

# 3

## AIMS AND PURPOSE OF THE FUND

### THE AIMS OF THE FUND ARE TO:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due
- enable employer contribution rates to be kept at a reasonable and affordable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining fund solvency and long term cost efficiency, which should be assessed in light of the profile of the Fund now and in the future due to sector changes
- maximise the returns from investments within reasonable risk parameters taking into account the above aims.

### THE PURPOSE OF THE FUND IS TO:

- receive monies in respect of contributions, transfer values and investment income, and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses as defined in the 2013 Regulations, the 2014 Transitional Regulations and the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

# 4

## RESPONSIBILITIES OF THE KEY PARTIES

The efficient and effective management of the Fund can only be achieved if all parties exercise their statutory duties and responsibilities conscientiously and diligently. The key parties for the purposes of the FSS are the Administering Authority (and, in particular the Pension Fund Committee), the individual employers and the Fund Actuary, and details of their roles are set out below. Other parties required to play their part in the fund management process are bankers, custodians, investment managers, auditors and legal, investment and governance advisors, along with the Local Pensions Board created under the Public Service Pensions Act 2013.

### KEY PARTIES TO THE FSS

The **Administering Authority** should:

- operate the pension fund
- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in the Regulations
- pay from the pension fund the relevant entitlements as stipulated in the Regulations
- invest surplus monies in accordance the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- take measures as set out in the Regulations to safeguard the fund against the consequences of employer default
- manage the valuation process in consultation with the Fund's actuary
- prepare and maintain a FSS and an ISS, both after proper consultation with interested parties, and
- monitor all aspects of the Fund's performance and funding, amending the FSS/ISS as necessary
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and a Fund employer, and
- establish, support and monitor a Local Pension Board (LPB) as required by the Public Service Pensions Act 2013, the Regulations and the Pensions Regulator's relevant Code of Practice.

The **Individual Employer** should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits, early retirement strain, and
- have regard to the Pensions Regulator's focus on data quality and comply with any requirement set by the Administering Authority in this context, and
- notify the Administering Authority promptly of any changes to membership which may affect future funding.

The **Fund Actuary** should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the Administering Authority and having regard to their FSS and the Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the Administering Authority on bonds and other forms of security against the financial effect on the Fund of employer default
- assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as required by the Regulations
- advise on funding strategy, the preparation of the FSS and the inter-relationship between the FSS and the ISS, and
- ensure the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to the Fund Actuary's role in advising the Fund.



# 5

## SOLVENCY FUNDING TARGET

Securing the “solvency” and “long term cost efficiency” is a regulatory requirement. To meet these requirements the Administering Authority’s long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the “funding target”) assessed on an ongoing past service basis including allowance for projected final pay where appropriate. In the long term, an employer’s total contribution rate would ultimately revert to its Primary rate of contribution.

### SOLVENCY AND LONG TERM EFFICIENCY

Each employer’s contributions are set at such a level to achieve full solvency in a reasonable timeframe. Solvency is defined as a level where the Fund’s liabilities i.e. benefit payments can be reasonably met as they arise.

Employer contributions are also set in order to achieve long term cost efficiency. Long term cost-efficiency implies that contributions must not be set at a level that is likely to give rise to additional costs in the future. For example, deferring costs to the future would be likely to result in those costs being greater overall than if they were provided for at the appropriate time.

When formulating the funding strategy the Administering Authority has taken into account these key objectives and also considered the implications of the requirements under Section 13(4)(c) of the Public Service Pensions Act 2013. As part of these requirements the Government Actuary’s Department (GAD) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund is set at an appropriate level to ensure the “solvency” of the pension fund and “long term cost efficiency” of the LGPS so far as relating to the Fund.

### DETERMINATION OF THE SOLVENCY FUNDING TARGET AND DEFICIT RECOVERY PLAN

The principal method and assumptions to be used in the calculation of the funding target are set out in **Appendix A**. The Employer Deficit Recovery Plans are set out in **Appendix B**.

Underlying these assumptions are the following two tenets:

- that the Fund is expected to continue for the foreseeable future; and
- favourable investment performance can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful potentially taking into account any changes in funding after the valuation date up to the finalisation of the valuation by 31 March 2017 at the latest.

As part of each valuation separate employer contribution rates are assessed by the Fund Actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers and employer groups in the Fund.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2016 actuarial valuation:

- The Fund does not believe it appropriate for reductions in total contributions to apply compared to the existing funding plan (allowing for indexation of deficit contributions where applicable) where deficits remain unless there is compelling reason to do so.
- Where warranted by an employer's circumstances, the Administering Authority retains the discretion to apply a discount rate based on a lower risk investment strategy for that employer to protect the Fund as a whole. Such cases will be determined by the Head of Fund and reported to the Committee. Employers may also choose to fund using a discount rate in line with the Fund's termination policy if they so choose.
- Subject to consideration of affordability, as a general rule the deficit recovery period will reduce by at least 3 years for employers at this valuation when compared to the preceding valuation. This is to target full solvency over a similar (or shorter) time horizon. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. Subject to affordability considerations and other factors, a bespoke period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan in **Appendix B**). These principles have resulted in a target recovery period of 16 years normally being adopted across Fund employers.
- Individual employer contributions will be expressed and certified as two separate elements:
  - the **Primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits
  - the **Secondary rate**: a schedule of percentages of pensionable payroll or lump sum monetary amounts over 2017/20 in respect of an employer's surplus or deficit

For any employer, the total contributions they are actually required to pay in any one year is the sum of the Primary and Secondary rates (subject to an overall minimum of zero). Both elements are subject to further review from April 2020 based on the results of the 2019 actuarial valuation.

- Where increases in employer contributions are required from 1 April 2017, following completion of the 2016 actuarial valuation, if the Administering Authority agrees then the increase from the rates of contribution payable in the year 2016/17 may be implemented in steps, over a period agreed by the Administering Authority.
- For those employers who are to be included in the ill-health captive arrangement, the contributions payable over the period 1 April 2017 to 31 March 2020 will be adjusted accordingly to reflect the premium charged to provide continued protection against the risks of excessive ill-health retirement costs emerging. Further details are provided in Appendix C of these adjustments.
- In exceptional circumstances the Fund may depart from the above principles for an employer or a particular group of employers. Any such exceptions would be determined by the Head of the Fund and reported to the Committee. As a particular example, in the event that it appeared that an employer was likely to end its participation in the Fund without its liabilities being passed on to a successor employer, and without the employer providing

sufficient security against its closure position, then the Fund might decide to set a funding plan such that the employer's closure position were expected to be met by the time of its exit from the Fund.

- On the cessation of an employer's participation in the Fund, in accordance with the Regulations, the Fund Actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer. The termination policy is set out in a separate document.
- In all cases the Administering Authority reserves the right to apply a different approach at its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole. Any employer affected will be notified separately.

### FUNDING FOR NON-ILL HEALTH EARLY RETIREMENT COSTS

Employers are required to meet all costs of early retirement strain by immediate capital payments into the Fund, or in certain circumstances by agreement with the Fund, through instalments over a period to be determined by the Administering Authority.

### FUNDING FOR ILL HEALTH RETIREMENT COSTS

Should a member retire on ill health grounds, this will normally result in a funding strain for that employer (i.e. increased liability). The size of any funding strain will depend on how the cost of that ill health retirement compares with the expected cost built in the actuarial assumptions for that employer. The actual cost will also depend on the level of any benefit enhancements awarded (which depend on the circumstances of the ill health retirement) and also how early the benefits are brought into payment. The treatment of any ill-health retirement strain cost emerging will vary depending on the type of employer:

- For those employers who participate in the ill-health captive, any ill-health retirement strain cost emerging will be met by a contribution from the captive fund as part of the subsequent actuarial valuation (or termination assessment if sooner). No additional contributions will be due immediately from the employer although an adjustment to the "premium" payable may emerge following the subsequent actuarial valuation, depending on the overall experience of the captive fund.
- For those employers who don't participate in the ill-health captive, the "primary rate" payable over 2017/20 may include an allowance for ill-health retirement costs (alongside those for voluntary early retirements) depending on the employer's profile. Where ill-health retirement strain costs exceed an employer's allowance over the inter-valuation period (or should an employer not have an allowance within their "primary rate"), the excess strain costs will be included in the employer's deficit (and subsequent deficit contributions) at the 2019 valuation.

# 7

## LINK TO INVESTMENT POLICY AND THE INVESTMENT STRATEGY STATEMENT (ISS)

The results of the 2016 valuation show the liabilities to be 90% covered by the current assets, with the funding deficit of 10% being covered by future deficit contributions.

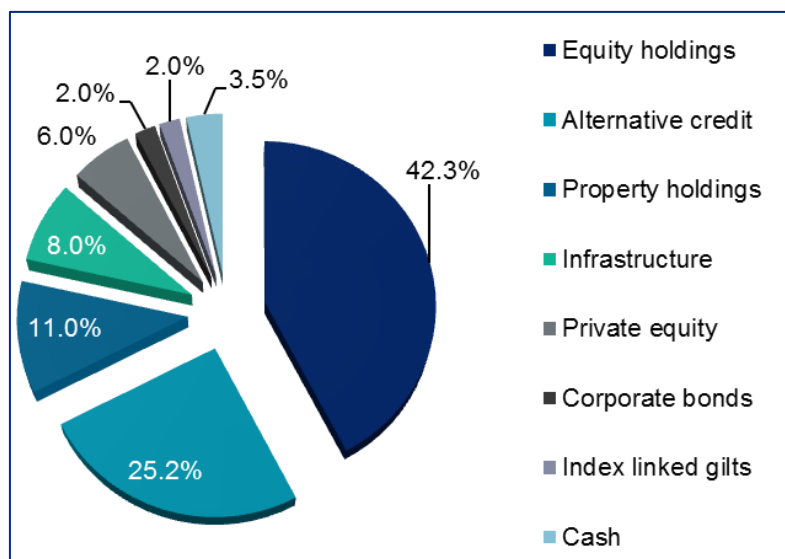
In assessing the value of the Fund's liabilities in the valuation, allowance has been made for growth asset out-performance as described below, taking into account the investment strategy adopted by the Fund, as set out in the ISS.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which aims to match the liabilities and represents the minimum risk investment position. Such a portfolio would consist mainly of a mixture of long-term index-linked and fixed interest gilts. Investment of the Fund's assets in line with the minimum risk portfolio would seek to minimise fluctuations in the Fund's ongoing funding level between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out this valuation it would not be appropriate to make any allowance for growth assets out-performance or any adjustment to market implied inflation assumption due to supply/demand distortions in the bond markets. This would result in real return versus CPI inflation of nil per annum at the valuation date. On this basis of assessment, the assessed value of the Fund's liabilities at the valuation would have been significantly higher, resulting in a funding level of 59%.

Departure from a minimum risk investment strategy, in particular to include growth assets such as equities, gives a better prospect that the assets will, over time, deliver returns in excess of CPI inflation and reduce the contribution requirements. The target solvency position of having sufficient assets to meet the Fund's pension obligations might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current strategy is:



The investment strategy and return expectations set out above equate to an overall best estimate average expected return of 3.55% per annum in excess of CPI inflation as at 31 March 2016. For the purposes of setting funding strategy however, the Administering Authority believes that it is appropriate to take a margin for prudence on these return expectations.

# 8

## IDENTIFICATION OF RISKS AND COUNTER-MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the Fund is based on both financial and demographic assumptions. These assumptions are specified in the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the Fund Actuary that the greatest risk to the funding level is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from that assumed in the long term.

### FINANCIAL

The financial risks are as follows:-

- Investment markets fail to perform in line with expectations
- Market outlook moves at variance with assumptions
- Investment Fund Managers fail to achieve performance targets over the longer term
- Asset re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Future underperformance arising as a result of participating in the larger asset pooling vehicle.

Any increase in employer contribution rates (as a result of these risks), may in turn impact on the service delivery of that employer and their financial position.

In practice the extent to which these risks can be reduced is limited. However, the Fund's asset allocation is kept under constant review and the performance of the investment managers is regularly monitored.

### DEMOGRAPHIC

The demographic risks are as follows:-

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)
- Unanticipated acceleration of the maturing of the Fund resulting in materially negative cashflows and shortening of liability durations

Increasing longevity is something which government policies, both national and local, are designed to promote. It does, however, result in a greater liability for pension funds.

Apart from the regulatory procedures in place to ensure that ill-health retirements are properly controlled, **employing bodies should be doing everything in their power to minimise the number of ill-health retirements.** Early retirements for reasons of redundancy and efficiency do not affect the solvency of the Fund because they are the subject of a direct charge.

With regards to increasing maturity (e.g. due to further cuts in workforce and/or restrictions on new employees accessing the Fund), the Administering Authority regularly monitors the position in terms of cashflow requirements and considers the impact on the investment strategy.

## INSURANCE OF CERTAIN BENEFITS

The contributions for any employer may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

## REGULATORY

The key regulatory risks are as follows:-

- Changes to Regulations, e.g. changes to the benefits package, retirement age, potential new entrants to Fund,
- Changes to national pension requirements and/or HMRC Rules

Membership of the LGPS is open to all local government staff and should be encouraged as a valuable part of the contract of employment. However, increasing membership does result in higher employer monetary costs.

## GOVERNANCE

The Fund has done as much as it believes it reasonably can to enable employing bodies and Fund members (via their trades unions) to make their views known to the Fund and to participate in the decision-making process.

Governance risks are as follows:-

- The quality of membership data deteriorates materially due to breakdown in processes for updating the information resulting in liabilities being under or overstated
- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements) with the result that contribution rates are set at too low a level
- Administering Authority not advised of an employer closing to new entrants, something which would normally require an increase in contribution rates
- An employer ceasing to exist with insufficient funding or adequacy of a bond
- Changes in the Committee membership.

For these risks to be minimised much depends on information being supplied to the Administering Authority by the employing bodies. Arrangements are strictly controlled and monitored, but in most cases the employer, rather than the Fund as a whole, bears the risk.

# 9

## MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has consulted with the employers participating in the Fund.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example, if there:

- has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- have been significant changes to the Fund membership, or LGPS benefits
- have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
- have been any significant special contributions paid into the Fund.

When monitoring the funding strategy, if the Administering Authority considers that any action is required, the relevant employing authorities will be contacted. In the case of admitted bodies, there is statutory provision for rates to be amended between valuations but it is unlikely that this power will be invoked other than in exceptional circumstances.



# APPENDIX A - ACTUARIAL METHOD AND ASSUMPTIONS

## METHOD

The actuarial method to be used in the calculation of the solvency funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted, which makes advance allowance for the anticipated future ageing and decline of the current closed membership group potentially over the period of the rates and adjustments certificate.

## FINANCIAL ASSUMPTIONS – SOLVENCY FUNDING TARGET

### Investment return (discount rate)

The discount rate has been derived based on the expected return on the Fund assets base on the long term strategy set out in the Investment Strategy Statement (ISS). It includes appropriate margins for prudence. When assessing the appropriate discount rate consideration has been given to the returns in excess of CPI inflation (as derived below). The discount rate at the valuation has been derived based on an assumed return of 2.2% per annum above CPI inflation i.e. a real return of 2.2% per annum, equating to a total discount rate of 4.4% per annum. This real return will be reviewed from time to time based on the investment strategy, market outlook and the Fund's overall risk metrics.

For any employers who are funding on a government bond based the discount rate used will be linked directly to the yields available of government bond assets of an appropriate duration.

### Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the Fund's accrued liabilities, but subject to the following two adjustments:

- an allowance for supply/demand distortions in the bond market is incorporated, and
- an adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index

The overall reduction to RPI inflation at the valuation date is 1.0% per annum.

### Salary increases

In relation to benefits earned prior to 1 April 2014, the assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. In the shorter term, the long term salary increase assumption has been replaced by an assumption of 1.0% per annum for the period to 2019/20, reflecting expected short term pay restraint in the public sector over this period.

### Pension increases/Indexation of CARE benefits

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions where the LGPS is not required to provide full indexation).

## DEMOGRAPHIC ASSUMPTIONS

### Mortality/Life Expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the Fund. The mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a level of longevity 'improvement' year on year in the future in line with the CMI projections with a long-term rate of improvement of 1.5% per annum.

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

### Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

### Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of ill health retirements, withdrawal rates and the proportions married/civil partnership assumption have been modified from the last valuation. In addition, no allowance will be made for the future take-up of the 50:50 option (an allowance of 10% of current and future members (by payroll) for certain employers was made at the last valuation). Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next 3 years. Other assumptions are as per the last valuation.

### Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.5% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

### Discretionary Benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the Regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

## METHOD AND ASSUMPTIONS USED IN CALCULATING THE COST OF FUTURE ACCRUAL (OR PRIMARY RATE)

The future service liabilities are calculated using the same assumptions as the funding target except that a different financial assumption for the discount rate is used. A critical aspect here is that the Regulations state the desirability of keeping the “Primary Rate” (which is the future service rate) as stable as possible so this needs to be taken into account when setting the assumptions.

As future service contributions are paid in respect of benefits built up in the future, the FSR should take account of the market conditions applying at future dates, not just the date of the valuation, thus it is justifiable to use a slightly higher expected return from the investment strategy. In addition the future liabilities for which these contributions will be paid have a longer average duration than the past service liabilities as they relate to active members only.

The financial assumptions in relation to future service (i.e. the normal cost) are based on an overall assumed real discount rate of 2.75% per annum above the long term average assumption for consumer price inflation of 2.2% per annum.

## EMPLOYER ASSET SHARES

The Fund is a multi-employer pension Fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the Administering Authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

## SUMMARY OF KEY WHOLE FUND ASSUMPTIONS USED FOR CALCULATING FUNDING TARGET AND COST OF FUTURE ACCRUAL (THE “PRIMARY RATE”) FOR THE 2016 ACTUARIAL VALUATION

<b>Long-term yields</b>	
Market implied RPI inflation	3.2% p.a.
<b>Solvency Funding Target financial assumptions</b>	
Investment return/Discount Rate	4.4% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.
<b>Future service accrual financial assumptions</b>	
Investment return/Discount Rate	4.95% p.a.
CPI price inflation	2.2% p.a.
Long Term Salary increases	3.7% p.a.
Pension increases/indexation of CARE benefits	2.2% p.a.

### Life expectancy assumptions

The post retirement mortality tables adopted for this valuation, along with sample life expectancies, are set out below:

	<b>Base Table</b>	<b>Improvements</b>	<b>Adjustment (M / F)</b>
Current pensioners:			
Normal health	S2PA	CMI_2015 [1.5%]	99% / 93%
Ill-health	S2PA	CMI_2015 [1.5%]	Normal health + 3 years
Dependants	S2PMA / S2DFA	CMI_2015 [1.5%]	122% / 106%
Future dependants	S2PMA / S2DFA	CMI_2015 [1.5%]	116% / 113%
Current active / deferred:			
Active normal health	S2PA	CMI_2015 [1.5%]	98% / 89%
Active ill-health	S2PA	CMI_2015 [1.5%]	Normal health + 4 years
Deferred	S2PA	CMI_2015 [1.5%]	125% / 102%
Future dependants	S2PMA / S2DFA	CMI_2015 [1.5%]	105% / 102%

Other demographic assumptions are set out in the Actuary's formal report.

# APPENDIX B – EMPLOYER DEFICIT RECOVERY PLANS

As the assets of the Fund are less than the liabilities at the effective date, a deficit recovery plan needs to be adopted such that additional contributions are paid into the Fund to meet the shortfall.

Deficit contributions paid to the Fund by each employer will normally be expressed as £s amounts and it is the Fund's objective that any funding deficit is eliminated as quickly as the participating employers can reasonably afford based on the Administering Authority's view of the employer's covenant and risk to the Fund.

Recovery periods will be set by the Fund on a consistent basis across employer categories where possible and communicated as part of the discussions with employers. This will determine the minimum contribution requirement and employers will be free to select any shorter deficit recovery period and higher contributions if they wish, including, at the discretion of the Administering Authority, the option of prepaying the deficit contributions in one lump sum, either on annual basis or a one-off payment. This will be reflected in the monetary amount requested via a reduction in overall £ deficit contributions payable.

The determination of the recovery periods is summarised in the table below:

Category	Normal Deficit Recovery Period	Derivation
Fund Employers	16 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure contributions do not reduce versus those expected from the existing plan.
Open Admitted Bodies	16 years	Determined by reducing the period from the preceding valuation by at least 3 years and to ensure contributions do not reduce versus those expected from the existing plan.
Closed Employers	Minimum of 16 years and the future working lifetime of the membership	Determined by the future working life of the membership, and to ensure contributions do not reduce versus those expected from the existing plan.
Employers with a limited participation in the Fund	Determined on a case by case basis	Length of expected period of participation in the Fund

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- The size of the funding shortfall;
- The business plans of the employer;
- The assessment of the financial covenant of the Employer, and security of future income streams;

- Any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

The objective is to recover any deficit over a reasonable timeframe, and this will be periodically reviewed. Subject to affordability considerations a key principle will be to maintain overall contribution level at least at the expected monetary levels from the preceding valuation (allowing for any indexation in the deficit payments over the recovery period).

In exceptional circumstances the Fund may depart from the above principles for an employer or a particular group of employers. Any such exceptions would be determined by the Head of the Fund and reported to the Committee.

### **Other factors affecting the Employer Deficit Recovery Plans**

As part of the process of agreeing funding plans with individual employers, the Administering Authority will consider the use of contingent assets and other tools such as bonds or guarantees that could assist employing bodies in managing the cost of their liabilities or could provide the Fund with greater security against outstanding liabilities. All other things equal this could result in a longer recovery period being acceptable to the Administering Authority, although employers will still be expected to at least cover expected interest costs on the deficit.

It is acknowledged by the Administering Authority that, whilst posing a relatively low risk to the Fund as a whole, a number of smaller employers may be faced with significant contribution increases that could seriously affect their ability to function in the future. The Administering Authority therefore would be willing to use its discretion to accept an evidenced based affordable level of contributions for the organisation for the three years 2017/2020. Any application of this option is at the ultimate discretion of the Head of the Fund in order to effectively manage risk across the Fund. It will only be considered after the provision of the appropriate evidence as part of the covenant assessment and also the appropriate professional advice.

For those bodies identified as having a weaker covenant, the Administering Authority will need to balance the level of risk plus the solvency requirements of the Fund with the sustainability of the organisation when agreeing funding plans. As a minimum, the annual deficit payment must meet the on-going interest costs to ensure, everything else being equal, that the deficit does not increase in monetary terms.

Notwithstanding the above, the Administering Authority, in consultation with the actuary, has also had to consider whether any exceptional arrangements should apply in particular cases.

# APPENDIX C - ILL-HEALTH CAPTIVE FOR SMALL EMPLOYERS

## OVERVIEW

For certain employers in the Fund, following discussions with the Fund Actuary and after considering potential alternative insurance arrangements, a captive insurance arrangement is to be established by the administering authority to cover ill-health retirement costs. This will apply for all ill-health retirements from 1 April 2016.

The captive arrangement operates as follows:

- “Premiums” are paid by the eligible employers into a captive fund which is tracked separately by the Fund Actuary in the valuation calculations. The premiums are included in the employer’s future service % contribution rate. The premium for 2017/20 is 1.5% pa.
- The captive fund is then used to meet strain costs emerging from ill-health retirements i.e. there is no impact on funding position for employers within the captive
- Any shortfall in the captive fund is effectively underwritten by all other employers within the Fund. If any excess funds are built up in the Captive, some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary,
- Premiums payable subject to review from valuation to valuation depending on experience and included in employer rates.
- Over the longer-term, given the regular review of the premiums payable into the Captive fund there would be expected to be no net cost to those employers underwriting the Captive Fund in the long-term i.e. any fluctuations in their own contribution requirements arising from experience would smooth out over time.

## EMPLOYERS

Those employers (both existing and new) that will be included in the captive are those with less than 150 active members (excluding major Councils).

For all other employers who do not form part of the captive arrangement, the current treatment of ill-health retirements would still apply i.e. the Fund continues to monitor ill-health retirement strain costs incurred against allowance certified with recovery of any excess costs from the employer once the allowance is exceeded.

## PREMIUM REVIEW

As part of the each actuarial valuation exercise (or earlier review if appropriate) the Fund Actuary will review the experience of the captive fund since the last review.

Should the premiums paid into the captive fund over the period not be sufficient to cover the ill-health retirement costs emerging, any shortfall in the fund will be allocated across all those employers within the Fund underwriting the captive. If any excess funds are built up in the Captive, some or all of those excess funds will be held in reserve to act as a contingency against future adverse experience at the discretion of the administering authority based on the advice of the actuary.

The ongoing premium payable by those employers within the captive fund will also be assessed as part of this process and will be set by the Actuary to cover the period until the next review (e.g. to the next actuarial valuation assessment). The Premiums that will be assessed will take into account the expected level of future ill-health retirements across those employers within the captive and also to reflect any adverse/favourable experience where appropriate.



# APPENDIX D - GLOSSARY

**Actuarial Valuation:** an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement. The asset value is based on market values at the valuation date.

**Administering Authority:** the council with a statutory responsibility for running the Fund and that is responsible for all aspects of its management and operation.

**Admission bodies:** A specific type of employer under the Local Government Pension Scheme (the “LGPS”) who do not automatically qualify for participation in the Fund but are allowed to join if they satisfy the relevant criteria set out in the Regulations.

**Benchmark:** a measure against which fund performance is to be judged.

**Best Estimate Assumption:** an assumption where the outcome has a 50/50 chance of being achieved.

**Bonds:** loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

**Career Average Revalued Earnings Scheme (CARE):** with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

**CPI:** acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differ from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

**Covenant:** the assessed financial strength of the employer. A strong covenant indicates a greater ability (and willingness) to pay for pension obligations in the long run. A weaker covenant means that it appears that the employer may have difficulties meeting its pension obligations in full over the longer term or affordability constraints in the short term.

**Deficit:** the extent to which the value of the Fund’s past service liabilities exceeds the value of the Fund’s assets. This relates to assets and liabilities built up to date, and ignores the future build-up of pension (which in effect is assumed to be met by future contributions).

**Deficit recovery period:** the target length of time over which the current deficit is intended to be paid off. A shorter period will give rise to a higher annual contribution, and vice versa.

**Discount Rate:** the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

**Employer's Future Service Contribution Rate:** the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

**Employing bodies:** any organisation that participates in the LGPS, including admission bodies and Fund employers.

**Equities:** shares in a company which are bought and sold on a stock exchange.

**Funding or solvency Level:** the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

**Funding Strategy Statement:** this is a key governance document that outlines how the administering authority will manage employer's contributions and risks to the Fund.

**Investment Strategy:** the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

**Government Actuary's Department (GAD):** the GAD is responsible for providing actuarial advice to public sector clients. GAD is a non-ministerial department of HM Treasury.

**Guarantee / guarantor:** a formal promise by a third party (the guarantor) that it will meet any pension obligations not met by a specified employer. The presence of a guarantor will mean, for instance, that the Fund can consider the employer's covenant to be as strong as its guarantor's.

**Letting employer:** an employer that outsources part of its services/workforce to another employer, usually a contractor. The contractor will pay towards the LGPS benefits accrued by the transferring members, but ultimately the obligation to pay for these benefits will revert to the letting employer.

**Liabilities:** the actuarially calculated present value of all benefit entitlements i.e. Fund cashflows of all members of the Fund, built up to date or in the future. The liabilities in relation to the benefit entitlements earned up to the valuation date are compared with the present market value of Fund assets to derive the deficit and funding/solvency level. Liabilities can be assessed on different set of actuarial assumptions depending on the purpose of the valuation.

**LGPS:** the Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government. These Regulations also dictate eligibility (particularly for Scheduled Bodies), members' contribution rates, benefit calculations and certain governance requirements.

**Maturity:** a general term to describe a Fund (or an employer's position within a Fund) where the members are closer to retirement (or more of them already retired) and the investment time horizon is shorter. This has implications for investment strategy and, consequently, funding strategy.

**Members:** The individuals who have built up (and may still be building up) entitlement in the Fund. They are divided into actives (current employee members), deferreds (ex-employees who have not yet retired) and pensioners (ex-employees who have now retired, and dependants of deceased ex-employees).

**Minimum risk funding basis:** more cautious funding basis than the existing valuation basis. The relevant discount rate used for valuing the present value of liabilities is based on the yields from Government Bonds or Swaps.

**Orphan liabilities:** liabilities in the Fund for which there is no sponsoring employer within the Fund. Ultimately orphan liabilities must be underwritten by all other employers in the Fund.

**Percentiles:** relative ranking (in hundredths) of a particular range. For example, in terms of expected returns a percentile ranking of 75 indicates that in 25% of cases, the return achieved would be greater than the figure, and in 75% cases the return would be lower.

**Phasing/stepping of contributions:** when there is an increase/decrease in an employer's long term contribution requirements, the increase in contributions can be gradually stepped or phased in over an agreed period. The phasing/stepping can be in equal steps or on a bespoke basis for each employer.

**Pooling:** employers may be grouped together for the purpose of calculating contribution rates, (i.e. a single contribution rate applicable to all employers in the pool). A pool may still require each individual employer to ultimately pay for its own share of deficit, or (if formally agreed) it may allow deficits to be passed from one employer to another.

**Prepayment:** the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced in monetary terms compared to the certified amount to reflect the early payment.

**Present Value:** the value of projected benefit payments, discounted back to the valuation date.

**Profile:** the profile of an employer's membership or liability reflects various measurements of that employer's members, i.e. current and former employees. This includes: the proportions which are active, deferred or pensioner; the average ages of each category; the varying salary or pension levels; the lengths of service of active members vs their salary levels, etc.

**Prudent Assumption:** an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation and Guidance requires the assumptions adopted for an actuarial valuation to be prudent.

**Rates and Adjustments Certificate:** a formal document required by the LGPS Regulations, which must be updated at least every three years at the conclusion of the formal valuation. This is completed by the actuary and confirms the contributions to be paid by each employer (or pool of employers) in the Fund for the three year period until the next valuation is completed.

**Real Return or Real Discount Rate:** a rate of return or discount rate net of (CPI) inflation.

**Recovery Plan:** a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period"), as set out in the Funding Strategy Statement.

**Scheduled bodies:** types of employer explicitly defined in the LGPS Regulations, whose employers must be offered membership of their local LGPS Fund. These include Councils, colleges, universities, police and fire authorities etc, other than employees who have entitlement to

a different public sector pension scheme (e.g. teachers, police and fire officers, university lecturers).

**Fund / Scheme Employers:** employers that have the statutory right to participate in the LGPS. These organisations (set out in Part 1 of Schedule 2 of the 2013 Regulations) would not need to designate eligibility, unlike the Part 2 Fund Employers.

**Section 13 Valuation:** in accordance with Section 13 of the Public Service Pensions Act 2014, the Government Actuary's Department (GAD) have been commissioned to advise the Department for Communities and Local Government (DCLG) in connection with reviewing the 2016 LGPS actuarial valuations. All LGPS Funds therefore will be assessed on a standardised set of assumptions as part of this process.

**Solvency Funding Target:** an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the accrued liabilities at the valuation date assessed on the ongoing concern basis.

**Valuation funding basis:** the financial and demographic assumptions used to determine the employer's contribution requirements. The relevant discount rate used for valuing the present value of liabilities is consistent with an expected rate of return of the Fund's investments. This includes an expected out-performance over gilts in the long-term from other asset classes, held by the Fund.

**50/50 Scheme:** in the LGPS, active members are given the option of accruing a lower personal benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

# **Investment Strategy Statement**

## **Introduction**

Lancashire County Council (“LCC”) is the administering authority of the Lancashire County Pension Fund (the “Fund”). This Investment Strategy Statement (“the Statement”) has been prepared in accordance with DCLG guidance on Preparing and Maintaining an Investment Strategy Statement (Sept 2016) and after taking appropriate advice.

As set out in the Regulations, the Committee will review this Statement from time to time, but at least every three years, and revise it as necessary. Also, in the event of a significant change in relation to any matter contained in this Statement, changes will be reflected within six months of the change occurring.

The Regulations require all Administering Authorities to take “proper advice” when formulating an investment strategy. In preparing this document and the overall investment strategy the Committee has taken advice from the LCPF Investment Panel (a panel of independent advisors appointed by LCC for the purpose of providing advice on pension related matters) and the Local Pension Partnership Investment Limited which is a FCA regulated investment manager with specific expertise and regulatory permissions to provide advice on investments.

## **Investment Objectives**

The Fund’s primary investment objective is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due.

In order to meet this overriding objective the Committee maintains an investment policy so as to:

- Maximise the returns from investments whilst keeping risk within acceptable levels and ensuring liquidity requirements are at all times met;
- Contribute towards achieving and maintaining a future funding level of 100%;

The Fund will use its influence as a large institutional investor to encourage responsible long-term behaviour.

## **Asset Allocation Framework**

To pay benefits over time the Fund needs to generate a rate of return that is at least equal to the actuarial discount rate. The starting point for considering asset allocation is a simple portfolio of bonds and equities. However, this basic portfolio does not maximise diversification and therefore risk adjusted return.

In order to prudently diversify sources of risk and return, the Fund allocates capital across a wide variety of different asset classes. To be added to the portfolio, asset classes are first judged for suitability; they have to be well understood by the committee, consistent with the Fund’s risk and return objectives; and they have to

make a significant contribution to the portfolio by improving overall return and risk characteristics. In addition, the new asset classes have to be less than perfectly correlated with equities and bonds, so that the portfolio benefits from increased diversification. The fund has identified a total of eight asset classes that combined form the policy portfolio.

The eight asset classes shown below have different exposures to economic factors (GDP growth and inflation) and combine different geographies and currencies. In assessing suitability the Board has considered the respective return drivers, exposure to economic growth and sensitivity to inflation – each an important consideration, relative to the sensitivities of the Fund's liabilities and managing risk.

Asset Class	Long-Term Return Drivers	Economic Growth *	Inflation *	Geography	Currency
Global Equity	- Economic growth - Dividend income - Earnings growth - Change in company valuation	+	+/- **	Diversified	Diversified
Private Equity	- Economic growth - Company growth - Earnings growth - Change in company valuation - Availability of finance - Illiquidity premium	+	+/- **	Diversified	Diversified
Fixed Income	- Yield (minus credit losses) - Valuation increases as bonds approach maturity - Change in yield	-	-		
Alternative Credit	- Yield (minus credit losses) - Valuation increases as bonds approach maturity - Change in yield - Illiquidity premium	+	-	Diversified	Diversified
Property	- Rental yield (minus expenses) - Rental growth - Capital growth	+	+/- **	Predominantly UK	Predominantly GBP
Infrastructure	- Dividend income - Earnings growth - Change in asset valuation	+	+	Predominantly UK	Predominantly GBP
Total Return	- Diversified	Low correlation	Low correlation	Diversified	Diversified
Cash	- Yield	+	+	Predominantly UK	Predominantly GBP

\* Sensitivities shown are to positive shocks, i.e., if growth and inflation surprise on the upside.

\*\* Property, public and private equities expected to provide partial inflation protection.

These are the eight building blocks used to create the policy portfolio. The Committee, advised by the PFC Investment Panel, have determined benchmark weights to each asset class which it believe to be best suited to meeting the long term objectives of the Fund. It has also identified tolerance ranges within which shorter term variations would be tolerated and/or actively pursued due to a combination of relative returns and investment opportunity.

The benchmark weight and tolerances are shown in the table below. The weights are to be maintained within the ranges, as long as the scheme can find attractive opportunities that meet its return, risk, and cash flow requirements. In the absence of opportunities investments will not be “forced” and under/over allocations may be made to any asset class whilst also remaining within the tolerance ranges.

The Committee and/or the LCPF Investment Panel will review exposures which arise outside these tolerances and advise appropriate action.

Asset Class	Policy Portfolio	
	Benchmark Weight	Range
Global Equities	42.5%	40%-50%
Fixed Income	2.5%	0%-5%
Private Equity	7.5%	0%-10%
Infrastructure	12.5%	10%-15%
Alternative Credit	20.0%	10%-25%
Property	15.0%	10%-20%
Total Return	0.0%	0%-5%
Cash	0.0%	0%-5%
<b>Total</b>	<b>100%</b>	

The policy portfolio has a number of illiquid assets that could prove difficult to sell in a period of market turmoil. Due to the fact that most of these assets generate income that can be used to pay benefits throughout the business cycle, (e.g. income from infrastructure and rent payments from properties), the scheme has determined that the illiquidity premiums that are generated from holding these assets are enough compensation for the level of risk.

Each asset class has its own specific investment objective (benchmark and investment performance target) and within each asset class there are further diversification controls. The mandates are managed by Local Pensions Partnership Investments Ltd (LPP I), to whom the Fund has delegated investment management and implementation duties in line with the principle of asset pooling within LGPS.

### **Global Equities**

The objective is to outperform the MSCI All Country World, net dividends reinvested, in GBP Index over the full market cycle which is considered to be at least seven years (the “Benchmark”). All equity investments are made via LPP I, by investing in underlying funds which may be managed by LPP I (“Internal Mandates”), or by external third parties (“External Mandates”).

### **Private Equity**

The objective is to outperform the MSCI World, net dividends reinvested, in GBP Index and provide investors with access to attractive private equity opportunities. All new investments will include, but not be limited to the following sectors: Buyout, Venture Capital, Growth Equity, Special Situations/Distressed and Upstream Energy.

### **Fixed Income**

The objective is to outperform the Barclays Global Aggregate Bond Index GBP Hedged. The LPP I Pool will pursue this aim by investing in underlying funds which may be managed by LPP I (“Internal Mandates”), or by external third parties (“External Mandates”) which are consistent with the Fixed Income Pool’s investment objectives and restrictions.

### **Total Return**

The LPP I total return pool seeks to gain cost effective exposure to diversifying sources of return distinct from global equity beta and bond duration. The LPP I pool will pursue this aim primarily by allocating capital to investment strategies managed by external third parties (“External Mandates”).

### **Infrastructure**

The objective is to gain cost effective, diversified exposure to global infrastructure assets located predominantly in OECD nations. These investments seek to generate a satisfactory risk adjusted return; improve diversification; provide predictable cash flows; and indirectly hedge against inflation.

### **Alternative Credit**

The objective is to gain cost effective exposure to diverse sources of return linked to global credit markets and credit instruments. The LPP I investment pool will pursue this aim primarily by allocating capital to investment vehicles, mandates or pooled funds managed by external third parties (“External Mandates”).

### **Property**

The objective is to gain cost effective, diversified exposure to UK and international property assets that meet its investment objectives: to generate a return in excess of the benchmark; earn predictable cash flows; and provide a partial hedge against inflation. The largest exposure of the portfolio will be to traditional sectors of the UK commercial real estate market. A smaller allocation will be made to value-added and opportunistic investments.

### **Cash/ Liquidity**

The objective is to achieve cost effective management of cash balances by allocating capital to securities or funds in appropriate markets and in relevant currencies or



hedged back to relevant currencies. The benchmark for the Liquidity pool is 1 month GBP LIBOR.

## **Investment Governance**

The Committee is responsible for setting the higher level objectives and risk tolerances of the scheme. The Committee, in conjunction with the scheme's actuary, sets the required rate of return needed to achieve its objectives and the risks it is willing to take. Once these parameters are established, the Committee will determine the strategic asset allocation or policy portfolio that it believes has the highest probability of succeeding. The implementation of the asset allocation is delegated to an expert investment manager – Local Pension Partnership Investment Ltd (LPP I). LCC is a founding shareholder of LPP I and maintains ongoing corporate governance controls but plays no direct role in Investment Management activities. The Committee, advised by the LCPF Investment Panel, will monitor the performance of LPP I and the portfolio.

## **Investment Implementation**

The implementation of all investments is delegated to Local Pensions Partnership Investment Ltd, an FCA authorised company. The partnership was set up by the LPFA and Lancashire County Council for the purpose of achieving economies of scale, greater internal resource and superior investment opportunities. The partnership brings the benefit of scale and expert resources beyond that which would be available to the Fund alone. This facilitates lower costs and a broader opportunity set which together facilitate improved net returns. Pooled vehicles are used wherever appropriate. Where assets are not physically pooled the management is typically pooled.

The partnership has created eight investment pools to allow access to the asset classes listed in the Asset Allocation Framework section. The investment pools are a combination of internally managed and externally managed strategies that offer an effective and efficient way of achieving asset class exposures.

The Fund also expects to benefit from scale via pooling arrangements with other funds in order to better access direct investments in areas such as infrastructure.

Some of the pools are expected to use derivatives as part of their strategies. Derivatives can reduce implementation costs, or change economic exposures. They may be used for both active and passive management strategies. The broad use of derivatives is explicitly approved by the Committee for both investment purposes and efficient portfolio management. Both exchange traded and over the counter derivatives may be used.

Whilst this Statement is permissive with regards to the use of derivatives in general, the practical implementation of these freedoms is limited by specific agreements in place between the Fund and LPP I. The LCPF Investment Panel advise the Committee on these agreements. Derivatives shall only be used where their use is agreed within these specific agreements.

## Pooling of Assets

The Board has delegated the management of its investments to LPP I who are responsible for managing 100% of the assets of the Fund. The large majority of the Fund's assets will be transitioned into investment pooling vehicles, also managed by LPP I. A small minority of assets will remain on the balance sheet of the Fund as "legacy assets". Assets will be held as legacy assets if; the costs of transitioning outweigh any potential gains, the assets have reached "harvesting period", or transitioning would have a negative impact on the scheme's investment strategy. Proceeds from assets in "harvesting period" will be reinvested through LPP asset pools.

Asset Class	LCPF Assets			Legal Structure
	Transitioned*	Legacy*	Total*	
Public Equity	44.1%	0.0%	<b>44.1%</b>	Authorised Collective Scheme
Private Equity	1.4%	4.4%	<b>5.7%</b>	Limited Partnership
Infrastructure	3.7%	2.6%	<b>6.4%</b>	Limited Partnership **
Property	10.5%	0.5%	<b>11.0%</b>	Authorised Collective Scheme **
Total Return	0.0%	0.0%	<b>0.0%</b>	Authorised Collective Scheme **
Alternative Credit	22.0%	4.1%	<b>26.1%</b>	Limited Partnership **
Fixed Income	3.0%	0.0%	<b>3.0%</b>	Authorised Collective Scheme **
Cash	3.7%	0.0%	<b>3.7%</b>	Authorised Collective Scheme
<b>Total</b>	<b>88.4%</b>	<b>11.6%</b>	<b>100.0%</b>	

Information correct as at 30<sup>th</sup> June 2016.

\* estimated figures \*\* subject to change

## November 2015 investment reform and criteria guidance on pooling

The Fund has selected Local Pensions Partnership Limited (LPP) and its subsidiary LPP I to facilitate investment pooling. LPP has communicated its structure to DCLG via its response to the July 2016 consultation. This structure and associated business plan is consistent with the criteria contained within the November guidance.

## Risk Management

The overriding objective of the Fund in respect of its investments is to maximise return within an acceptable and understood level of risk. The structure of the investment management arrangements has been implemented in order to produce a balanced spread of risk for the portfolio.

Diversification is a very important risk management tool. As described in the section on Asset Allocation, the scheme will seek to maintain a diversified exposure to several different asset classes, geographies, and currencies. The Committee expect this to provide (at least) two levels of protection: first, in periods of market turmoil, some assets will preserve capital better than others, allowing the portfolio to better withstand a shock. Second, in periods of rising markets, some assets will do better than others, and since the Board do not know with certainty which ones will do best, it is better to diversify.

The asset class pools described in the implementation section are also subject to a number of constraints to allow for intra-asset class diversification, including sector, country, manager, and maximum exposure to a single asset.

Operational risk is minimised by having custody of the Fund's financial assets provided by a regulated, external, third party, professional custodian. Equivalent arrangements are in place where investments are made into pooled vehicles, such as those managed by LPP I.

### **Performance measurement**

Fund performance is measured at a number of different levels. The objective of the Fund is to outperform the actuarial discount rate. The policy portfolio is selected by the Committee, with advice from the LCPF Investment Panel, and LPP I, the delegated investment manager, and is expected to generate returns above the discount rate.

The performance of the pooling arrangements is monitored via regular reporting and through periodic meetings. Performance for LPP I is measured against the policy portfolio. LPP I seeks to outperform the policy portfolio on a risk adjusted basis, via active sub-asset class selection, selecting the best stocks/managers for each of the pools and by implementing investments in a low cost manner. Performance for the investment pools is measured against widely used and transparent benchmarks.

Where performance falls short of expectations the Committee and LCPF Investment Panel will identify the cause of this underperformance and will respond appropriately either to alter its policy portfolio (where asset allocation is the underlying cause) or to require changes to the management of the pooling vehicles (where management skill within LPP I is the underlying cause). This latter intervention is enabled through Committee's ongoing governance rights within LPP I via its shareholding in Local Pension Partnership Limited, LPP I's parent company.

### **Environmental Social and Corporate Governance (ESG) Policy, and approach to social investments**

The Fund is committed to being a long term responsible investor. The Fund complies with and follows the principles of both the UK Stewardship Code and to the UN-backed Principles of Responsible Investment.

Responsible Investment is an investment approach which recognises the significance of the long-term health and stability of the market as a whole and encompasses

- the integration of material ESG factors within investment analysis and decision-making
- the active use of ownership rights in order to protect and enhance shareholder value over the long term – primarily through voting and engagement.

The objective of responsible investment is to decrease investor risk and improve risk-adjusted returns. Responsible investment principles are at the foundation of the Fund's approach to stewardship and underpin the Fund's fulfilment of its fiduciary duty to scheme beneficiaries.

ESG integration and the active use of ownership influence are integral to the investment management services provided by LPP I, which are delivered in accordance with an LPP I Responsible Investment Policy. It is an LPP I RI belief that ESG factors are relevant at every stage in the investment cycle - within investment strategy, investment selection and within the stewardship of assets in ownership. As part of a prudent approach which applies care, skill and diligence LPP I procedures ensure that ESG issues are routinely considered as part investment analysis, are incorporated into the due diligence leading to investment selection and continue to be monitored and reviewed as part of the active ownership of assets under management.

The approach to incorporating ESG factors is to establish the type and materiality of relevant issues on a case by case basis, whilst taking account of global norms, rather than to apply artificial exclusions through negative screening. ESG factors are considered over the time horizon within which specific investments are likely to be held, in order to clarify the context that risks and returns operate within and assist the evaluation of investment risks and opportunities.

The Fund shall invest on the basis on financial risk and return having considered a full range of factors contributing to financial risk including both those detailed above and relevant social factors to the extent these indirectly or directly impact on financial risk and return.

### **Exercising the Rights of Ownership**

The Fund recognises that encouraging the highest standards of corporate governance and promoting corporate responsibility by investee companies protects the financial interests of pension fund members over the long term. The Fund's commitment to actively exercising the ownership rights attached to its investments, reflects the Fund's conviction that responsible asset owners should maintain oversight of the way in which, the enterprises they invest in are managed and how their activities impact upon customers, clients, employees, stakeholders, and wider society.

The routes for exercising ownership influence vary across asset types and a range of activities are undertaken on the Fund's behalf by LPP I, including direct representation on company boards, presence on investor & advisory committees and participation in partnerships and collaborations with other investors. In the case of listed equities the most direct form of ownership influence comes through shareholder voting and engagement.

## **Voting**

Through the investments managed by LPP I, the Fund has ownership interests in listed companies across the globe. To ensure effective and consistent use of the voting rights attached to these assets LPP I, works with an external provider of governance and proxy voting services.

Voting is undertaken centrally rather than being delegated to individual managers and is in line with an agreed voting policy, which promotes risk mitigation and long-term shareholder value creation by supporting responsible global corporate governance practices. The policy is reviewed and updated on an annual basis to reflect emerging issues and trends.

A quarterly report on voting activity is available from the LPP website which is signposted via a link from the LCPF website.

## **Engagement**

The Fund's approach to engagement recognises the importance of working in partnership to magnify the voice and maximise the influence of investors as owners. The Fund appreciates that to gain the attention of companies in addressing governance concerns, it needs to join with other investors sharing similar concerns. It does this primarily through:

- Membership of representative bodies including the Local Authority Pension Fund Forum (LAPFF) and the Pensions and Lifetime Savings Association (PLSA).
- Giving support to shareholder resolutions where these reflect concerns which are shared and represent the Fund interests;
- Joining wider lobbying activities when appropriate opportunities arise.

The Fund complies with the UK Stewardship Code and a statement of compliance which explains the arrangements which support its commitment to each of the seven principles is displayed on the Fund's website.

HEALTH WEALTH CAREER



# ACTUARIAL VALUATION REPORT

LANCASHIRE COUNTY  
PENSION FUND

AS AT 31 MARCH 2016

MAKE TOMORROW, TODAY

 **MERCER**

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## 1

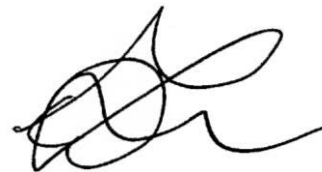
## INTRODUCTION

This report is addressed to the Administering Authority of the Lancashire County Pension Fund (“the Administering Authority”) and is provided to meet the requirements of Regulation 62 of the Local Government Scheme Regulations 2013 (as amended) (“the Regulations”). It describes the factors considered by the Administering Authority when carrying out the actuarial valuation as at 31 March 2016 and the decisions reached as a result.

The purpose of the actuarial valuation is for the Administering Authority to determine:

- The expected cost of providing the benefits built up by members at the valuation date (the “liabilities”), and compare this against the funds held by the Fund (the “assets”).
- The contributions needed to cover the cost of the benefits that active members will build up in the future and other costs incurred in running the Fund (the ‘Primary Contribution Rate’).
- An appropriate plan for making up the shortfall if the Fund has less assets than liabilities. This plan will cover the amounts which will need to be paid (the ‘Secondary Contribution Rate’) and the timeframe over which they will be paid (‘the Recovery Period’).

## SIGNATURE

## NAME

John Livesey

Mark Wilson

## QUALIFICATION

Fellow of the Institute and  
Faculty of ActuariesFellow of the Institute and  
Faculty of Actuaries

## DATE

31 March 2017

**This report uses various technical terms. These are explained in more detail in the explanatory boxes which appear throughout this report, and in the Glossary at Appendix I.**


This report has been prepared in accordance with the version of the *Pensions Technical Actuarial Standard* current at the date this report is signed. It also complies with the relevant requirements of *Technical Actuarial Standards R: Reporting Actuarial Information*, *D: Data* and *M: Modelling*, where they apply to this report. These Standards are all issued by the Financial Reporting Council. The calculations referred to in the report use methods and assumptions appropriate for reviewing the financial position of the Fund and determining a contribution rate for the future. Mercer does not accept liability to any third party in respect of this report; nor do we accept liability to the Administering Authority if the information provided in this report is used for any purpose other than that stated. The report may be disclosed to members and others who have a statutory right to see it. It may also be disclosed to any participating employer and, if the Administering Authority and Mercer consent, it may be disclosed to other third parties.



## 2

## FUNDING STRATEGY – KEY ELEMENTS

Fundamental to the valuation results is the funding strategy adopted by the Fund. This funding strategy is set out in a specific document (the Funding Strategy Statement or FSS for short) which is one of the Administering Authority's key governance documents for the Fund. In essence, the FSS sets out an overview of the approach to be used for the actuarial valuation. Amongst other things it outlines the assumptions, both economic and demographic, to be used in calculating the value of the liabilities built up and the contributions required to correct any funding shortfall, and the contribution rate required to fund the benefits for future service. It also sets out the strategy for making good any funding shortfall, in particular how any shortfall is expected to be financed in terms of the balance between future contributions and future investment returns, and the period over which any shortfall is expected to be recovered.



The FSS is the Administering Authority's key governance document in relation to the actuarial valuation. It sets out the funding policies adopted, the actuarial assumptions used, and the timescales over which deficits will be paid off. Employers are consulted about the FSS as part of the actuarial valuation process.

The principal elements of the funding strategy adopted for this actuarial valuation are as follows:

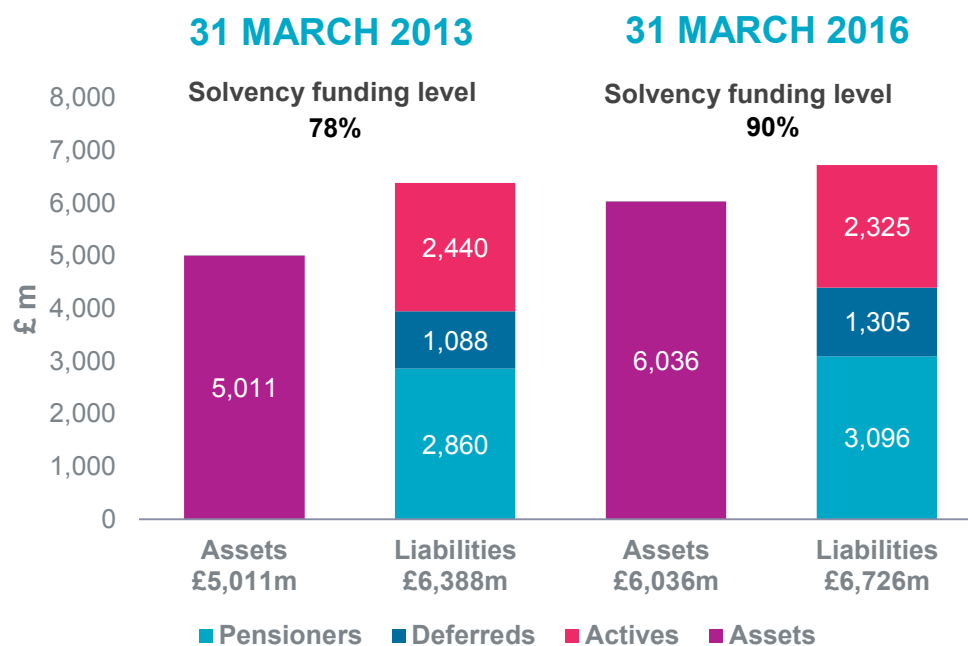
- Assumed rate of future CPI inflation – 2.2% p.a., based on the yields available on gilts and index-linked gilts of appropriate duration less an adjustment of 1% p.a. to allow for the difference between market-implied future RPI and estimated future CPI inflation.
- Real investment returns over and above CPI for past service – 2.2% p.a., based on the anticipated real returns achievable on the Fund's expected long-term investment strategy with a suitable margin for prudence.
- Real investment returns over and above CPI for future service – 2.75% p.a., based on the anticipated real returns achievable on future invested contributions.
- Future pay growth – 1% p.a. over the 4 years to April 2020, taking into account the government's policy on pay restraint in the public sector, and then 1.5% p.a. over and above CPI in the longer term.
- Baseline life expectancy based on a scheme-specific mortality study.
- Future mortality improvements based on the CMI 2015 model with a long-term improvement trend of 1.5% p.a.
- An average recovery period for making good any shortfall of approximately 16 years. The FSS sets out the circumstances in which this might vary from one employer to another.

# 3

## KEY RESULTS OF THE FUNDING ASSESSMENT

### SOLVENCY FUNDING POSITION

The table below compares the assets and liabilities of the Fund at 31 March 2016. Figures are also shown for the last valuation as at 31 March 2013 for comparison.



The liability value at 31 March 2016 shown in the table above is known as the Fund's "solvency funding target". The solvency funding target is calculated using assumptions that the Administering Authority has determined are appropriate having consulted with the actuary, and are also set out in the Administering Authority's Funding Strategy Statement (FSS).

The chart shows that at 31 March 2016 there was a shortfall of £690m against the Fund's solvency funding target. An alternative way of expressing the position is that the Fund's assets were sufficient to cover 90% of its liabilities – this percentage is known as the solvency funding level of the Fund.

At the previous valuation at 31 March 2013 the shortfall was £1,377m, equivalent to a solvency funding level of 78%. The key reasons for the changes between the two valuations are considered in Section 4.

The LGPS Regulations require the contributions to be set so as to secure the Fund's solvency and long-term cost efficiency. In this context solvency means being able to meet the liabilities as and when they arise, with long-term cost efficiency meaning that contribution levels should not be set so as to give rise to additional costs at a later date. In practice, contribution levels have been set so as to target a solvency funding level of 100%, based on the funding parameters outlined in Section 2 above.

Further details of the way in which the solvency funding target has been calculated are set out in Appendix A.

## PRIMARY CONTRIBUTION RATE

The valuation looks at the normal employer contribution rate required to cover the cost of the benefits (including death benefits and expenses) that will be built up over the year after the valuation date (the “Primary Contribution Rate”). A summary of the assumptions used is provided in Appendix A.

The table below gives a breakdown of the Primary Contribution Rate at 31 March 2016 and also shows the corresponding rate at 31 March 2013 for comparison. In calculating the average Primary Contribution Rate in 2016 we have not made any allowance for future members to opt for the 50:50 scheme.

Active members pay contributions to the Fund as a condition of membership in line with the rates required under the governing Regulations (see Appendix D).


PRIMARY CONTRIBUTION RATE*	% of Pensionable Pay	
	31 March 2016	31 March 2013
Normal Contribution rate for retirement and death benefits	20.8	19.1
Allowance for administrative expenses	0.5	0.4
Total normal contribution rate	21.3	19.5
Average member contribution rate	6.4	6.4
Primary contribution rate*	14.9	13.1

*\* In line with updated CIPFA guidance, the 2016 Primary Contribution Rate is the weighted average of the individual employer Primary Contribution Rates as derived based on their individual circumstances (e.g. whether or not they are closed to new entrants).*


## CORRECTING THE SHORTFALL – SECONDARY CONTRIBUTION RATE

The funding objective as set out in the FSS is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus).

The FSS sets out the process for determining the recovery plan in respect of each employer. At this actuarial valuation the average deficit recovery period adopted is approximately 16 years, and the total initial recovery payment (the “Secondary rate” for 2017/18) is approximately £41.5m per annum in £ terms (which also includes allowance for some employers to phase in any increases).



The “Primary rate” of the employers’ contribution is the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs.



The “Secondary rate” of the employers’ contribution is an adjustment to the Primary rate to reflect any past service deficit or surplus, to arrive at the rate the employers are required to pay.

# 4

## EXPERIENCE SINCE LAST VALUATION

### SUMMARY OF KEY INTER-VALUATION EXPERIENCE

The last actuarial valuation was carried out with an effective date of 31 March 2013. With effect from 1 April 2014 the scheme's benefit structure changed from a Final Salary Scheme to a Career Average Revalued Earnings (CARE) Scheme, and the 2013 actuarial valuation took these changes into account.

The average Pensionable Salary increase for the Fund members who were in service for the whole of the inter-valuation period was 2.1% per annum.

Pensions in payment (in excess of Guaranteed Minimum Pensions (GMPs)) were increased as guaranteed under the Fund as follows:

- April 2014 2.7%
- April 2015 1.2%
- April 2016 0%

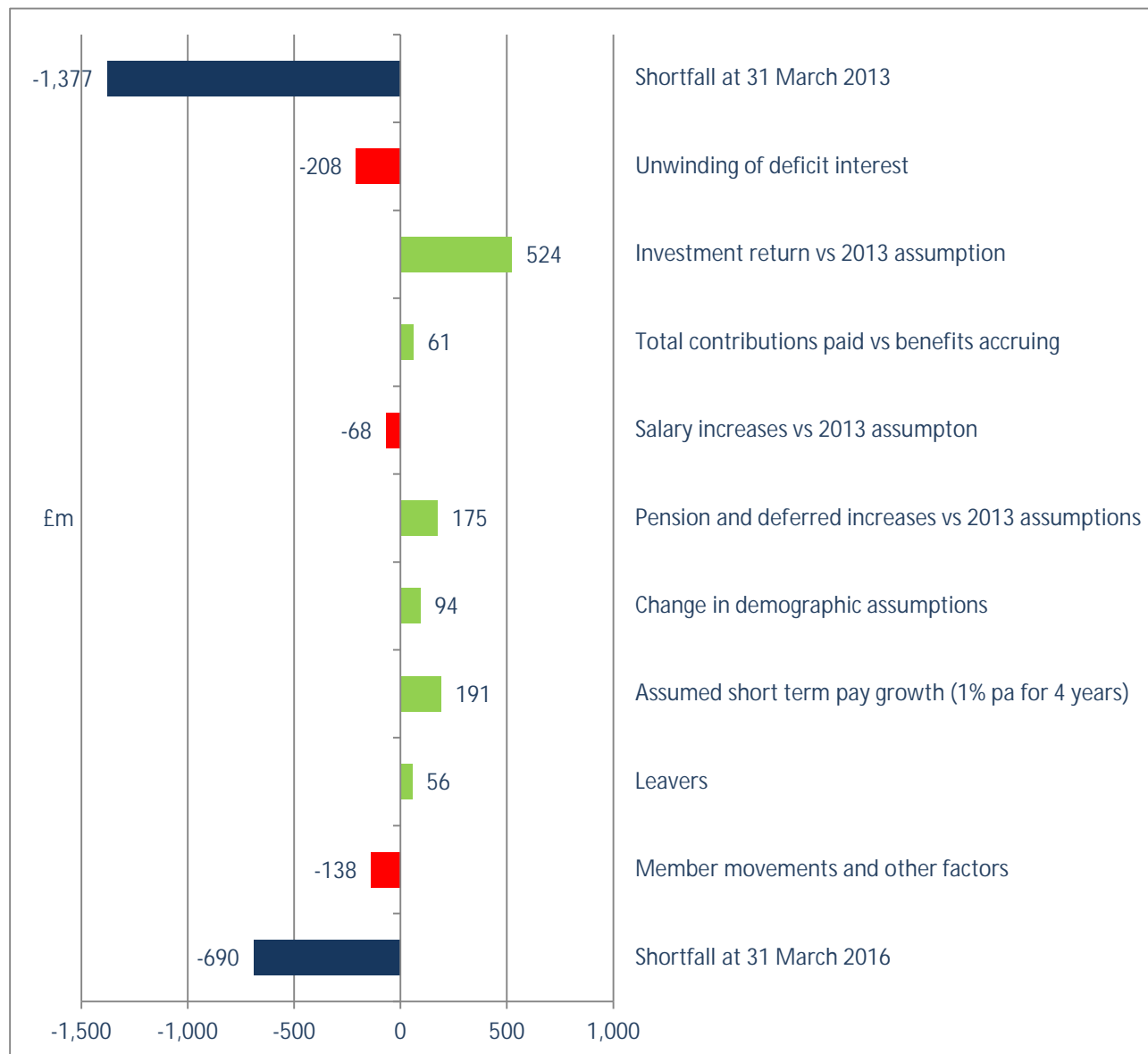
Over the intervaluation period, benefit inflation has averaged 1.3% p.a. Over the three years to 31 March 2016 the gross investment return on the Fund's assets has averaged 7.9% per annum, meaning that the average real return has been about 6.6% p.a.



The outcomes from the valuation are determined both by the assumptions adopted for the future, and the Fund's historic experience relative to assumptions made in the past. In this section we consider the effect of the Fund's experience over the last three years.

## REASONS FOR THE CHANGE IN FUNDING POSITION SINCE THE LAST ACTUARIAL VALUATION

The shortfall at the last valuation date was £1,377m. The chart below sets out the main reasons for the change in the shortfall between 31 March 2013 and 31 March 2016.



# 5

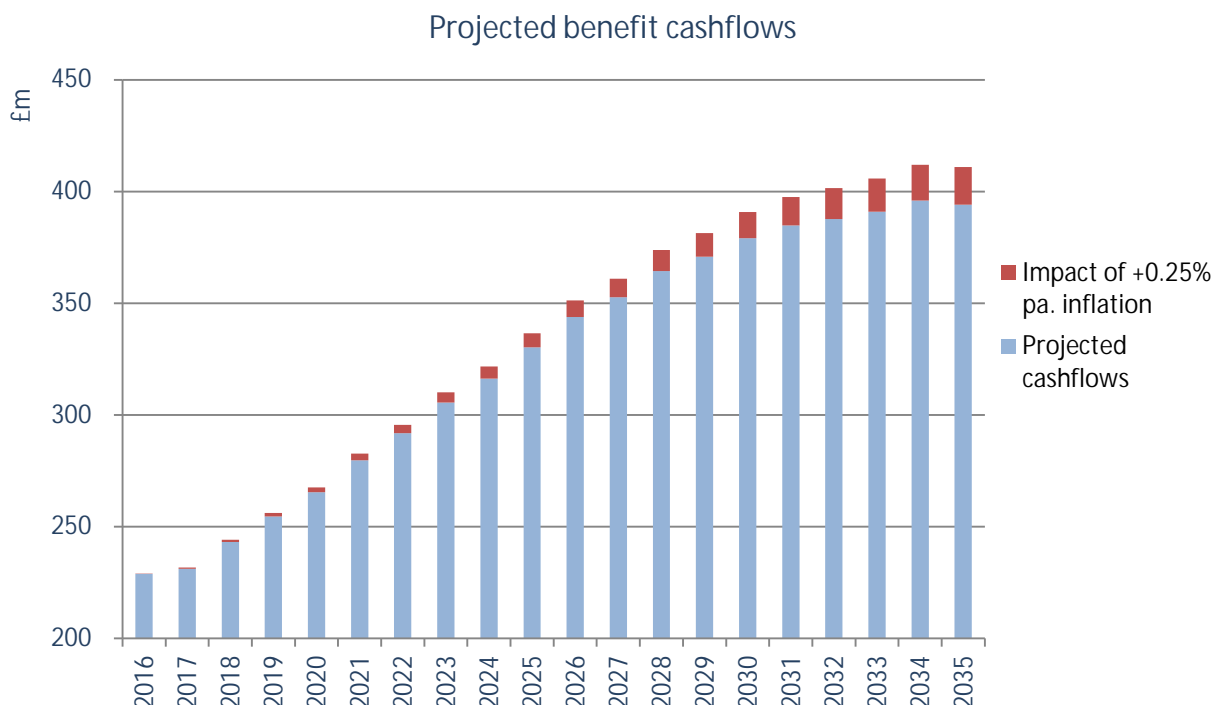
## CASHFLOWS, RISKS AND ALTERNATIVE FUNDING POSITIONS



### BENEFIT CASHFLOWS

The projected benefit cashflows which result from applying the past service assumptions as set out in Section 2 are shown in the chart below. The additional red elements sets out how those projected benefit cashflows would change if we were to assume inflation of 0.25% p.a. higher than the assumption of 2.2% p.a. used for the actuarial valuation. Over the 20 years following the valuation date, the extra benefit payments which would result from the extra 0.25% p.a. inflation assumption are projected to be £150m.

The actuarial valuation process is principally concerned with projecting all the benefit cashflows into the future, and then converting them into current day values by discounting them to allow for assumed future investment returns. The chart shows those projected cashflows, and also illustrates how sensitive they are to the future inflation assumption.



## PROJECTED FUNDING POSITION AT NEXT ACTUARIAL VALUATION

As part of this valuation, the Administering Authority has set an average recovery plan to pay off the shortfall of approximately 16 years. The next actuarial valuation will take place with an effective date of 31 March 2019. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the agreed rates or amounts, the shortfall at 31 March 2019 would be £646m, equivalent to a funding level of 91%.

## MATERIAL RISKS FACED BY THE FUND

The Fund is subject to some potentially material risks that are, to an extent, outside the Administering Authority's control, but could affect the funding level. Any material worsening of the funding level will mean more contributions are needed (either at an increased rate or at the same rate over a longer period) to be able to provide the benefits built up in the Fund – unless experience acts in other ways to improve the funding level. Examples of such risks, and how the Administering Authority manages them, are:

- If an Employer becomes unable to pay contributions or to make good deficits in the future, the Fund's assets will be lower than expected and the funding level will be worse than expected. The Administering Authority regularly monitors the financial strength of the Employers so that actions can be taken to mitigate (but not fully remove) the risk.
- If future investment returns on assets are lower than assumed in the valuation, the Fund's assets will be lower, and the funding level worse, than expected. The Administering Authority has a process in place to monitor investment performance quarterly, and it reviews the Fund's investment strategy alongside each actuarial valuation.
- If improvements in life expectancy are greater than assumed, the cost of benefits will increase because members are living longer than expected. This will mean the funding level will be worse than expected. The Administering Authority regularly reviews the Fund's experience and ensures that the assumptions it makes about members' life expectancy take the most recent information available into account.
- If members make decisions about their options which increase the Fund's liabilities, the funding level will be worse than expected. An example would be if members commute less possible pension for cash, than is being assumed. The Administering Authority reviews the Fund's experience at each valuation to ensure that their treatment of member options remains appropriate.

## SENSITIVITY OF FUNDING POSITION TO CHANGES IN KEY ASSUMPTIONS

The value placed on the Fund's liabilities is critically dependent on the assumptions used to carry out the calculations. If future experience differs from the assumptions the Administering Authority has used after consulting with the Employers, then the projected future funding level will be different from the level described above.

To illustrate how sensitive the funding level is to experience being different from assumed, the table below shows how the valuation results at 31 March 2016 would have differed given small changes in the key assumptions.

ASSUMPTION CHANGE	CHANGE IN SHORTFALL AT 31 MARCH 2016 (£M)	RESULTANT SHORTFALL AT 31 MARCH 2016 (£M)
Original solvency funding position	-	690
Real investment return 0.25% lower than assumed	297	987
Pensionable Salary growth 0.25% higher than assumed	51	741
Members live one year longer than assumed	160	850
Growth assets fall by 25%	1,119	1,809

### MINIMUM RISK FUNDING POSITION

In assessing the value of the Fund's liabilities (the funding target), allowance has been made for investment returns as described in Appendix A, taking into account the investment strategy adopted by the Fund, as set out in the Fund's Investment Strategy Statement (ISS).

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which closely matches the liabilities and represents the minimum risk investment position. Such a portfolio would consist mainly of a mixture of long-term index-linked and fixed interest gilts. Investment of the Fund's assets in line with the minimum risk portfolio would minimise fluctuations in the Fund's ongoing funding level between successive actuarial valuations.

If, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to make any allowance for out-performance of the Fund investments. In this event the value of the liabilities would have increased substantially, to £10,249m, and the funding level would have reduced correspondingly to 59%. If the actuarial assumptions are borne out in practice, the projected funding level on this basis at the next actuarial valuation would be slightly lower at 57%.

The value of the liabilities on the solvency funding target assumptions was £6,726m, which is £3,523m less than the value on the minimum risk basis. The funding plan is therefore making allowance for future investment returns of £3,523m over and above those available from the minimum risk investment portfolio.



# APPENDICES

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# A

## ASSUMPTIONS

### HOW THE BENEFITS ARE VALUED

In order to calculate the liabilities, there is a need to make assumptions about various factors that affect the cost of the benefits provided by the Fund – for example, how long members will live, or the future level of inflation. The table below explains the key assumptions being made in the valuation.

ASSUMPTION	WHY IT IS IMPORTANT AND HOW IT IMPACTS ON THE LIABILITIES
<b>Discount rate</b>	<p>The majority of benefits in a pension fund are paid many years in the future. In the period before the benefits are paid, the Administering Authority invest the funds held by the fund with the aim of achieving a return on those funds. When calculating how much money is needed now to make these benefit payments, it is appropriate to make allowance for the investment return that is expected to be earned on these funds. This is known as “discounting”.</p> <p>The higher the investment return achieved, the less money needs to be set aside now to pay for benefits. The calculation reflects this by placing a lower value on the liabilities if the “discount rate” is higher.</p>
<b>Inflation</b>	<p>Pensions in payment increase in line with price inflation. Salary growth is also normally linked to price inflation in the long term. A higher inflation assumption will, all other things being equal, lead to a higher value being placed on the liabilities.</p>
<b>Pensionable Salary growth</b>	<p>Benefits earned prior to 1 April 2014 for active members are based on their salaries immediately before retirement, so it is necessary to make an assumption about future Pensionable Salary growth. The higher this assumption, the higher the value placed on the liabilities for active members.</p>
<b>Life expectancy</b>	<p>Pensions are paid while the member (and potentially their spouse or partner) is alive. The longer people live, the greater is the cost of providing a pension. Allowing for longer life expectancy therefore increases the liabilities.</p>

The liabilities of the Fund are calculated projecting forward all of the future benefit cashflows and discounting them back to the effective date of the valuation, using these assumptions. For example, the liability for a single pensioner is calculated by estimating the amount of each pension payment they will receive in the future, multiplying by the probability that the member will still be alive by the date of each payment, and then discounting each payment back to the effective date of the valuation; and then summing up all of these discounted amounts. The liabilities for the whole Fund are calculated by summing the liabilities for each of the individual members.

## FINANCIAL ASSUMPTIONS USED TO CALCULATE THE FUNDING TARGET

The table below summarises the key financial assumptions used in the calculation of the funding target and those used for the 31 March 2013 actuarial valuation.

FINANCIAL ASSUMPTIONS	31 March 2016	31 March 2013
Discount rate	4.40% p.a.	4.80% p.a.
Price inflation (CPI)	2.2% p.a.	2.6% p.a.
Salary increases (short term)	1% p.a. for 4 years	1% p.a. for 3 years
Salary increases (long term)	3.7% p.a.	4.1% p.a.
Pension increases in payment:	2.2% p.a.	2.6% p.a.

## DEMOGRAPHIC ASSUMPTIONS USED

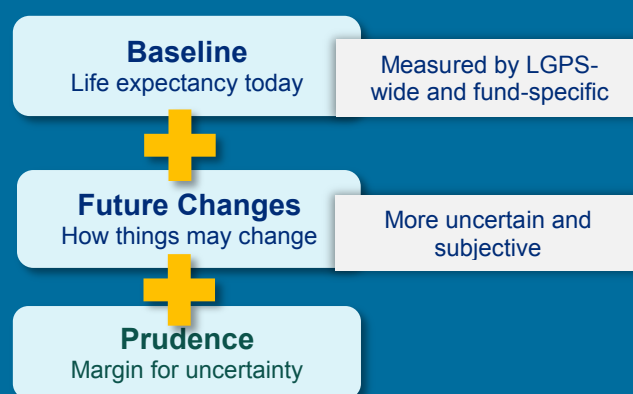
### Post-retirement Mortality

Mortality (or life expectancy) tables are typically made up of three elements: a baseline table (equivalent to the expected current mortality), an allowance for future improvements, and a margin for prudence. Very few pension funds are large enough for them to be able to determine a bespoke set of baseline assumptions based purely on the scheme's own membership experience. Typically, the life expectancy assumptions are set by benchmarking a fund's membership profile and mortality experience against larger external datasets. For this actuarial valuation, we have benchmarked the fund's membership profile and experience against the "S2 tables" published by the CMI. We have applied weightings and age ratings as appropriate to adjust the standard tables so as to arrive at assumptions which are appropriate for the Fund. We have generally used the S2PA tables, other than for female dependants where the S2DA tables have been used. At the 2013 actuarial valuation the S1PA tables were used (S1DA tables for future female dependants).



There are two separate decisions on mortality assumptions:

- The baseline table for the current rates of mortality; and
- The allowance for future improvements.



The weightings and age ratings applied to the above are set out in the table below.

Current Status	Retirement Type	2016 weighting/rating	2013 weighting/rating
Annuitant	Normal Health	99% males, 93% females	100% males, 98% females
	Dependant	122% males, 106% females	158% males, 115% females
	Ill Health	99% males, 93% females with an age rating of +3 years in each case	100% males, 98% females with an age rating of +3 years in each case
Active	Normal Health	98% males, 89% females	100% males, 98% females
	Ill Health	98% males, 89% females with an age rating of +4 years in each case	100% males, 98% females with an age rating of +4 years in each case
Deferred	All	125% males, 102% females	100% males, 98% females

A weighting applied to an actuarial table has the effect of increasing or reducing the chance of survival at each age, which increases or reduces the corresponding life expectancy. Similarly, an age rating applied to an actuarial table has the effect of assuming that beneficiaries have a life expectancy equal to those older (or younger) than their actual age.

Future improvements are assumed to follow the CMI 2015 model with a 1.5% p.a. long-term improvements trend. At the 2013 actuarial valuation the CMI 2012 model with a 1.5% p.a. long-term improvements trend was used.

The mortality assumptions used for the 31 March 2016 valuation result in the following life expectancies.

	Years
Life expectancy for a male aged 65 now	22.6
Life expectancy at 65 for a male aged 45 now	24.8
Life expectancy for a female aged 65 now	25.1
Life expectancy at 65 for a female aged 45 now	27.8


### Pre-retirement Mortality

The following mortality tables (together with any appropriate weightings and age ratings) have been adopted for mortality rates in the period up to retirement.

	31 March 2016	31 March 2013
Base Table	DxL08 tables with adjustments of 80% (male) 50% (female) to reflect the Fund's membership profile	AC00 tables with adjustments of 73% (male) and 60% (female) to reflect the Fund's membership profile
Allowance for Future Improvements	CMI_2015 [1.5%]	N/A

## Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take a 3/80ths cash sum (the standard for pre April 2008 service). The members have the option to commute part of their pension at retirement in return for a lump sum at a rate of £12 cash for each £1 per annum of pension given up.




Retirement lump sums are less costly for the Fund to provide than the alternative pension, as members receive only £12 of each £1 p.a. of pension given up. If members take the cash sum option at a higher rate than has been assumed then this will normally lead to an improvement in the funding level.

## Early retirement

For those members who are entitled to receive their accrued benefits (or part of those benefits) prior to the Fund's normal pension age, a proportion of the active membership is assumed to retire in normal health prior to age 65, as set out below:

	% retiring per annum	
Age	Males	Females
60	10	20
61	8	15
62	8	15
63	8	15
64	8	15
65	100	100




If members take early retirement to a greater extent than has been assumed then this will typically lead to a worsening of the funding level. This is because many members are able to take substantial parts of their benefits from age 60 without them being reduced for early payment.

The appropriate early retirement factors applied to the relevant tranche of benefits are in line with GAD guidance.

## Ill health retirement

A small proportion of the active membership has been assumed to retire owing to ill health. As an example of the rates assumed, the following is an extract from the decrement table used:

	% retiring per annum	
Age	Males	Females
35	0.03	0.03
45	0.08	0.08
55	0.35	0.31



The level of ill-health retirement benefit provided for a member falls into one of three "tiers", depending on whether and when the member might be expected to resume gainful employment. Tier 1, for example, is on the basis that the member is unlikely to be able to do so before Normal Pension Age. Full details are set out in the LGPS Regulations.


The proportion of ill health early retirements falling into each tier category has been assumed to be as set out below:

	Tier 1	Tier 2	Tier 3
Males & Females	75%	12.5%	12.5%

## Withdrawal

This assumption relates to those members who leave the scheme with an entitlement to a deferred pension or transfer value. It has been assumed that active members will leave the Scheme at the following sample rates:

	% leaving per annum	% leaving per annum
Age	Males	Females
25	20.25	22.38
35	5.09	6.27
45	2.54	3.89




In relation to pre 2014 benefits, deferred benefits tend to be less costly for the Fund to provide than if the member had remained in the Fund until retirement. If the number of members leaving the Fund is greater than expected then this will typically lead to a slight improvement in the funding level.

## Partners' and Dependants' Proportions

It has been assumed that the proportions of members below will on death give rise to a dependant's pension (spouse's and partner's), and that spouses/partners of female (male) members are three years older (younger), on average than the member.

	% spouse/partner	% spouse/partner
Age	Males	Females
25	43	46
35	69	60
45	72	60
55	74	60
65	76	55



If more members than assumed have partners then this will lead to an increase in the number of dependants pensions coming into payment over and above that expected. This would lead to a worsening of the funding level.

## ASSUMPTIONS USED TO CALCULATE THE PRIMARY CONTRIBUTION RATE

The cost of future accrual (normal cost) has been calculated using the same actuarial assumptions as used to calculate the funding target and recovery plan as set out above except that the financial assumptions adopted are as described below.

The financial assumptions for assessing the future service contribution rate should take account of the fact that contributions will be invested in market conditions applying at future dates, which are unknown at the effective date of the valuation, and which are not directly linked to market conditions at the valuation date.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 2.75% per annum. This represents a reduction of 0.25% per annum compared to the 2013 valuation, which increases the estimated cost of providing LGPS benefits. With a long term average assumption for price inflation of 2.2% per annum, this gives rise to an overall discount rate of 4.95% p.a. (the corresponding discount rate at the 2013 actuarial valuation was 5.6% p.a.).

## B

## SUMMARY MEMBERSHIP DATA

The membership data is summarised in the table, with figures at the previous valuation shown for comparison.

Data in relation to members of the Fund were supplied by the Funding administrator on behalf of the Administering Authority. The accuracy of the data provided has been relied on. While reasonableness checks on the data have been carried out, they do not guarantee the completeness or the accuracy of the data. Consequently Mercer does not accept any liability in respect of its advice where it has relied on data that is incomplete or inaccurate.

	31 March 2016	31 March 2013
<b>Active members</b>		
Number	51,613	51,439
Total Pensionable Salaries (£000s p.a.)	860,203	854,743
Average Pensionable Salary (£ p.a.)	16,666	16,617
Average age (pension weighted)	49.6	49.2

<b>Deferred pensioners</b>		
Number	65,940	52,039
Total deferred pensions revalued to valuation date (£000s p.a.)	76,171	60,697
Average deferred pension (£ p.a.)	1,155	1,166
Average age (pension weighted)	48.9	48.3

<b>Pensioners</b>		
Number	44,537	41,115
Total pensions payable (£000s p.a.)	202,082	184,005
Average pension (£ p.a.)	4,537	4,475
Average age (pension weighted)	70.4	69.6

The above pensioner figures include current dependant pensioners.



# C

## ASSETS

The market value of the Fund's assets was £6,036,200,000 on the valuation date.

The Administering Authority's investment strategy is to proportion the Fund's assets by asset class as shown in the table below. The actual distribution of assets will vary over time due to changes in financial markets. The table also shows the distribution of assets at the valuation date.

	INVESTMENT STRATEGY	ACTUAL MARKET VALUE OF ASSETS AT 31 MARCH 2016	
	%	£000s	%
Global equities	40% - 60%		
Equities - UK quoted		191,300	3.2%
Equities - Overseas quoted		1,878,600	31.1%
Equities - Overseas funds		485,700	8.0%
Venture capital		1,211,400	20.1%
Diversified property	10%-20%		
Direct property		608,100	10.1%
Property funds		80,600	1.3%
Lower volatility strategies	20%-40%		
Fixed interest securities		123,100	2.0%
Fixed interest funds		1,157,300	19.2%
Index linked securities		63,700	1.1%
Derivative contracts		307,600	5.1%
Currency contracts		-291,000	-4.8%
Cash		210,900	3.5%
Net current assets		8,900	0.1%
Total	100.0%	6,036,200	100.0%

The Administering Authority also holds additional voluntary contributions (AVCs), which are separately invested. These assets have been excluded from the market value shown as they exactly match the value of the benefits they cover.

The details of the assets at the valuation date and the financial transactions during the inter-valuation period have been obtained from the audited accounts for the Fund.

# D

## SCHEME BENEFITS

The benefits valued within our calculations are those in force at the effective date of the valuation. Full details of these can be found in the Local Government Pension Scheme Regulations 2013 (as amended):

The Local Government Pension Scheme Regulations 2013  
(<http://www.legislation.gov.uk/ukxi/2013/2356/contents/made>)

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (<http://www.legislation.gov.uk/ukxi/2014/525/contents/made>)

The direction by the Treasury dated 5 April 2016 under Section 59A of the Social Security Pensions Act 1975 (<http://www.lgpsregs.org/images/OtherGuidance/HMTDirectionApr2016.pdf>)

We have made no allowance for other changes which may be introduced in the future.

The Fund is also responsible for paying and, where appropriate, recharging to employers the benefits arising from the award of compensatory added years (CAY) of service on premature retirement. Unless these CAY benefits have been converted into “funded” benefits, they are normally recharged to the relevant employer (together with associated pension increases), and so are excluded from the valuation.

The benefits that will emerge from money purchase AVCs paid by members, and SCAVCs paid by employers, and the corresponding invested assets in respect of these AVCs and SCAVCs, have been excluded from the valuation.

UK and European law requires pension schemes to provide equal benefits to men and women in respect of service after 17 May 1990 (the date of the “Barber” judgement) and this includes providing equal benefits accrued from that date to reflect the differences in GMPs. There is no consensus or legislative guidance as to what adjustments have to be made to scheme benefits to correct these inequalities for ongoing schemes (i.e. for schemes other than those which are in the Pension Protection Fund). The valuation makes no allowance for removal of these inequalities. It is consequently possible that additional funding will be required for equalisation once the law has been clarified. It is recommended that the Administering Authority seek further professional advice if it is concerned about this issue.

## E

## SUMMARY OF INCOME AND EXPENDITURE

INCOME	YEAR ENDING 31 MARCH			Total £000s
	2014 £000s	2015 £000s	2016 £000s	
Fund at beginning of year	5,011,000	5,188,100	5,830,700	5,011,000
Contributions to Fund:				
Employees	54,000	54,800	54,900	163,700
Employers	160,000	183,200	183,700	526,900
Transfer Values received	7,100	4,800	5,500	17,400
Investment income	105,300	90,700	99,100	295,100
Change in market value of investments	118,400	684,700	165,900	969,000

EXPENDITURE	YEAR ENDING 31 MARCH			Total £000s
	2014 £000s	2015 £000s	2016 £000s	
Pensions for members/ spouses/partners/dependants	183,900	192,000	200,200	576,100
Retiring allowances and death gratuities	37,200	48,200	45,600	131,000
Withdrawals	-	-	-	-
Transfer Values paid	15,300	100,100	12,500	127,900
Investment expenses	25,100	29,400	32,500	87,000
Administration expenses	6,000	6,000	12,800	24,800
Fund at end of year	5,188,100	5,830,700	6,036,200	6,036,200

## F

## ANALYSIS OF MEMBERSHIP EXPERIENCE

The analysis below compares the actual experience over the 3 year period with the assumptions used for the 2016 valuation.

	ACTUAL	EXPECTED	%
Ill Health Retirements	311	289	108
Withdrawals	16,962	7,786	218
Pensioner Deaths (lives)	3,619	3,026	120
Pensioner Deaths (£000 p.a. of pension)	12,085	10,938	110

Note that actual withdrawals can include members moving to another LGPS Fund, bulk transfers and also transfers under the special transfer club terms.

# G

## RATES AND ADJUSTMENTS CERTIFICATE ISSUED IN ACCORDANCE WITH REGULATION 62

NAME OF FUND

Lancashire County Pension Fund

### PRIMARY CONTRIBUTION RATE

I hereby certify that, in my opinion, the primary rate of the employers' contribution for the whole Fund for each of the three years beginning 1 April 2017 is 14.9% of pensionable pay.

The primary rate of contribution for each employer for the three year period beginning 1 April 2017 is set out in the attached schedule.

### SECONDARY CONTRIBUTION RATE

I hereby certify that, in my opinion, the secondary rate of the employer's contribution for the whole Fund for each of the three years beginning 1 April 2017 is as follows:

2017/18	£36.0 million plus 0.6% of pensionable pay
2018/19	£37.1 million plus 0.7% of pensionable pay
2019/20	£38.1 million plus 0.9% of pensionable pay

The secondary rate of contribution for each employer for each of the three years beginning 1 April 2017 is set out in the attached schedule.

### CONTRIBUTION AMOUNTS PAYABLE

The total contribution payable for each employer is the total of the primary and secondary rates as detailed in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) unless otherwise noted in the schedule.

### FURTHER ADJUSTMENTS

A further individual adjustment shall be applied in respect of each non-ill health early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's Actuary and the Administering Authority.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer in total over the 3 years covered by the certificate. Additional contributions or a different pattern of contributions may be paid if requested by the employer concerned at the sole discretion of the Administering Authority as agreed with the Actuary. The total contributions payable by each employer will be subject to a minimum of zero.

The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

In cases where an element of an existing Scheme employer's deficit is transferred to a new employer on its inception, the Scheme employer's deficit recovery contributions, as shown on the schedule to this Certificate in Appendix H, may be reallocated between the Scheme employer and the new employer to reflect this, on advice of the Actuary and as agreed with the Administering Authority so that the total payments remain the same overall.

The Administering Authority and employer with advice from the Fund's Actuary can agree that contributions payable under this certificate can be sourced under an alternative financing arrangement which provides the Fund with equivalent cash contributions.

#### REGULATION 62(8)

No allowance for non-ill health early retirements has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions. Allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

**Signature:**

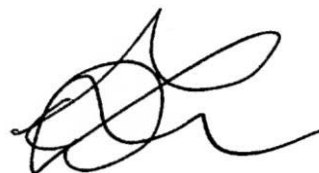


**Name:** John Livesey

**Qualification:** Fellow of the Institute  
and Faculty of Actuaries

**Date of signing:** 31 March 2017

**Signature:**



**Name:** Mark Wilson

**Qualification:** Fellow of the Institute  
and Faculty of Actuaries

# H

## SCHEDULE TO THE RATES AND ADJUSTMENTS CERTIFICATE DATED 31 MARCH 2017

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Major authorities							
Blackburn with Darwen Borough Council	14.8%	-2.4% plus £4,773,000	-1.4% plus £4,773,000	£4,857,500	12.4% plus £4,773,000	13.4% plus £4,773,000	14.8% plus £4,857,500
Blackpool Borough Council	14.8%	*£3,315,200	*£4,087,500	*£4,501,400	14.8% plus *£3,315,200	14.8% plus *£4,087,500	14.8% plus *£4,501,400
Burnley Borough Council	15.4%	*£1,379,800	*£1,370,600	*£1,361,400	15.4% plus *£1,379,800	15.4% plus *£1,370,600	15.4% plus *£1,361,400
Chorley Borough Council	14.4%	£790,500	£840,500	£966,300	14.4% plus £790,500	14.4% plus £840,500	14.4% plus £966,300
Fylde Borough Council	15.2%	*£583,800	*£579,900	*£576,000	15.2% plus *£583,800	15.2% plus *£579,900	15.2% plus *£576,000
Hyndburn Borough Council	15.3%	12.7%	12.7%	12.7%	28%	28%	28%
Lancashire Chief Constable	14.0%	**£1,791,700	**£1,858,000	**£1,926,700	14% plus **£1,791,700	14% plus **£1,858,000	14% plus **£1,926,700
Lancashire County Council - excluding schools	15.1%	*£9,534,200	*£9,470,300	*£9,406,900	15.1% plus *£9,534,200	15.1% plus *£9,470,300	15.1% plus *£9,406,900
Lancashire County Council schools	15.1%	4.7%	4.8%	4.9%	19.8%	19.9%	20.0%
Lancashire Fire & Rescue Service	14.7%	*** (£312,700)	*** (£324,300)	*** (£336,300)	14.7% less *** £312,700	14.7% less *** £324,300	14.7% less *** £336,300

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Lancaster City Council	15.5%	*£945,900	*£939,600	*£933,300	15.5% plus *£945,900	15.5% plus *£939,600	15.5% plus *£933,300
Pendle Borough Council	15.5%	*£1,219,900	*£1,211,700	*£1,203,600	15.5% plus *£1,219,900	15.5% plus *£1,211,700	15.5% plus *£1,203,600
Preston City Council	15.4%	*£1,409,100	*£1,399,700	*£1,390,300	15.4% plus *£1,409,100	15.4% plus *£1,399,700	15.4% plus *£1,390,300
Ribble Valley Borough Council	16.5%	**£173,500	**£179,900	**£186,500	16.5% plus **£173,500	16.5% plus **£179,900	16.5% plus **£186,500
Rossendale Borough Council	15.6%	*£996,900	*£990,200	*£983,600	15.6% plus *£996,900	15.6% plus *£990,200	15.6% plus *£983,600
South Ribble Borough Council	14.9%	**£547,200	**£567,500	**£588,400	14.9% plus **£547,200	14.9% plus **£567,500	14.9% plus **£588,400
West Lancashire District Council	16.3%	*£985,600	*£979,000	*£972,400	16.3% plus *£985,600	16.3% plus *£979,000	16.3% plus *£972,400
Wyre Borough Council	15.8%	*£707,700	*£702,900	*£698,200	15.8% plus *£707,700	15.8% plus *£702,900	15.8% plus *£698,200



Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Other scheme employers							
Accrington & Rossendale College	15.1%	£269,300	£279,200	£289,600	15.1% plus £269,300	15.1% plus £279,200	15.1% plus £289,600
Blackburn College	14.2%	£82,800	£85,900	£89,000	14.2% plus £82,800	14.2% plus £85,900	14.2% plus £89,000
Blackburn St Mary's College	14.6%	£9,100	£9,400	£9,800	14.6% plus £9,100	14.6% plus £9,400	14.6% plus £9,800
Blackpool & The Fylde College	14.4%	£192,600	£199,700	£207,100	14.4% plus £192,600	14.4% plus £199,700	14.4% plus £207,100
Blackpool Coastal Housing	13.9%	-1.9%	-1.9%	-1.9%	12%	12%	12%
Blackpool Housing Company Ltd	13.4%	-0.1%	-0.1%	-0.1%	13.3%	13.3%	13.3%
Blackpool Sixth Form College	12.1%	-0.3%	-0.3%	-0.3%	11.8%	11.8%	11.8%
Burnley College	13.2%	£124,900	£129,500	£134,300	13.2% plus £124,900	13.2% plus £129,500	13.2% plus £134,300
Cardinal Newman College	13.9%	£49,400	£51,200	£53,100	13.9% plus £49,400	13.9% plus £51,200	13.9% plus £53,100
County Councils Network	5.2%	£700	£700	£800	5.2% plus £700	5.2% plus £700	5.2% plus £800
Edge Hill University	14.3%	£780,300	£809,200	£839,100	14.3% plus £780,300	14.3% plus £809,200	14.3% plus £839,100
Lancaster & Morecambe College	15.3%	£121,300	£125,800	£130,400	15.3% plus £121,300	15.3% plus £125,800	15.3% plus £130,400
Myerscough College	14.2%	£165,800	£171,900	£178,300	14.2% plus £165,800	14.2% plus £171,900	14.2% plus £178,300
Nelson and Colne College	14.0%	£50,700	£52,500	£54,500	14% plus £50,700	14% plus £52,500	14% plus £54,500
Police & Crime Commissioner	13.9%	£3,800	£3,900	£4,100	13.9% plus £3,800	13.9% plus £3,900	13.9% plus £4,100

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Preston College	13.3%	£259,900	£269,500	£279,500	13.3% plus £259,900	13.3% plus £269,500	13.3% plus £279,500
Runshaw College	15.7%	£86,000	£89,200	£92,500	15.7% plus £86,000	15.7% plus £89,200	15.7% plus £92,500
University of Central Lancashire	14.3%	£949,800	£984,900	£1,021,400	14.3% plus £949,800	14.3% plus £984,900	14.3% plus £1,021,400

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Designated / Resolution body							
Blackpool Transport Services Ltd	23.1%	-23.1%	-23.1%	-23.1%	0%	0%	0%
Catterall Parish Council	25.3%	Nil	Nil	Nil	25.3%	25.3%	25.3%
Darwen Town Council	15.9%	Nil	Nil	Nil	15.9%	15.9%	15.9%
Garstang Town Council	17.5%	Nil	Nil	Nil	17.5%	17.5%	17.5%
Habergham Eaves Parish Council	15.8%	Nil	Nil	Nil	15.8%	15.8%	15.8%
Kirkland Parish Council	25.2%	-0.7%	-0.7%	-0.7%	24.5%	24.5%	24.5%
Lancs Sports Partnership Ltd	10.9%	-0.6%	-0.6%	-0.6%	10.3%	10.3%	10.3%
Marketing Lancashire Ltd	12.6%	-1.1%	-1.1%	-1.1%	11.5%	11.5%	11.5%
Morecambe Town Council	19.2%	-1.2%	-1.2%	-1.2%	18%	18%	18%
Old Laund Booth Parish Council	15.9%	Nil	Nil	Nil	15.9%	15.9%	15.9%
Penwortham Town Council	15.8%	-3.4%	-3.4%	-3.4%	12.4%	12.4%	12.4%
Pilling Parish Council	27.6%	£100	£100	£100	27.6% plus £100	27.6% plus £100	27.6% plus £100
Preesall Town Council	23.2%	£100	£100	£100	23.2% plus £100	23.2% plus £100	23.2% plus £100
Rossendale Transport Ltd.	25.6%	Nil	Nil	Nil	25.6%	25.6%	25.6%
St Anne's on Sea Town Council	17.0%	£1,100	£1,100	£1,200	17% plus £1,100	17% plus £1,100	17% plus £1,200
The Lancashire Colleges Ltd	17.8%	-3.7%	-3.7%	-3.7%	14.1%	14.1%	14.1%
Whittle-le-woods Parish Council	17.0%	Nil	Nil	Nil	17%	17%	17%
Whitworth Town Council	12.8%	£2,200	£2,200	£2,300	12.8% plus £2,200	12.8% plus £2,200	12.8% plus £2,300

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Academies / schools							
Academy at Worden	14.6%	£13,400	£13,900	£14,400	14.6% plus £13,400	14.6% plus £13,900	14.6% plus £14,400
Accrington Academy	14.3%	-2.9%	-2.9%	-2.9%	11.4%	11.4%	11.4%
Albany Science College (Academy)	16.2%	£23,800	£24,700	£25,600	16.2% plus £23,800	16.2% plus £24,700	16.2% plus £25,600
All Saints CE Primary School (Academy)	14.1%	£16,200	£16,800	£17,400	14.1% plus £16,200	14.1% plus £16,800	14.1% plus £17,400
Anchorsholme Academy	16.0%	£34,900	£36,200	£37,500	16% plus £34,900	16% plus £36,200	16% plus £37,500
ANWET - Darwen Aldridge Community Academy	14.3%	-2%	-2%	-2%	12.3%	12.3%	12.3%
ANWET - Darwen Vale Academy	15.1%	£64,600	£67,000	£69,500	15.1% plus £64,600	15.1% plus £67,000	15.1% plus £69,500
ANWET - Sudell PS Academy	19.1%	£18,300	£19,000	£19,700	19.1% plus £18,300	19.1% plus £19,000	19.1% plus £19,700
Bacup and Rawtenstall Grammar School (Academy)	14.8%	£22,600	£23,400	£24,300	14.8% plus £22,600	14.8% plus £23,400	14.8% plus £24,300
Belthorn Primary Academy	18.6%	£7,300	£7,600	£7,900	18.6% plus £7,300	18.6% plus £7,600	18.6% plus £7,900
BFET (Marton Primary Academy)	16.3%	£22,800	£23,600	£24,500	16.3% plus £22,800	16.3% plus £23,600	16.3% plus £24,500
BFET (South Shore Academy)	14.9%	£48,200	£50,000	£51,800	14.9% plus £48,200	14.9% plus £50,000	14.9% plus £51,800
Bishop Rawstorne C of E High Academy	17.5%	£28,500	£29,600	£30,600	17.5% plus £28,500	17.5% plus £29,600	17.5% plus £30,600

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Blackpool MAT (Revoe)	14.6%	£47,500	£49,300	£51,100	14.6% plus £47,500	14.6% plus £49,300	14.6% plus £51,100
Blessed Edward MAT (Christ)	16.3%	£11,900	£12,300	£12,800	16.3% plus £11,900	16.3% plus £12,300	16.3% plus £12,800
Blessed Edward MAT (St Cuthbert)	15.3%	£24,900	£25,800	£26,800	15.3% plus £24,900	15.3% plus £25,800	15.3% plus £26,800
Blessed Edward MAT (St Mary's)	15.5%	£46,500	£48,200	£50,000	15.5% plus £46,500	15.5% plus £48,200	15.5% plus £50,000
Bowland High Academy Trust	17.6%	£29,000	£30,100	£31,200	17.6% plus £29,000	17.6% plus £30,100	17.6% plus £31,200
Cidari Ed Ltd (Marsden St John)	17.0%	£9,600	£10,000	£10,400	17% plus £9,600	17% plus £10,000	17% plus £10,400
Cidari Edu Ltd (Baines Endowed)	12.7%	£39,300	£40,800	£42,300	12.7% plus £39,300	12.7% plus £40,800	12.7% plus £42,300
Cidari Education Trust	8.8%	£2,400	Nil	Nil	8.8% plus £2,400	8.8%	8.8%
Cidari Education Ltd (St Aidans)	14.0%	£17,100	£17,700	£18,400	14% plus £17,100	14% plus £17,700	14% plus £18,400
Cidari Education Ltd (St Barnabas)	16.2%	£20,100	£20,800	£21,600	16.2% plus £20,100	16.2% plus £20,800	16.2% plus £21,600
Cidari Education Ltd (St James)	13.8%	£17,300	£17,900	£18,600	13.8% plus £17,300	13.8% plus £17,900	13.8% plus £18,600
Clitheroe Royal Grammar School (Academy)	16.7%	£58,000	£60,100	£62,400	16.7% plus £58,000	16.7% plus £60,100	16.7% plus £62,400
CSCST (Burnley High Free School)	13.6%	£300	£300	£300	13.6% plus £300	13.6% plus £300	13.6% plus £300
Devonshire Academy	15.7%	£36,900	£38,300	£39,700	15.7% plus £36,900	15.7% plus £38,300	15.7% plus £39,700

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Education Partnership Trust (Coal Clough)	17.6%	£20,000	£20,700	£21,500	17.6% plus £20,000	17.6% plus £20,700	17.6% plus £21,500
Education Partnership Trust (Eden School)	10.7%	£1,400	£1,500	£1,600	10.7% plus £1,400	10.7% plus £1,500	10.7% plus £1,600
Education Partnership Trust (Pleckgate HS)	15.9%	£66,200	£68,600	£71,200	15.9% plus £66,200	15.9% plus £68,600	15.9% plus £71,200
FACT (Unity Academy)	13.5%	£59,500	£61,700	£64,000	13.5% plus £59,500	13.5% plus £61,700	13.5% plus £64,000
FCAT (Aspire Academy)	17.1%	£48,500	£50,300	£52,200	17.1% plus £48,500	17.1% plus £50,300	17.1% plus £52,200
FCAT (Montgomery HS Academy)	14.3%	£55,000	£57,000	£59,100	14.3% plus £55,000	14.3% plus £57,000	14.3% plus £59,100
Fulwood Academy	15.2%	-3.9%	-3.9%	-3.9%	11.3%	11.3%	11.3%
Fylde Coast Academy Trust	13.4%	£1,500	£1,600	£1,600	13.4% plus £1,500	13.4% plus £1,600	13.4% plus £1,600
Garstang Community Academy	17.9%	£27,900	£28,900	£30,000	17.9% plus £27,900	17.9% plus £28,900	17.9% plus £30,000
Hambleton Primary Academy	13.6%	£6,800	£7,100	£7,300	13.6% plus £6,800	13.6% plus £7,100	13.6% plus £7,300
Hawe Side Primary School	15.6%	£17,500	£18,100	£18,800	15.6% plus £17,500	15.6% plus £18,100	15.6% plus £18,800
Hodgson Academy	17.5%	£43,400	£45,000	£46,700	17.5% plus £43,400	17.5% plus £45,000	17.5% plus £46,700
Lancashire Care Foundation	20.1%	-5%	-5%	-5%	15.1%	15.1%	15.1%
Lancaster Girls Grammar School (Academy)	15.5%	£41,900	£43,400	£45,000	15.5% plus £41,900	15.5% plus £43,400	15.5% plus £45,000

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Lancaster Royal Grammar School (Academy)	17.9%	£66,500	£69,000	£71,500	17.9% plus £66,500	17.9% plus £69,000	17.9% plus £71,500
Langdale Free School	15.4%	Nil	Nil	Nil	15.4%	15.4%	15.4%
Lostock Hall Academy Trust	17.2%	£30,100	£31,200	£32,400	17.2% plus £30,100	17.2% plus £31,200	17.2% plus £32,400
Maharishi School (Free School)	18.4%	-0.1%	-0.1%	-0.1%	18.3%	18.3%	18.3%
Moorside Community PS Academy	14.8%	£10,800	£11,200	£11,600	14.8% plus £10,800	14.8% plus £11,200	14.8% plus £11,600
Norbreck Primary Academy	15.0%	£18,400	£19,100	£19,800	15% plus £18,400	15% plus £19,100	15% plus £19,800
Parbold Douglas CE Academy	16.1%	£9,700	£10,100	£10,400	16.1% plus £9,700	16.1% plus £10,100	16.1% plus £10,400
Park Academy	13.2%	£55,300	£57,300	£59,500	13.2% plus £55,300	13.2% plus £57,300	13.2% plus £59,500
Parklands High School (Academy)	14.6%	£25,900	£26,800	£27,800	14.6% plus £25,900	14.6% plus £26,800	14.6% plus £27,800
Pendle Education Trust (Colne Primet)	17.5%	£14,200	£14,700	£15,300	17.5% plus £14,200	17.5% plus £14,700	17.5% plus £15,300
Pendle Education Trust (Castercliff)	17.2%	£24,900	£25,800	£26,800	17.2% plus £24,900	17.2% plus £25,800	17.2% plus £26,800
Pendle Education Trust (Walter Street Primary School)	15.5%	£14,700	£15,200	£15,800	15.5% plus £14,700	15.5% plus £15,200	15.5% plus £15,800
Penwortham Priory Academy	15.4%	£17,100	£17,700	£18,300	15.4% plus £17,100	15.4% plus £17,700	15.4% plus £18,300
Queen Elizabeth's Grammar School	16.1%	£67,100	£69,600	£72,200	16.1% plus £67,100	16.1% plus £69,600	16.1% plus £72,200

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Ripley St Thomas C of E Academy	17.6%	£43,000	£44,600	£46,200	17.6% plus £43,000	17.6% plus £44,600	17.6% plus £46,200
Roseacre Primary Academy	15.3%	£23,100	£24,000	£24,800	15.3% plus £23,100	15.3% plus £24,000	15.3% plus £24,800
St Christopher's C of E high School (Academy)	16.1%	£88,000	£91,300	£94,600	16.1% plus £88,000	16.1% plus £91,300	16.1% plus £94,600
St Georges Academy	15.1%	£39,200	£40,700	£42,200	15.1% plus £39,200	15.1% plus £40,700	15.1% plus £42,200
St Luke and St Philip (Academy)	14.7%	£28,100	£29,100	£30,200	14.7% plus £28,100	14.7% plus £29,100	14.7% plus £30,200
St Michael's C of E High School (Academy)	16.5%	£45,600	£47,200	£49,000	16.5% plus £45,600	16.5% plus £47,200	16.5% plus £49,000
St Wilfrid's C of E Academy	13.9%	£91,900	£95,300	£98,800	13.9% plus £91,900	13.9% plus £95,300	13.9% plus £98,800
Tarleton Academy	14.9%	£29,400	£30,500	£31,600	14.9% plus £29,400	14.9% plus £30,500	14.9% plus £31,600
Tauheedul Education Trust	11.2%	-1.1%	-1.1%	-1.1%	10.1%	10.1%	10.1%
Tauheedul ET (Eden BS Preston)	10.8%	£900	Nil	Nil	10.8% plus £900	10.8%	10.8%
Tauheedul ET (Eden GS Birmingham)	10.1%	Nil	Nil	Nil	10.1%	10.1%	10.1%
Tauheedul ET (Eden GS Slough)	12.2%	£100	Nil	Nil	12.2% plus £100	12.2%	12.2%
Tauheedul ET (Olive Blackburn)	8.5%	-1%	-1%	-1%	7.5%	7.5%	7.5%
Tauheedul ET (Olive London)	8.3%	-1.1%	-1.1%	-1.1%	7.2%	7.2%	7.2%
Tauheedul ET Eden BS Bolton FS	14.2%	£100	£100	£100	14.2% plus £100	14.2% plus £100	14.2% plus £100
Tauheedul ET Eden GS Coventry	8.6%	-0.3%	-0.3%	-0.3%	8.3%	8.3%	8.3%



Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Tauheedul ET Eden GS Waltham	11.6%	£1,300	£1,300	£1,400	11.6% plus £1,300	11.6% plus £1,300	11.6% plus £1,400
Tauheedul ET Islam Girls HS	16.1%	£17,900	£18,600	£19,200	16.1% plus £17,900	16.1% plus £18,600	16.1% plus £19,200
Tauheedul Islam Boys High School (Free School)	10.5%	£900	£900	£1,000	10.5% plus £900	10.5% plus £900	10.5% plus £1,000
Thames Primary Academy	14.2%	£29,100	£30,200	£31,300	14.2% plus £29,100	14.2% plus £30,200	14.2% plus £31,300
The Heights Free School	14.0%	£22,600	£23,400	£24,300	14% plus £22,600	14% plus £23,400	14% plus £24,300
Tower MAT (Blackpool Gateway Academy)	12.0%	£4,400	£4,600	£4,700	12% plus £4,400	12% plus £4,600	12% plus £4,700
Waterloo Primary School (Academy)	14.2%	£30,900	£32,000	£33,200	14.2% plus £30,900	14.2% plus £32,000	14.2% plus £33,200
Wensley Fold CE Primary Academy	14.1%	£29,900	£31,000	£32,200	14.1% plus £29,900	14.1% plus £31,000	14.1% plus £32,200
Westcliff Primary School (Academy)	15.3%	£12,600	£13,100	£13,500	15.3% plus £12,600	15.3% plus £13,100	15.3% plus £13,500
Witton Park Academy Trust	15.8%	£55,900	£58,000	£60,100	15.8% plus £55,900	15.8% plus £58,000	15.8% plus £60,100

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Admitted bodies (community)							
Arnold Schools Ltd.	19.4%	£26,200	£27,100	£28,100	19.4% plus £26,200	19.4% plus £27,100	19.4% plus £28,100
Blackpool Fylde Wyre Blind Society	21.6%	-20.6%	-20.6%	-20.6%	1%	1%	1%
Blackpool Zoo	19.6%	-4.4%	-4.4%	-4.4%	15.2%	15.2%	15.2%
Blackpool, Fylde and Wyre Credit Union	21.2%	-1.6%	-1.6%	-1.6%	19.6%	19.6%	19.6%
Calico Housing Limited	13.8%	£209,200	£216,900	£224,900	13.8% plus £209,200	13.8% plus £216,900	13.8% plus £224,900
Catholic Caring Services	16.6%	£65,500	£67,900	£70,400	16.6% plus £65,500	16.6% plus £67,900	16.6% plus £70,400
Chorley Community Housing	16.4%	-3.9%	-3.9%	-3.9%	12.5%	12.5%	12.5%
Community and Business Partners CIC	14.8%	-2%	-2%	-2%	12.8%	12.8%	12.8%
Community Council of Lancashire	19.5%	£26,000	£27,500	£28,500	19.5% plus £26,000	19.5% plus £27,500	19.5% plus £28,500
Community Gateway Association	16.1%	-1.5%	-1.5%	-1.5%	14.6%	14.6%	14.6%
Contour Housing Group	22.2%	-22.2%	-22.2%	-22.2%	0%	0%	0%
Fylde Community Link	16.8%	£11,200	£11,700	£12,100	16.8% plus £11,200	16.8% plus £11,700	16.8% plus £12,100
Galloways Society for Blind	20.2%	£16,600	£17,200	£17,800	20.2% plus £16,600	20.2% plus £17,200	20.2% plus £17,800
Hyndburn Homes Ltd	18.4%	-2.8%	-2.8%	-2.8%	15.6%	15.6%	15.6%
Kirkham Grammar School (Independent)	19.9%	£29,300	£30,400	£31,500	19.9% plus £29,300	19.9% plus £30,400	19.9% plus £31,500

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Lancashire County Branch Unison	18.2%	-18.2%	-18.2%	-18.2%	0%	0%	0%
Lancaster University	13.4%	£504,700	£523,400	£542,700	13.4% plus £504,700	13.4% plus £523,400	13.4% plus £542,700
Leisure in Hyndburn	13.0%	£47,800	£49,600	£51,400	13% plus £47,800	13% plus £49,600	13% plus £51,400
Local Pensions Partnership Ltd	12.4%	Nil	Nil	Nil	12.4%	12.4%	12.4%
Lytham Schools Foundation	18.0%	-4.4%	-4.4%	-4.4%	13.6%	13.6%	13.6%
North West & North Wales Sea Fisheries Committee	16.6%	£25,500	£26,500	£27,500	16.6% plus £25,500	16.6% plus £26,500	16.6% plus £27,500
Pendle Leisure Trust	12.6%	£20,600	£21,400	£22,200	12.6% plus £20,600	12.6% plus £21,400	12.6% plus £22,200
Preston Care and Repair	13.7%	£3,600	Nil	Nil	13.7% plus £3,600	13.7%	13.7%
Progress Housing Group Ltd	17.9%	-2.3%	-2.3%	-2.3%	15.6%	15.6%	15.6%
QEGS Blackburn Ltd	16.5%	-0.3%	-0.3%	-0.3%	16.2%	16.2%	16.2%
Ribble Valley Homes Ltd	18.9%	-10.2%	-10.2%	-10.2%	8.7%	8.7%	8.7%
Rossendale Leisure Trust	13.6%	-2.1%	-2.1%	-2.1%	11.5%	11.5%	11.5%
Surestart Hyndburn	13.8%	£22,400	£23,200	£24,100	13.8% plus £22,400	13.8% plus £23,200	13.8% plus £24,100
The Ormerod Home Trust Ltd.	21.2%	£145,100	£150,400	£156,000	21.2% plus £145,100	21.2% plus £150,400	21.2% plus £156,000
Together Housing	14.7%	£87,700	£90,900	£94,300	14.7% plus £87,700	14.7% plus £90,900	14.7% plus £94,300
University of Cumbria	14.0%	£608,700	£631,200	£654,600	14% plus £608,700	14% plus £631,200	14% plus £654,600
Wyre Housing Association	19.3%	£257,600	£267,100	£277,000	19.3% plus £257,600	19.3% plus £267,100	19.3% plus £277,000

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Admitted bodies (contractor)							
Alternative Futures Group Ltd	22.2%	-22.2%	-22.2%	-22.2%	0%	0%	0%
Andron (formerly Solar)	21.3%	-21.3%	-21.3%	-21.3%	0%	0%	0%
Bootstrap Enterprises Ltd	18.8%	-17.9%	-17.9%	-17.9%	0.9%	0.9%	0.9%
Bulloughs (Carr Head PS)	25.6%	£500	Nil	Nil	25.6% plus £500	25.6%	25.6%
Bulloughs (Lytham Hall)	21.0%	Nil	Nil	Nil	21%	21%	21%
Bulloughs (Our Lady)	16.8%	-7.3%	-7.3%	-7.3%	9.5%	9.5%	9.5%
Burnley Leisure	13.6%	-2%	-2%	-2%	11.6%	11.6%	11.6%
Capita (Rossendale BC Transfer)	20.7%	-20.7%	-20.7%	-20.7%	0%	0%	0%
Catering Academy Ltd	20.1%	-20.1%	-20.1%	-20.1%	0%	0%	0%
Caterlink (Mount Pleasant School)	16.8%	-1.9%	-1.9%	-1.9%	14.9%	14.9%	14.9%
CG Cleaning (Kennington Rd)	22.7%	-17.4%	Nil	Nil	5.3%	22.7%	22.7%
CG Cleaning (St Augustine)	22.1%	-3%	Nil	Nil	19.1%	22.1%	22.1%
Churchill (Holy Family)	21.4%	-16%	Nil	Nil	5.4%	21.4%	21.4%
Churchill (St Anne St Joseph)	18.5%	-2.8%	Nil	Nil	15.7%	18.5%	18.5%
Cofely FM Ltd (Blake/Cross)	26.7%	-26.7%	-26.7%	-26.7%	0%	0%	0%
Cofely FM Ltd (Lend Lease)	21.9%	-5.4%	-5.4%	-5.4%	16.5%	16.5%	16.5%
Cofely FM Ltd (Pleckgate)	18.8%	-10.8%	-10.8%	-10.8%	8%	8%	8%
Cofely FM Ltd (Witton Park)	23.2%	-3.2%	-3.2%	-3.2%	20%	20%	20%
Compass Contract Services	23.4%	-0.4%	-0.4%	-0.4%	23%	23%	23%
Compass Contract Services (UK) Ltd (Preston College)	20.9%	-0.9%	-0.9%	-0.9%	20%	20%	20%
Consultant Caterers Ltd	22.5%	-17.8%	-17.8%	-17.8%	4.7%	4.7%	4.7%
Creative Support Limited (Midway Mental health)	18.2%	-4.2%	-4.2%	-4.2%	14%	14%	14%
Creative Support Ltd	21.0%	-21%	-21%	-21%	0%	0%	0%

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Elite CES Ltd (Fulwood Cadley)	19.9%	Nil	Nil	Nil	19.9%	19.9%	19.9%
Elite CES Ltd (Moor Nook PS)	23.1%	Nil	Nil	Nil	23.1%	23.1%	23.1%
Elite Cleaning and Environmental Services Ltd	16.7%	-9.8%	-9.8%	-9.8%	6.9%	6.9%	6.9%
Eric Wright Facilities Management Ltd (Highfield High School)	20.2%	-19.5%	-19.5%	-19.5%	0.7%	0.7%	0.7%
FCC Environment	20.6%	Nil	Nil	Nil	20.6%	20.6%	20.6%
Fylde YMCA	16.5%	-16.5%	-16.5%	-16.5%	0%	0%	0%
I CARE	26.1%	-26.1%	-26.1%	-26.1%	0%	0%	0%
Ind Living Fund (Blackpool BC)	19.7%	-2%	Nil	Nil	17.7%	19.7%	19.7%
Lend Lease Cons.(EMEA) ICT	18.8%	-5.3%	-5.3%	-5.3%	13.5%	13.5%	13.5%
Lend Lease Cons.(EMEA) ph3	13.9%	-3%	-3%	-3%	10.9%	10.9%	10.9%
Lend Lease Construction (EMEA) Limited (Fulwood Academy)	16.9%	-1.9%	-1.9%	-1.9%	15%	15%	15%
Liberata (UK) Ltd (Burnley)	18.7%	-1.4%	-1.4%	-1.4%	17.3%	17.3%	17.3%
Liberata UK Ltd (Pendle)	19.2%	-6.5%	-6.5%	-6.5%	12.7%	12.7%	12.7%
Mack Trading Int. (Ltd)	21.1%	-21.1%	-21.1%	-21.1%	0%	0%	0%
May Gurney Fleet and Passenger Services Limited	21.7%	-21.7%	-21.7%	-21.7%	0%	0%	0%
Mellor's (Bishop Rawstorne)	21.2%	-6%	-6%	-6%	15.2%	15.2%	15.2%
Mellors (Brinscall St John)	18.9%	-0.1%	-0.1%	-0.1%	18.8%	18.8%	18.8%
Mellor's (Hambleton PS)	27.6%	-1.7%	-1.7%	-1.7%	25.9%	25.9%	25.9%
Mellors (Queens Drive)	20.5%	Nil	Nil	Nil	20.5%	20.5%	20.5%
Mellors (Trinity, St Michael)	24.7%	Nil	Nil	Nil	24.7%	24.7%	24.7%
Mellor's (Worden SC)	28.8%	-28.8%	-28.8%	-28.8%	0%	0%	0%

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Mellor's Catering (Belthorn Academy)	21.1%	Nil	Nil	Nil	21.1%	21.1%	21.1%
NCP Services Ltd	23.6%	-23.6%	-23.6%	-23.6%	0%	0%	0%
RCCN (Basnett Nursery)	22.2%	Nil	Nil	Nil	22.2%	22.2%	22.2%
Ridge Crest Clean Nrth Sacred	28.8%	-28.8%	-28.8%	-28.8%	0%	0%	0%
Service Alliance (Barnoldswick)	21.3%	Nil	Nil	Nil	21.3%	21.3%	21.3%
Service Alliance (Whalley PS)	22.2%	Nil	Nil	Nil	22.2%	22.2%	22.2%
Service Alliance Ltd (Altham)	25.7%	-3.1%	Nil	Nil	22.6%	25.7%	25.7%
Service Alliance Ltd (RCC)	26.6%	£500	Nil	Nil	26.6% plus £500	26.6%	26.6%
South Ribble Community Lesure (Serco)	13.5%	£80,400	£83,400	£86,500	13.5% plus £80,400	13.5% plus £83,400	13.5% plus £86,500
Urbaser Ltd	23.9%	£400	£400	£400	23.9% plus £400	23.9% plus £400	23.9% plus £400
West Lancashire Community Leisure (Serco)	14.9%	-14.9%	-14.9%	-14.9%	0%	0%	0%

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Other employers confirmed post valuation							
Freckleton Parish Council	18.6%	Nil	Nil	Nil	18.6%	18.6%	18.6%
PET (West Craven)	17.2%	£18,100	£18,800	£19,500	17.2% plus £18,100	17.2% plus £18,800	17.2% plus £19,500
Andron Heyhouses	23.3%	Nil	Nil	Nil	23.3%	23.3%	23.3%
Blessed Edward Trust	10.7%	Nil	Nil	Nil	10.7%	10.7%	10.7%
Churchill Moorside	25.1%	-4.3%	-4.3%	-4.3%	20.8%	20.8%	20.8%
Clayton-le-Woods Parish Council	17.8%	-0.9%	-0.9%	-0.9%	16.9%	16.9%	16.9%
Cliviger Parish Council	15.9%	Nil	Nil	Nil	15.9%	15.9%	15.9%
Compass HHC	21.6%	Nil	Nil	Nil	21.6%	21.6%	21.6%
Education Partnership Trust	11.2%	-0.4%	-0.4%	-0.4%	10.8%	10.8%	10.8%
FCAT Mereside Primary Academy	16.3%	£27,600	£28,600	£29,700	16.3% plus £27,600	16.3% plus £28,600	16.3% plus £29,700
Mellors Lostock	21.9%	Nil	Nil	Nil	21.9%	21.9%	21.9%
PET	15.5%	£700	£700	£700	15.5% plus £700	15.5% plus £700	15.5% plus £700
Tauheedul Highfield Humanities	16.4%	£57,700	£59,800	£62,000	16.4% plus £57,700	16.4% plus £59,800	16.4% plus £62,000
Tauheedul Olive Birmingham	7.6%	Nil	Nil	Nil	7.6%	7.6%	7.6%
Tauheedul Olive Bolton	11.1%	Nil	Nil	Nil	11.1%	11.1%	11.1%
Tauheedul Olive Preston	9.7%	Nil	Nil	Nil	9.7%	9.7%	9.7%
Taylor Shaw (Parklands HS)	22.4%	-3%	-3%	-3%	19.4%	19.4%	19.4%
Tor View	12.6%	£57,300	£59,400	£61,600	12.6% plus £57,300	12.6% plus £59,400	12.6% plus £61,600
Vision Learning Trust	13.3%	-0.1%	-0.1%	-0.1%	13.2%	13.2%	13.2%

Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Employers grouped with Council							
Andron Fearn's Sport College	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Bulloughs (St Patrick)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Churchill (Clayton Brook)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Churchill (Morecambe Bay)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Consultant Cleaners (St James)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Elite CES Ltd (St Annes)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Elite CES Ltd (Carr Hill)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
I Care (Ind)	14.8%	-2.4%	-1.4%	Nil	12.4%	13.4%	14.8%
Maxim (Acorns PS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Maxim (Newton Bluecoat)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Maxim (St Matthews CE PS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Mellors (Delph Side PS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Mellors (Holy Cross)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Mellors (Little Hoole)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Mellors (White Ash PS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Premiserv (St Peter)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
RCCN (Burscough)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
RCCN (Our Ladys Catholic HS)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
RCCN (St Johns)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
RCCN (Whitefield)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (Clitheroe Pendle Primary)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (St Mary Magdalene)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (St Marys RCP)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%



Employer	Primary rate 2017/18 to 2019/20	Secondary rates			Total Contribution rates		
		2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Service Alliance (St Wilfred)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%
Service Alliance (Whittlefield)	15.1%	Nil	Nil	Nil	15.1%	15.1%	15.1%

**Other interested bodies with no pensionable employees**

Employer	Proportion of Pension Increases to be Recharged %
Blackpool & Fylde Society for the Deaf	100
Burnley & Pendle Development Association	100
Burton Manor Residential College	100
Ex Department of Transport	100
Ex National Health Service	100
Fylde Coast Development Association	100
Lancashire South East Probation Committee	100
Spastics Society	100

**Notes:**

1. Cash payments in respect of £ lump sums marked \* are payable by 30 April 2017. Cash payments in respect of £ lump sums marked \*\* are payable by 30 April of the year in which they are due. Cash payments in respect of £ lump sums marked \*\*\* are payable by the end of the year in which they are due. Where applicable these amounts have been reduced to reflect this early payment;
2. With the agreement of the Administering Authority employers may also opt to pay any other element of their employer contributions early, with either all three years being paid in April 2017 or payment being made in the April of the year in question. The cash amounts payable will be reduced in return for this early payment as follows:
  - Payments made in the April of the certified year will be reduced by 2.1% (i.e. the above amounts will be multiplied by 0.979)
  - 2018/19 payments made in April 2017 will be reduced by 6.3% (i.e. the above amounts will be multiplied by 0.937)

- 2019/20 payments made in April 2017 will be reduced by 10.2% (i.e. the above amounts will be multiplied by 0.898)

For these cases the employer will need to estimate in advance the pensionable pay for the entire period, and a balancing adjustment to reflect the actual pensionable pay over the period would be made at the end of the period (no later than 19th April or 22nd April as appropriate following the year end).

3. The percentages shown are percentages of pensionable pay and apply to all members, including those who are members under the 50:50 option under the LGPS from 1 April 2014;
4. The total contributions payable by each employer each year will be subject to a minimum of zero;
5. In cases where an element of an existing Scheme Employer's deficit is transferred to a new employer on its inception, the Scheme Employer's deficit recovery contributions shown in this certificate may be reallocated between the Scheme Employer and the new employer to reflect this, on advice from the actuary.
6. There are a number of additional employers who no longer had any active members within the Fund as at the valuation date. Any final contribution requirement for these employers will be assessed by the Fund in due course on the basis of actuarial advice.
7. The Fund has implemented an internal captive insurance arrangement in order to pool the risks associated with ill health retirement costs. The captive has been designed for employers that could be materially affected by the ill health retirement of one or more of their members. The employers (both existing and new) that will be included in the captive are those with less than 150 active members (excluding major Councils). New employers entering the Fund who fall into this category will also be included. For those employers in the ill-health captive arrangement, allowance for ill health retirements has been included in each employer's contribution rate, on the basis of the method and assumptions set out in the report.

# GLOSSARY

**Actuarial Valuation:** an investigation by an actuary into the ability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates with the administering authority to fund the cost of new benefits and make good any existing deficits as set out in the separate Funding Strategy Statement.

**Best Estimate Assumption:** an assumption where the outcome has a 50/50 chance of being achieved.

**Bonds:** loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

**Career Average Revalued Earnings Scheme (CARE):** with effect from 1 April 2014, benefits accrued by members in the LGPS take the form of CARE benefits. Every year members will accrue a pension benefit equivalent to 1/49th of their pensionable pay in that year. Each annual pension accrued receives inflationary increases (in line with the annual change in the Consumer Prices Index) over the period to retirement.

**Corporate Bond Basis:** an approach where the discount rate used to assess the liabilities is determined based on the market yields of high quality corporate bond investments (usually at least AA rated) based on the appropriate duration of the liabilities being assessed. This is usually adopted when an employer is exiting the Fund.

**CPI:** acronym standing for “Consumer Prices Index”. CPI is a measure of inflation with a basket of goods that is assessed on an annual basis. The reference goods and services differs from those of RPI. These goods are expected to provide lower, less volatile inflation increases. Pension increases in the LGPS are linked to the annual change in CPI.

**Deficit:** the extent to which the value of the Fund’s past service liabilities exceeds the value of the Fund’s assets.

**Discount Rate:** the rate of interest used to convert a cash amount e.g. future benefit payments occurring in the future to a present value.

**Employer Covenant:** the degree to which an employer participating in an occupational pension scheme is willing and able to meet the funding requirements of the scheme.

**Employer's Future Service Contribution Rate:** the contribution rate payable by an employer, expressed as a % of pensionable pay, as being sufficient to meet the cost of new benefits being accrued by active members in the future. The cost will be net of employee contributions and will include an allowance for the expected level of administrative expenses.

**Equities:** shares in a company which are bought and sold on a stock exchange.

**Solvency/Funding Level:** the ratio of the value of the Fund's assets and the value of the Fund's liabilities expressed as a percentage.

**Funding Strategy Statement:** This is a key governance document that outlines how the administering authority will manage employer's contributions to the Fund.

**Solvency Funding Target:** an assessment of the present value of benefits to be paid in the future. The desired funding target is to achieve a solvency level of a 100% i.e. assets equal to the past service liabilities assessed on the ongoing concern basis.

**Investment Strategy:** the long-term distribution of assets among various asset classes that takes into account the Funds objectives and attitude to risk.

**Past Service Liabilities:** this is the present value of the benefits accrued by members up to the valuation date. It is assessed based on a set of assumptions agreed between the Administering Authority and the Actuary.

**Prepayment:** the payment by employers of contributions to the Fund earlier than that certified by the Actuary. The amount paid will be reduced compared to the certified amount to reflect the early payment.

**Present Value:** the value of projected benefit payments, discounted back to the valuation date.

**Primary rate of the employers' contribution:** the contribution rate required to meet the cost of the future accrual of benefits including ancillary, death in service and ill health benefits together with administration costs. It is expressed as a percentage of pensionable pay, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant. The Primary rate for the whole fund is the weighted average (by payroll) of the individual employers' Primary rates.

**Prudent Assumption:** an assumption where the outcome has a greater than 50/50 chance of being achieved i.e. the outcome is more likely to be overstated than understated. Legislation requires the assumptions adopted for an actuarial valuation to be prudent.

**Real Return or Real Discount Rate:** a rate of return or discount rate net of CPI inflation.

**Recovery Plan:** a strategy by which an employer will make up a funding deficit over a specified period of time ("the recovery period", as set out in the Funding Strategy Statement).

**Secondary rate of the employers' contribution:** an adjustment to the Primary rate to reflect any past service deficit or surplus, to arrive at the rate each employer is required to pay. The Secondary rate may be expressed as a percentage adjustment to the Primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following that in which the valuation date falls. The Secondary rate is specified in the rates and adjustments certificate. For any employer, the rate they are actually required to pay is the sum of the Primary and Secondary rates. Secondary rates for the whole fund in each of the three years shall also be disclosed. These will

be calculated as the weighted average based on the whole fund payroll in respect of percentage rates and as a total amount in respect of cash adjustments.

**50/50 Scheme:** in the LGPS, active members are given the option of accruing a lower benefit in the 50/50 Scheme, in return for paying a lower level of contribution.

**MERCER LIMITED**

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# Member organisations as at 31 March 2017

Academy @ Worden
Accrington & Rossendale College
Accrington Academy
Albany Science College (Academy)
All Saints CE Primary School (Academy)
Alternative Futures Group Ltd
Andron (Fearn Community Sports College)
Andron (Formerly Solar)
Andron (Garstang Academy)
Andron (Heyhouses)
ANWET - Darwen Aldridge Community Academy
ANWET - Darwen Vale Academy
ANWET - Sudell PS Academy
ATCT (Bowland High Academy)
ATCT (Witton Park Academy)
Bacup & Rawtenstall Grammar School (Academy)
Belthorn Primary Academy
BFET (Marton Primary Academy)
BFET (South Shore Academy)
Bishop Rawstorne C of E High Academy
Blackburn College
Blackburn St Mary's College
Blackburn with Darwen BC Borough Council
Blackpool & The Fylde College
Blackpool Borough Council
Blackpool Coastal Housing
Blackpool Housing Company Ltd
Blackpool MAT (Anchorsholme)
Blackpool MAT (Devonshire)
Blackpool MAT (Park)
Blackpool MAT (Revoe)
Blackpool Sixth Form College
Blackpool Transport Services Ltd
Blackpool Zoo (Grant Leisure)
Blackpool, Fylde and Wyre Credit Union
Blessed Edward Bamber (Christ the King Catholic Academy)
Blessed Edward Bamber (St Cuthbert's Catholic Academy)
Blessed Edward Bamber (St Mary's Catholic Academy)
Blessed Edward MAT (The Trust)
Bootstrap Enterprises Ltd
B'Pool Fylde Wyre Soc.for BL
Bulloughs (Carr Head PS)
Bulloughs (Lytham Hall)
Bulloughs (Marton Academy)
Bulloughs (Our Lady)
Bulloughs (St Patricks)
Burnley Borough Council
Burnley College
Burnley Leisure
Calico Housing Limited

Capita (Rossendale BC Transfer)
Capita Property & Infrastructure Limited
Cardinal Newman College
Caritas Care Limited
Catering Academy Ltd
Caterlink (Mount Pleasant School)
Catterall Parish Council
CG Cleaning (Intack Primary)
CG Cleaning (Kennington Rd)
CG Cleaning (Lancaster Ryelands)
CG Cleaning (Our Lady & St Edwards)
CG Cleaning (Our Lady Gerrard)
CG Cleaning (St Augustines RC)
CG Cleaning (St Teresa's)
Chorley Borough Council
Chorley Community Housing
Churchill (Clayton Brook Primary School)
Churchill (Holy Family)
Churchill (Moorside)
Churchill (Morecambe Bay School)
Churchill (St Anne St Joseph)
Cidari Education Ltd (Baines Endowed)
Cidari Education Ltd (Darwen St James)
Cidari Education Ltd (Great Marsden St Johns PS)
Cidari Education Ltd (St Aidans)
Cidari Education Ltd (St Barnabas)
Cidari Education Ltd (St Georges)
Cidari Education Ltd (St Lukes & St Phillips)
Cidari Education Ltd (Trust)
Clayton Le Woods Parish Council
Clitheroe Royal Grammar School (Academy)
Cliviger Parish Council
Community and Business Partners CIC
Community Council of Lancashire
Community Gateway Association Ltd
Compass Contract Services (UK) Ltd
Compass Contract Services (UK) Ltd (Highfield)
Compass Contract Services (UK) Ltd (Preston College)
Consultant Caterers Ltd
Consultant Cleaners Ltd (St James )
Contour Housing Group
County Councils Network
Creative Support Limited (Midway Mental health)
Creative Support Ltd
CSCST (Burnley High Free School)
Darwen Town Council
Dolce Ltd (Kingsfold PS)
Edge Hill University
Educ Partner Tr (Coal Clough)
Educ Partner Tr (Eden School)



Educ Partner Tr (Pleckgate HS)
Education Partnership Trust
Elite CES Ltd (Fulwood Cadley)
Elite CES Ltd (Moor Nook PS)
Elite Cleaning & Environmental Services Ltd
Elite Cleaning & Environmental Services Ltd (Carr Hill)
Elite Cleaning & Environmental Services Ltd (Hambleton Academy)
Elite Cleaning & Environmental Services Ltd (St Annes Catholic PS)
Engie Buildings Ltd (Lend Lease)
Engie Services Ltd (Blake/Cross)
Engie Services Ltd (Pleckgate)
Engie Services Ltd (Witton Park)
Eric Wright FM Ltd (Highfield HC) Site Supervisors
Essential Fleet Services Limited
FCAT (Aspire Academy)
FCAT (Blackpool Gateway Acad)
FCAT (Hambleton Primary Acad)
FCAT (Mereside Primary Acad)
FCAT (Montgomery HS Academy)
FCAT (Unity Academy)
FCAT (Westcliff Prim Acad)
FCC Environment
Freckleton Parish Council
Fulwood Academy
Fylde Borough Council
Fylde Coast Academy Trust
Fylde Coast YMCA (Fylde TUPE)
Fylde Community Link
Galloways Society for Blind
Garstang Community Academy
Garstang Town Council
Habergham Eaves Parish Council
Hawe Side Primary Academy
Hodgson Academy
Housing Pendle Ltd
Hyndburn Borough Council
Hyndburn Homes Ltd
Hyndburn Leisure
I CARE
I CARE Ltd (Ind Support)
Independent Living Fund (Blackpool BC)
Kirkham Grammar School (Independent)
Kirkland Parish Council
Lancashire Care Foundation Trust
Lancashire Chief Constable
Lancashire County Branch Unison
Lancashire County Council
Lancashire Fire & Rescue Service
Lancashire Sports Partners Ltd
Lancaster & Morecambe College

Lancaster City Council
Lancaster Girls Grammar School (Academy)
Lancaster Royal Grammar School (Academy)
Lancaster University
Langdale Free School
Lend Lease Cons.(EMEA) ICT
Lend Lease Cons.(EMEA) phase 3
Lend Lease Construction (EMEA) Limited (Fulwood Academy)
Liberata UK Ltd (Burnley)
Liberata UK Ltd (Pendle)
Local Pensions Partnership Ltd (Three Agreements)
Lostock Hall Academy Trust
Mack Trading Int. (Ltd)
Maharishi School (Free School)
Marketing Lancashire Ltd
Maxim FM (Acorns PS)
Maxim FM (Lancaster Girls GS)
Maxim FM (Lancaster Royal GS)
Maxim FM (Newton Bluecoat)
Maxim FM (St Georges CE PS)
Maxim FM (St John with St Mic)
Maxim FM (St Matthews CE PS)
Mellors (Belthorn Academy)
Mellors (Bishop Rawstorne)
Mellors (Brinscall St John)
Mellors (Delph Side PS)
Mellors (Hambleton PS)
Mellors (Holy Cross)
Mellors (Little Hoole)
Mellors (Lostock Hall Academy)
Mellors (Queens Drive)
Mellors (Trinity & St Michael)
Mellors (White Ash PS)
Moorside Community PS Academy
Morecambe Town Council
Myerscough College
NCP Services Ltd (Lancaster)
Nelson and Colne College
New Progress Housing Association
Norbreck Primary Academy
NW Inshore Fisheries & Conservation Authority
Old Laund Booth Parish Council
Parbold Douglas CE Academy
Parklands High School (Academy)
Pendle Borough Council
Pendle Education Trust
Pendle Education Trust (Colne Primet)
Pendle Education Trust (Nelson Castercliff)
Pendle Education Trust (Walter Street Primary School)
Pendle Education Trust (West Craven)

Pendle Leisure Trust
Penwortham Priory Academy
Penwortham Town Council
Pilling Parish Council
Police & Crime Commissioner
Preesall Town Council
Premiserv Ltd (St Peters PS)
Preston Care and Repair
Preston City Council
Preston College
Progress Care Housing Association
Progress Housing Group Ltd
QEGS B'burn Academy Trust (Free Schl)
Queen Elizabeth's Grammar School Blackburn Ltd
RCCN (Basnett Nursery)
RCCN (Burscough Priory School)
RCCN (Golden Hill)
RCCN (Leyland St James)
RCCN (Our Lady's Catholic HS)
RCCN (Sacred Heart)
RCCN (St John's)(Academy)
RCCN (St John's)(LCC)
RCCN (St Michaels)
RCCN (Whitefield)
Ribble Valley Borough Council
Ribble Valley Homes Ltd
Ripley St Thomas CE Academy
Roseacre Primary Academy
Rossendale Borough Council
Rossendale Leisure Trust
Rossendale Transport Ltd.
Runshaw College
Service Alliance (Clitheroe Pendle PS)
Service Alliance (St Mary Mag)
Service Alliance (St Marys)
Service Alliance (St Nicholas)
Service Alliance (St Wilfrid)
Service Alliance (Whalley PS)
Service Alliance (Whittlefield Primary School, Burnley)
Service Alliance Ltd (Altham)
Service Alliance Ltd (RCC)
South Ribble Borough Council
South Ribble Community Lesure
St Annes on Sea Town Council
St Christopher's CE HS (Academy)
St Michael's CE High (Academy)
St Wilfrid's CE Academy
Sure Start Hyndburn
Tarleton Academy
Tauheedul Education Trust

Tauheedul ET (Eden BS Preston)
Tauheedul ET (Eden GS Birming)
Tauheedul ET (Eden GS Slough)
Tauheedul ET (Highfield)
Tauheedul ET (Olive B'burn)
Tauheedul ET (Olive London)
Tauheedul ET (Olive School Birming)
Tauheedul ET (Olive School Bolton)
Tauheedul ET (Olive School Preston)
Tauheedul ET Eden BS Bolton FS
Tauheedul ET Eden GS Coventry
Tauheedul ET Eden GS Waltham
Tauheedul ET Islam Girls HS
Tauheedul Islam Boys High School (Free School)
Taylor Shaw
Thames Primary Academy
The Heights Free School
The Lancashire Colleges Ltd
The Ormerod Home Trust Ltd.
Tor View Specialist Learning
Twin Valley Homes Ltd
UCST (AKS Arnold Schools )
UCST (Lytham Schools)
University of Central Lancashire
University of Cumbria
Urbaser Ltd
Visions Learning Trust
Waterloo Primary Academy
Wensley Fold CE Primary Academy
West Lancashire Community Leisure
West Lancashire District Council
Whittle-le-woods Parish Council
Whitworth Town Council
Wyre Borough Council
Wyre Housing Association
5AM Contract Cleaning Ltd (Blackpool Coastal Housing)
5AM Contract Cleaning Ltd (Thames PA)

# Lancashire County Pension Fund

Annual Report 2016/17