Lancashire County Pension Fund

Annual Report 2011/12

Lancashire County Council

www.lancashire.gov.uk

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Pension Fund Committee
2011/2012 (as at March 2012)

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M Brindle
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P Evans
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S Riches
G Roper
K Young

Blackburn with Darwen Borough Council
D Walsh

Blackpool Borough Council
M Smith

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P Goldsworthy

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R P Harvey
R Whittle

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J McCann

Administering Authority
Lancashire County Council

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Custodian
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Independent Investment Advisers
E Lambert
N Mills

Treasurer to the Lancashire County Pension Fund
G Kilpatrick CPFA

Actuary
Mercer

Auditor
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Property Solicitors
Pinsent Curtis Biddle
Cobbetts

Independent Property Valuer
Cushman & Wakefield

Corporate Governance Adviser
PIRC

Performance Measurement
WM Company

AVC Providers
Prudential
Equitable Life

Legal Advisors (other than property)
In House

Bankers
National Westminster

B: Overview of Management and Financial Performance

The investment activities of the Lancashire County Pension Fund during 2011/12 have continued to be heavily influenced by geopolitical events.

The ongoing turmoil in the Eurozone in particular has produced a highly volatile backdrop to global investment activity; for much of the financial year the central concern of investors was the return of capital rather than the traditional return on capital. Central Banks, in particular the US Federal Reserve (Fed) and the Bank of England (BoE) , have provided further rounds of liquidity to financial markets via quantitative easing. The European Central Bank (ECB) has been forced by markets to produce a number of emergency measures to relieve the extreme pressure in the European banking system and government bond markets. By November 2011 there was a real danger of systemic collapse as interbank liquidity vanished. At this point the ECB unveiled the “Long Term Repo Operation (LTRO)” an unprecedented injection of billions of Euros into the banks for 3 years at 1.00%.

The systemic issue caused all “risk” markets to underperform during 2011 (FTSE100 fell 6%). The liquidity injection did provide substantial relief in the first quarter of 2012 (FTSE100 rose 2%) but it is clear that the fundamental issues in the Eurozone have not been solved merely pushed out into the future. Whilst the rest of the world provided some growth early in the year it was clear by early 2012 that the US, India and China were seeing growth but at slower rates than expected at this point in the economic cycle.

The impact on long term investors has been two fold

- Liquidity in most markets has diminished sharply widening the discounts available on illiquid asset classes such as infrastructure and secured loans – an advantage the Fund will look to capitalize on by making further allocations to less volatility and less liquid asset classes
- Price volatility has increased on Equities and similar investments raising risk profiles – confirming the need for the Fund to continue its diversification and risk management strategies

The FTSE All World index fell 3.81% and the FTSE All share fell 3.659% during the financial year, having been lower at the end of 2011. Credit markets continued to perform positively, the IBOX non Gilt Sterling index (a published index based on a broad range of high quality corporate bonds of varying maturity) rose 8.96%.

Government bond markets in the US, UK and core Europe performed very well over the 12 month period, the IBOX 5yr+ Gilt index rose 19.25%. Markets had expected that some monetary stimulus would be withdrawn during the year, leading to higher interest rates and reduced bond market performance but the continued concerns over fiscal deficits and default in peripheral Europe has kept safe haven bond markets very strong.

2011/12 was a period of complex re-allocation for the Fund. First steps into lower volatility investments were implemented late in the year as well as a major structural change to the Fund’s equity investments, moving from predominantly domestic to global investing with an active risk management approach. Whilst these changes were made too late in the year to affect performance they represent a major shift in the Fund’s investment management ethos.

The overall return achieved by the Fund during 2011/12 was 2.3% compared to the benchmark return of 3.3% and the average local authority return of 2.6%. This ranked in the 72nd percentile of the WM Local Authority Universe, the majority of underperformance coming from the active equity mandates which have subsequently been terminated in line with the investment strategy agreed in January 2011.

During the year the Fund was cash flow positive, with income from contributions and investments exceeding expenditure on benefits and expenses by £94.3m.

The on going implementation of the Fund's investment strategy, the development of the Investment Panel together with improvements in governance, place the Fund in a better position to deal with developments in global risk, the international regulatory framework and the future of structure pensions in general.

Capital for long term investment is a scarce commodity post credit crunch, and the effects of forthcoming regulation for the banking (Basle 3) and insurance (Solvency 2) sectors will amplify the shortage, placing Local Government Pension Funds in a strong position to positively address the goals of full funding and sustainable cost, provided that investment, liability and, most importantly, risk management are addressed effectively in what will undoubtedly remain a period of extreme volatility.

Administration of the Fund has again been very strong over the year, the Treasury and Pension investment section winning Lancashire County Council's "Team of the Year" award at the 2011 Lancashire Pride awards, following from the Your Pension Services' success in 2010.

D Westley
Chairman of the Pension Fund Committee

G Kilpatrick CPFA
County Treasurer and Treasurer to the Lancashire County Pension Fund

C: Governance of the Fund

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

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 Administration Panel and issues delegated to the Treasurer to the Fund. These can be found in the Fund's Governance Policy Statement. Governance Policy Statement

The Fund's Governance Compliance Statement is shown below reporting compliance with guidance given by the Secretary of State.

LANCASHIRE COUNTY PENSION FUND GOVERNANCE COMPLIANCE STATEMENT:

Principle		Full Compliance
A Structure	(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council (b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee(1) (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.	✓ ✖ (see note1 below) ✓ ✓
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)	✖ (see notes 1 and 2 below)
Reasons for Partial Compliance	Note 1: Although District Councils, Scheduled Bodies and employees are represented, Admitted bodies are not. Admitted bodies only represent 7% 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. 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 officers and it is not apparent what added value such an appointment would bring	✓

Principle		Full Compliance
C Selection and Role of Lay Members	(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. (It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all time.)	✓
D Voting	(a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	✓
E Training/ Facility Time/ Expenses	(a) that in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. (b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	✓ ✓
F Meetings – Frequency	(a) that an administering authority's main committee or committees meet at least quarterly. (b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. (c) that administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	✓ ✓ ✓
G Access	(a) that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	✓
H Scope	(a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	✓
I Publicity	(a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	✓

Lancashire County Council's Annual Governance Statement

The County Council has produced its Annual Governance Statement for 2011/12. This statement sets out assurances on the County Council's governance arrangements, internal control and the way the County Council manages its affairs.

As the County Council is responsible for the administration of the Pension Fund, including the provision of systems, controls and governance and this statement embraces the activities of the Pension Fund.

D: Administration of the Pension Fund

Overview

The Local Government Pension Scheme is a statutory public sector pension scheme, and 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.

The County Council administers the Scheme for over 150 employers (a complete list of employers is set out in Note 1 of the Notes to the Financial Statements). These employers include organisations such as local authorities, further and higher education colleges and voluntary and charitable organisations. This includes a number of "Admitted Bodies". These are organisations that have entered into an agreement with the County Council to participate in the Fund.

A Service Level Agreement (SLA) is in place between Your Pension Service and the Pension Fund Committee for the provision of pension administration services and support. An Annual Administration Report is produced in accordance with the SLA and describes the performance of Your Pension Service (YPS) against the standards set out in the Agreement during the year. The Report also details events and activities undertaken by YPS over the year and sets out any Scheme specific regulatory change.

The Pension Fund Administration Sub-Committee is required to ensure that the Pension Fund Committee's functions as Administering Authority are discharged and to approve the Annual Administration Report.

Review of the Year

2011/12 has been a year of change within Your Pension Service. By far the biggest development within the Service was the transfer of the Fund's pensioner payroll to an integrated pensions administration and payroll system. Savings were made as a result of this change and YPS has been able to pass these savings on to the Fund. This ensures that the Service continues to be cost effective with the cost of administration remaining below the Government's key indicator.

Overall, administration performance was broadly in line with SLA targets and the Service met its key performance indicator 'to calculate and pay all retirement benefits within 10 working days'. Your Pension Service was delighted to be re accredited with the Government's Customer Service Excellence award in June 2011 as this Award reflects that customer service continues to be a priority for the Service.

Public Sector Pension Reform

In December 2011, the Chief Secretary to the Treasury, Danny Alexander MP, made a statement to the House of Commons on progress made in the negotiations with the Trade Unions in respect of the reform of public sector pension schemes. The statement sets out that heads of agreement had been established with most unions in the local government, civil service and teacher's pension schemes.

The statement was accompanied by a written ministerial statement from the Secretary of State for Communities and Local Government, Eric Pickles MP, specifically in respect of the Local Government Pension Scheme (LGPS), which stated that a 'heads of agreement' had been agreed between the main local government unions, the Local Government Association (LGA) and the Government regarding a way forward for the Local Government Pension Scheme.

This agreement set out the principles to govern scheme design, ongoing costs management and governance of the new scheme.

Representatives from the Local Government Association and trade unions committed to agree and to cost a new scheme early in 2012 and have since announced their proposals for the new Local Government Pension Scheme to take effect from 1 April 2014. These proposals will now form the basis of consultation with scheme members, employers, funds and other scheme interests and a statutory consultation will follow during Autumn 2012 to implement these proposals. The main provision of the proposals is that the new LGPS 2014 will be a Career Average Revalued Earnings (CARE) scheme using CPI as the revaluation factor (the current scheme is a final salary scheme). More details can be found at (www.lgps.org.uk) and within the full Annual Administration Report in the attached appendices.

Other information

Further statements relating to the administration of the Scheme include the Communication Policy Statement and the Pensions Administration Strategy Statement.

Your Pension Service can be contacted at:
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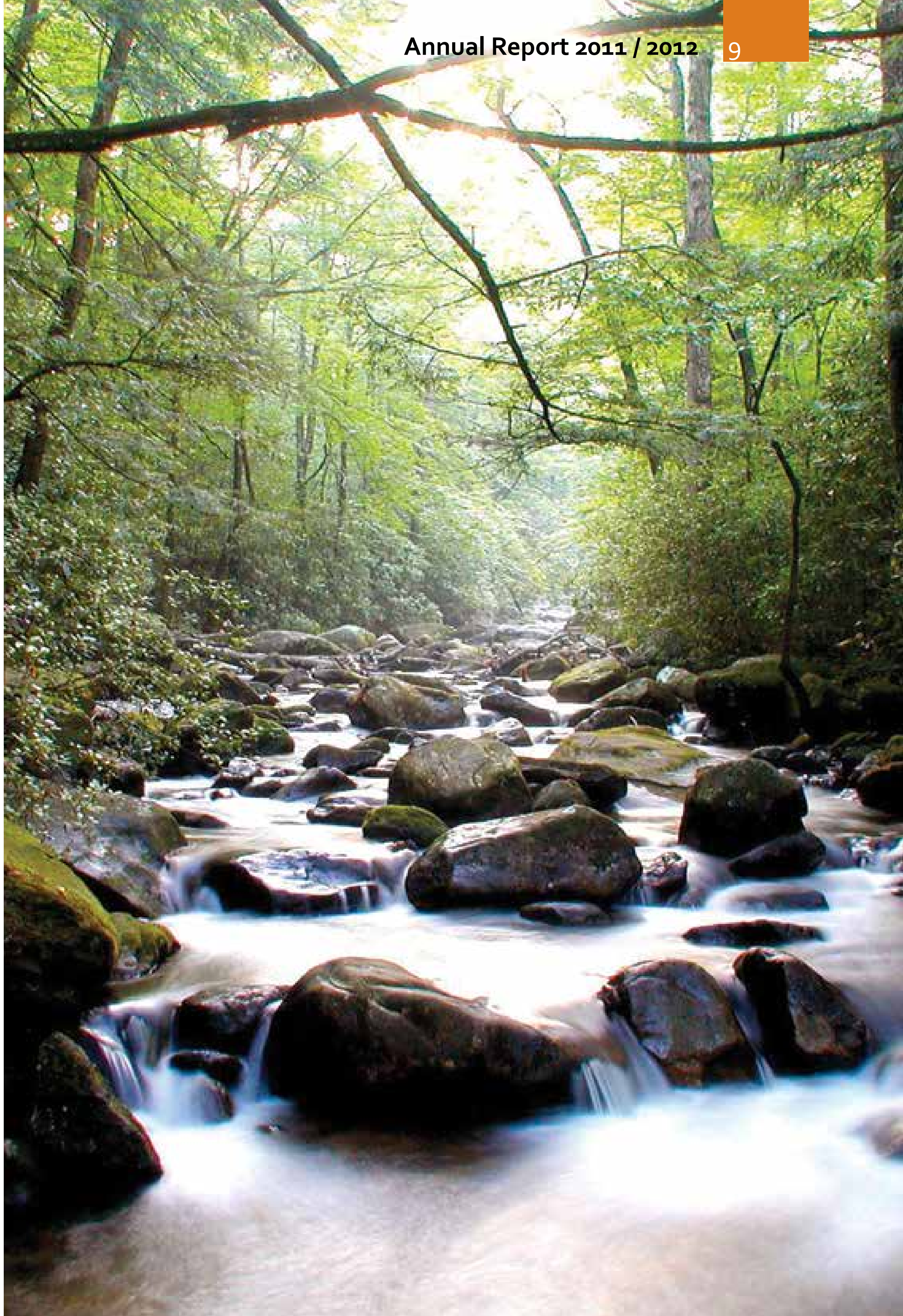
County Hall
Preston
PR1 0LD
Telephone: 01772 530530
E-mail: pensions.helpdesk@lancashire.gov.uk
http://www.yourpensionservice.org.uk



Participation in the Fund

	Number at 31 March 2012	Number at 31 March 2011
(1) Active scheme members:		
Scheduled Bodies	46,422	47,912
Admitted Bodies	3,716	3,781
Total	**50,138**	**51,693**
(2) Pensioners:		
Pensions in Payment	39,933	37,632
Preserved Pensions	47,526	44,928
Total	**87,459**	**82,560**

Additional Voluntary Contributions (AVC's)

The AVC providers to the Fund are Prudential and Equitable Life. The AVCs are invested separately from the Fund's main assets and are used to acquire additional money purchase benefits. Members participating in these AVC arrangements each receive an annual statement from the provider confirming the amounts held in their account and the movements during the year.

Note 20 of the Notes to the Financial Statements of this report contains a detailed breakdown of the current value of the Fund's AVCs.

Risk Management

The Fund's governance arrangements, described in this report, ensure that the management of the fund's administrative, management and investment risk is undertaken at the highest levels. The Fund recognises that risk is inherent in its activities and makes extensive use of external advisers and industry best practice in assessing and establishing policies to identify and mitigate those risks.

The Funding Strategy Statement identifies the risks, counter measures and monitoring and reviewing risks associated with the funding strategy of the Pension Fund. The key risks are shown in Annex 3 of the Funding Strategy Statement.

The policy in respect of investment risk, including monitoring and review of performance is found in the Statement of Investment Principles.

The County Council's Annual Governance Statement identifies how the system of internal control throughout the County Council is designed to manage risk.

E: Investment Policy and Performance

Structure

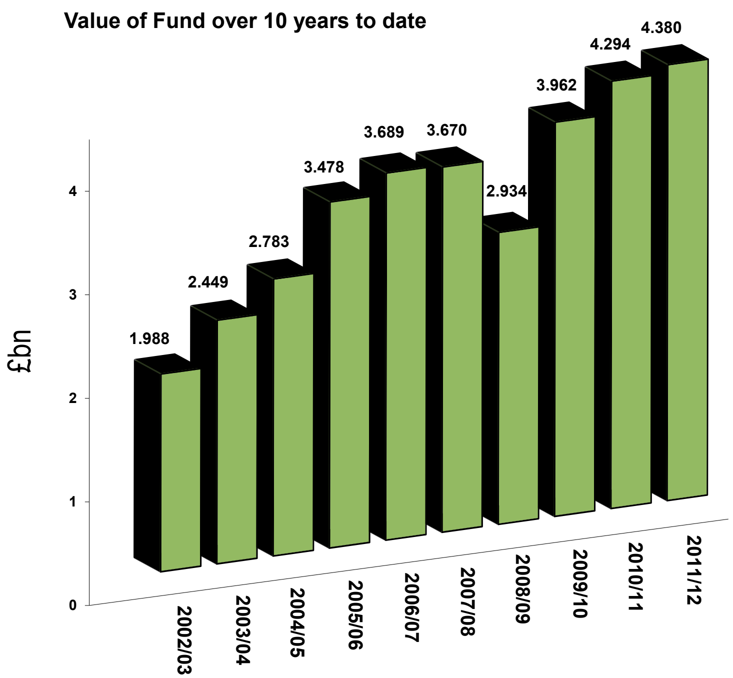
There are three levels of responsibility for the investment management of the Lancashire County Pension Fund (the "Fund"). First, the county council's Pension Fund Committee (the "Committee") takes major policy decisions and monitors overall performance. The Statement of Investment Principles is in the attached appendices. Second, the Investment Panel (the "Panel") recommends specific investment allocations in line with the Committee's policy decisions and monitors the activity of the Fund's managers. Third, the investment managers fix precise weightings and select stock within the allocations set by the Panel and Committee. A more detailed description of the responsibilities of the Committee, its Sub-Committees and the Panel is found in the Governance Policy Statement.

The Panel consists of two independent external investment advisers, the Chief Investment Officer, the Deputy County Treasurer and the Treasurer to the Pension Fund, who acts as Chair. The investments of the Fund are currently managed by six specialist external managers, one external index-tracking manager (multi-asset) and in-house. In-house, the Fund carries out its own treasury management and holds investments in infrastructure funds and non-investment grade credit funds directly. The various mandates, including their value at 31 March 2012 are shown below.

Manager	Mandate	Value £000
Legal & General Investment Management	Index tracking - multi asset	1,057.4
Newton Investment Management	Global Equities	615.6
JP Morgan Asset Management	UK Equities	501.4
UBS Global Asset Management	Bonds	672.7
Knight Frank	Property	383.9
Capital Dynamics	Private Equity	222.4
Mellon Transition Management	Global Equities	617.1
In-House	Cash, Bonds and Infrastructure	289.4
Total		**£4,359.9**

Performance

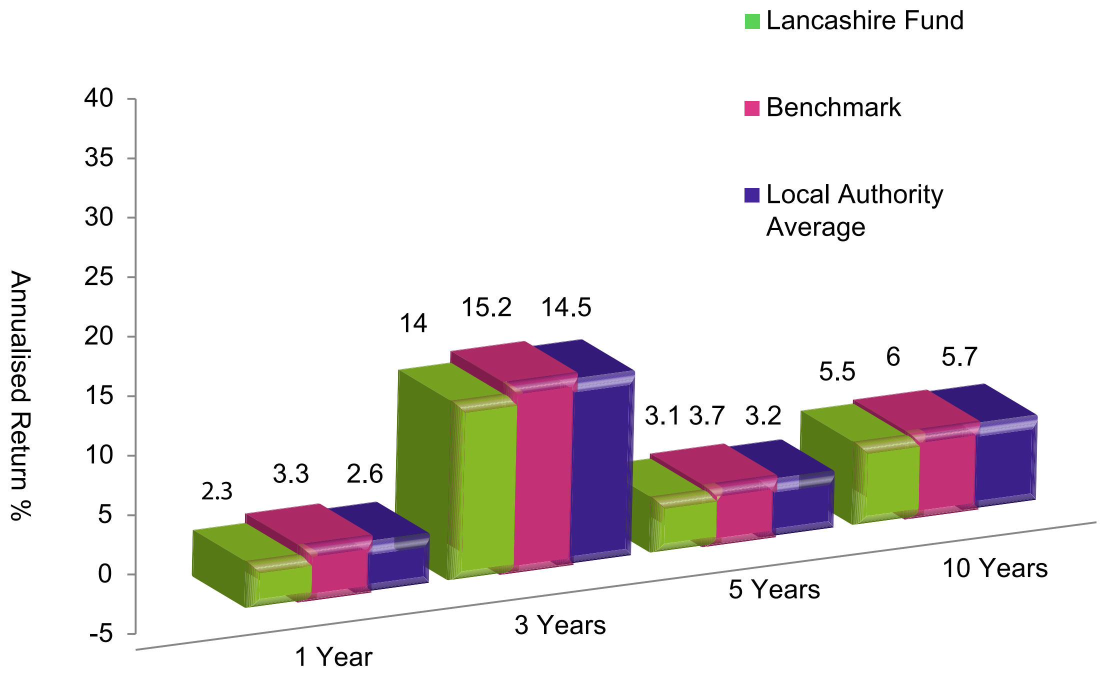
The value of the Fund over the last ten years is shown in the chart below:



The Fund is invested to meet liabilities over the medium to long-term and therefore its performance should be judged over a corresponding period. Annual returns can be volatile, as seen in 2008/09 and do not necessarily indicate the underlying health of the Fund.

The performance of the Fund is measured against a Fund specific benchmark with individual managers being given performance benchmarks and targets which are linked to index returns for the assets they manage. Details of these can be found in the Statement of Investment Principles. The Fund also subscribes to the annual WM Survey of UK Local Authority Pension Funds, which shows comparisons with other local authority pension funds. The performance of the investment managers is reviewed on a regular basis by the Panel and any recommendations arising from those reviews are considered by the Committee.

Looking first at total Fund returns, the chart below shows the total return of the Fund compared to the fund specific benchmark and the average local authority pension fund return measured over 1,3,5 and 10 years to 31 March 2012:



The modest Fund return of 2.3% masks a year of considerable volatility. For example, the Fund reported a fall in value of 8.7% in the quarter July to September 2011, which it has subsequently recovered. Markets have been particularly volatile reacting to the continuing concerns over the future of the euro and the health of the economies of the Eurozone.

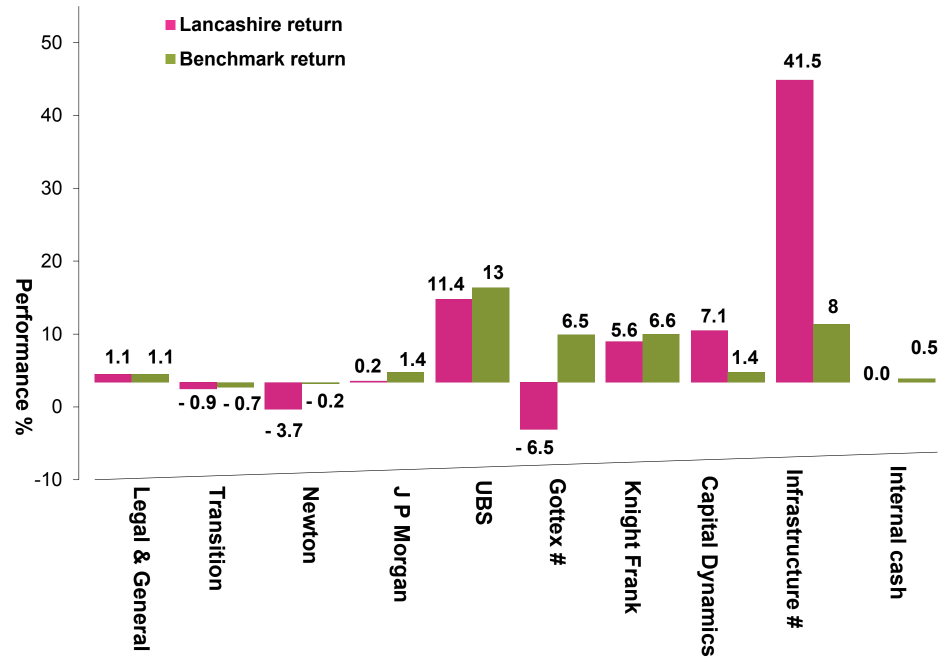
The Fund's return of 2.3% is close to that of the average local authority pension fund of 2.6%. It ranks as the 72nd percentile in the WM analysis of local authority funds. The chart shows that the Fund was 1% behind its benchmark. The following chart analyses this relative return by asset class. It shows that the shortfall as compared to benchmark was largely a result of the under-performance reported by its active equity managers and its fixed interest manager. This public market under-performance (-1.5%) was mitigated by good returns from the Fund's private equity and infrastructure investments (+0.8%). The Fund's investment in a hedge fund continued to under-perform and was redeemed during the year.

The Fund's investment managers are set performance targets as shown in the Statement of Investment Principles. The overall performance target of each manager is measured over rolling three and five year periods, as inevitably there will be short-term fluctuations in performance. These targets are set for the active managers i.e. those with a mandate to outperform a benchmark through active stock picking and sector allocations. The transition portfolio and that managed by Legal and General are passive portfolios where the manager seeks to track the benchmark.

Active managers have the discretion to invest a smaller or greater amount than the benchmark allocation, within agreed constraints and tolerances.

These decisions will reflect their views on market conditions within various countries or between different types of instruments. The one year performance of the managers to 31 March 2012 is shown in the following chart:

One year manager performance against benchmark index
 # = not invested in this area for the entire period



The Legal & General and the transition portfolio (managed by BNY Mellon) have tracked their respective benchmarks.

The portfolios core equity mandates managed by Newton (Global Equities) and JP Morgan (UK Equities) continued to under-perform their benchmarks. Following a tender process for global equity managers, these managers will be replaced in the year ending 31st March 2013.

The UBS bonds portfolio has not performed to benchmark in the year because it was overweight in corporate bonds at the expense of UK government bonds which benefited from the exceptionally low interest rates and high prices.

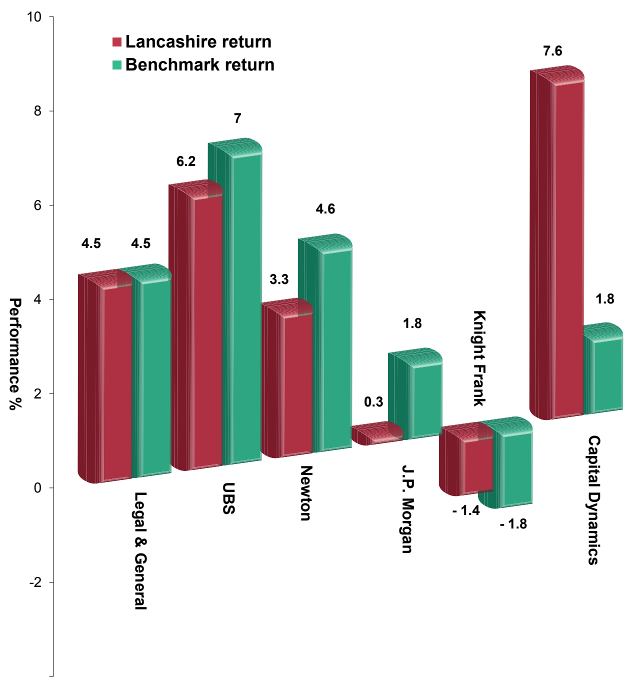
The performance of the hedge fund managed by Gottex continued to be disappointing and this mandate was terminated during the year. The Fund's property portfolio managed by Knight Frank continues to beat its benchmark long term, but its portfolio of high street retail properties suffered particularly in the current year. The private equity portfolio managed by Capital Dynamics is focussed on buy-out funds and produced a return ahead of benchmark. During the year the Fund has invested in a number of infrastructure asset funds, including the acquisition of assets out of administration, which produced an exceptional one-off return. An analysis of the specialist managers' performance over five years is shown in the chart below:

Measured over five years, the continuing under-performance of the Fund's active equity managers, Newton and JP Morgan is clear. As reported these mandates will be terminated in the year ended 31st March 2013, to be replaced by unconstrained global equity mandates.

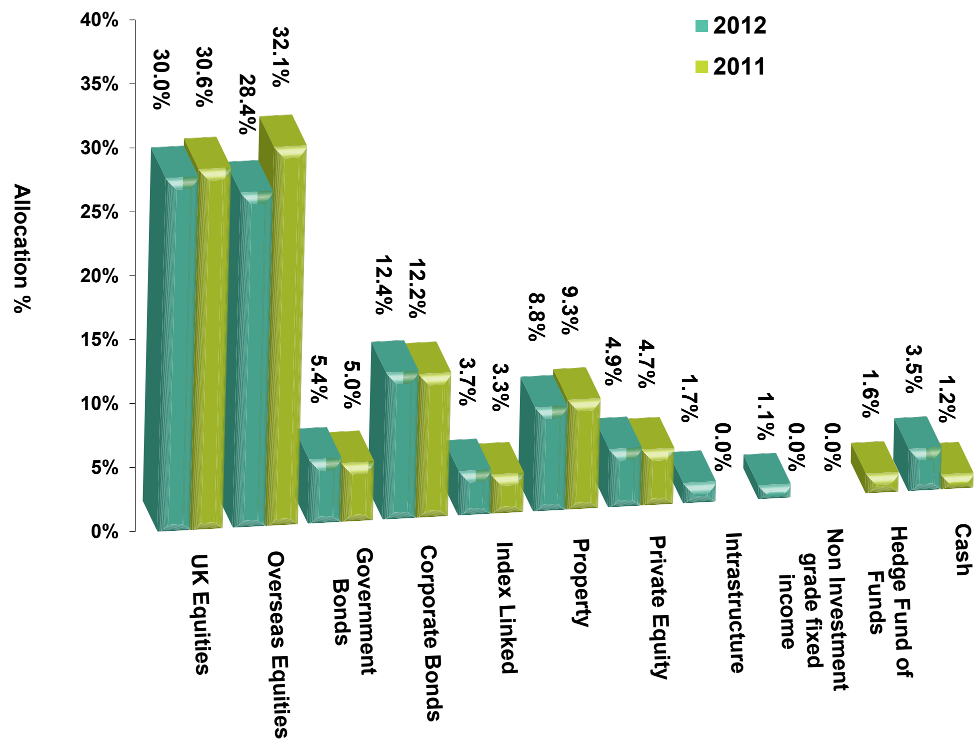
The passive tracking portfolio managed by L&G have performed to their benchmark. While the property portfolio has produced a negative return over five years, Knight Frank has out-performed the benchmark. The five year period returns are also distorted by the sharp fall in property values in 2008.

The private equity mandate managed by Capital Dynamics has significantly out-performed its public market benchmark by 5.8% per year.

Five year manager performance against benchmark index



Asset allocation - comparison with prior year



The Fund is continuing to implement its new investment strategy, and is actively bringing asset allocations up to the agreed benchmark. In the year it has commited funds to infrastructure funds and a non-investment grade fixed income fund and redeemed its hedge fund investment.

While paid up investments in infrastructure funds represent 1.7% of the value of the Fund, the Fund also has unpaid commitments to infrastructure funds equivalent to 2% of the value of the Fund at 31st March 2012.

The largest individual direct investments of the Fund are disclosed in the following paragraphs.

The Largest ten equity holdings of the Fund at 31 March 2012 were:

Equity	Market value 31 March 2012 £m	Percentage of net assets of the Fund %
Royal Dutch Shell 'B' Shares	53.4	1.22
GlaxoSmithKline Ord GBP0.25	49.6	1.14
BP PLC Ord USD.25	46.5	1.07
Vodafone Group Ord USD0.11428571	46.0	1.05
HSBC Holdings Ord USD0.50	46.0	1.05
British American Tobacco Ord GBP0.25	43.0	0.99
RIO Tinto Ord GBP0.10	29.5	0.68
AstraZeneca OrdUSD0.25	24.8	0.57
BHP Billiton PLCUSD0.50	23.4	0.54
BG Group PLC Ord GBP0.10	23.3	0.53
Total	**385.5**	**8.84%**

The largest ten direct property holdings of the Fund at 31 March 2012 were:

Property	Sector	Market value 31 March 2012 £m
10 Brook St, London	Offices	32.8
Sainsburys Store, Elgiva Lane, Chesham	Shops	28.0
Princes Mead Shopping Centre, Farnborough	Shopping Centre	25.9
Benson House, Leeds	Offices	19.1
Stukeley Road Retail Park, Huntingdon	Retail Warehouse	15.5
Somerfield Store, Wymondham	Shops	15.3
Tuscany Park, Wakefield	Industrial / Warehouse	15.1
1 & 2 Woodbridge Meadows, Guildford	Multi-let Commercial Building	13.7
Effra Road Retail Park, Brixton	Retail Warehouse	12.0
Endeavour Way, Wimbledon	Retail Warehouse	11.5
Total		**£188.9**

Policies in respect of Socially Responsible Investment and Voting

Social, Environmental and Ethical Considerations
The Fund is active on governance issues through its membership of the Local Authority Pension Fund Forum ("LAPFF"), which exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders whilst promoting social responsibility and corporate governance at the companies in which they invest.

The Fund also uses the services of Pensions Investment Research Consultants ("PIRC"), which is a leading independent research and advisory consultancy providing services to institutional investors on corporate governance and corporate social responsibility,

Policy on Voting
For many years, the Fund has followed the voting recommendations of PIRC with the Fund's managers being instructed to vote at shareholder meetings in accordance with PIRC's recommendations. From 1st October 2011, PIRC has been acting as the Fund's proxy and casting the Fund's votes directly at shareholder meetings.

The Fund's investment managers receive advance notice of PIRC's voting intentions and may raise concerns with the Fund if they do not believe the recommended stance on a vote is in the best financial interests of the Fund.

The Committee delegates its agreement of any significant departure from the guidelines proposed by the managers, to the Treasurer as Chair of the Investment Panel. In all voting decisions the long-term financial interests of the Fund are paramount. There were no occurrences of this during 2011/12.

Policy on Risk
The overriding objective of the Fund in respect of its investments is to strike a balance between minimising risk and maximising return. The structure of the investment management arrangements has been implemented in order to produce a balanced spread of risk for the portfolio. Within this the managers are regularly challenged by the Panel about the risk profile of the portfolios that they manage for the Fund.

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

F: 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 County Treasurer, who is also the Treasurer 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 Treasurer to the Pension Fund

The Treasurer 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 Treasurer 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 Treasurer 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 2012 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.

Gill Kilpatrick CPFA
Treasurer to the Lancashire County Pension Fund
26 September 2012

Independent auditor's report to the members of Lancashire County Council

Opinion on the pension fund financial statements

I have audited the pension fund financial statements for the year ended 31 March 2012 under the Audit Commission Act 1998. The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Lancashire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the County Treasurer and auditor

As explained more fully in the Statement of the County Treasurer's Responsibilities, the County Treasurer is responsible for the preparation of the pension fund's financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the County Treasurer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the pension fund's financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2012 and the amount and disposition of the fund's assets and liabilities as at 31 March 2012; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if, in my opinion the governance compliance statement does not reflect compliance with the Local Government Pension Scheme (Administration) Regulations 2008 and related guidance. I have nothing to report in this respect.

Karen Murray
District Auditor
2nd Floor Aspinall House,
Aspinall Close
Middlebrook,
Bolton, BL6 6QQ
27 September 2012

Fund Account

	Note	2011/12 £m	2010/11 £m
Dealing with members, employers and others directly involved in the fund			
Contributions	6	209.3	227.2
Transfers in	7	11.1	15.6
		220.4	242.8
Benefits	8	219.1	214.5
Payments to and on account of leavers	9	13.7	12.8
Administrative expenses	10	3.8	3.6
		236.6	230.9
Net additions from dealings with members		**(16.2)**	**11.9**
Return on investments			
Investment income	11	118.8	89.3
Profit and loss on disposal of investments and change in market value of investments	14	(7.9)	238.8
Investment management expenses	21	(8.3)	(8.0)
Net return on investments		**102.6**	**320.1**
Net increase (decrease) in the fund during the year		**86.4**	**332.0**

Net Asset statement for the year ended 31 March 2012

	Note	2012 £m	2011 £m
Investment assets	14	4,361.4	4,282.1
Investment liabilities	14	(1.5)	(0.9)
Current assets	22	23.3	21.6
Current liabilities	24	(3.2)	(9.2)
Net assets of the fund available to fund benefits at the period end		**4,380**	**4,293.6**

The Pension Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

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 at 31 March 2012 and its income and expenditure for the year then ended.

Gill Kilpatrick CPFA
Treasurer to the Lancashire County Pension Fund

County Councillor Sam Chapman
Chairman of the Audit 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. With the exception of Teachers, to whom separate arrangements apply, membership of the Pension Fund is available to County and District Council employees within Lancashire, and to employees of organisations that have entered into Pension Fund Admission Agreements with the County Council.

The published accounts show that in 2011/12 cash inflows during the year consisted of £339.2 million and cash outflows were £244.9 million, representing a net cash inflow of £94.3 million (compared with an inflow of £93.2 million in the previous year). Benefits payable amounted to £219.1 million and were partially offset by net investment income of £118.8 million (including £19.4 million accrued dividends); contributions of £209.3 million and transfers in of £11.1 million produced the positive cash inflow.

The investments of the Pension Fund are managed by seven external investment managers. The asset allocation and policy in respect of the investments of the Fund is determined by the Pension Fund Committee, which meets four times a year with the Investment Panel in attendance. The Investment Panel meet at least quarterly, or otherwise as necessary. The panel are responsible for making recommendations to the Pension Fund Committee in relation to the investment strategy of the fund as well as monitoring the activities and performance of the investment managers. Full details of the Panel and Committees responsibilities are published in the Funds Statement of Investment Principles and are available from the Funds website at http://www.yourpensionservice.org.uk

The participation in the Pension Fund is shown in the table below, followed by the member organisations of the Pension Fund.

Participation in the Pension Fund

	Number at 31 March 2012	Number at 31 March 2011
(1) Active Scheme Members		
Scheduled Bodies	46,422	47,912
Admitted Bodies	3,716	3,781
Total	**50,138**	**51,693**
(2) Pensioners		
Pensions in Payment	39,933	37,632
Preserved Pensions	47,526	44,928
Total	**87,459**	**82,560**

Member Organisation

Scheduled Bodies

Accrington Academy
Accrington & Rossendale College
All Saints CE Primary School Academy
Barnoldswick Town Council
Belthorn Primary (Academy)
Bishop Rawstorne High Academy
Blackburn College
Blackburn with Darwen Borough Council
Blackpool & Fylde College
Blackpool Borough Council
Blackpool Coastal Housing
Blackpool Sixth Form College
Bowland High Academy Trust
Burnley Borough Council
Burnley College
Cardinal Newman College
Catterall Parish Council
Chorley Borough Council
Clitheroe Royal Grammar School (Academy)
Darwen Aldridge Community Academy
Edge Hill University
Fulwood Academy
Fylde Borough Council
Garstang Community Academy
Garstang Town Council
Hambleton Primary Academy
Hodgson Academy
Hyndburn Borough Council
Kirkland Parish Council
Lancashire County Council
Lancashire Fire & Rescue Service
Lancashire Police Authority
Lancashire Probation Trust
Lancashire Sports Partnership
Lancashire Valuation Tribunal
Lancashire Workforce Development Partnership
Lancaster & Morecambe College
Lancaster City Council
Lancaster Girls Grammar School (Academy)
Lancaster RGS (Academy)
Lostock Hall Academy Trust
Myerscough College
Nelson & Colne College
Parbold Douglas CE Academy
Pendle Borough Council
Penwortham Town Council
Pilling Parish Council
Preston City Council
Preston College
Preston Vision Ltd
Ribble Valley Borough Council
Ripley St Thomas CE (Academy)
Rossendale Borough Council
Runshaw College
South Ribble Borough Council
St Annes on Sea Town Council
St Christopher's CE (Academy)
St Mary's College, Blackburn
St Michael's CE High (Academy)
St Wilfrid's CE Academy
Tarleton Academy
University of Central Lancs
West Lancs District Council
Westcliff Primary Academy
Whitworth Town Council
Wyre Borough Council

Admitted Bodies

ABM Catering Ltd
Alternative Futures
Alzheimers Society
Andron Contract Services Ltd (City of Preston)
Andron Contract Services Ltd (former solar contracts)
Andron Contract Services Ltd (Glenburn)
Andron Contract Services Ltd (Kennington)
Andron Contract Services Ltd (Ribblesdale)
Andron Contract Services Ltd (Southlands)
Arnold Schools Ltd.
Beaufort Avenue Day Care Centre
Blackburn Diocesan Adoption Agency
Blackburn NHS (PCT)
Blackpool & Fylde MIND Association
Blackpool & Fylde Society for the blind
Blackpool Airport Ltd (post 05/07/2004)
Blackpool Town Centre Business Improvement District Ltd
Blackpool Zoo (Grant Leisure)
Bootstrap Enterprises Ltd
Bulloughs Contract Services Ltd (St Stephens)
Bulloughs Contract Services Ltd (St James)
Bulloughs Contract Services Ltd (Whalley)
Bulloughs Contract Services Ltd (Our Lady)

- Bulloughs Contract Services Ltd (St Marys)
- Bulloughs Contract Services Ltd (St Augustine)
- Bulloughs Contract Services Ltd (Highfield)
- Calico Housing Ltd
- Capita Business Services (Blackburn)
- Capita Business Services (Rossendale)
- Caritas Care Ltd
- Chorley Community Housing Ltd
- Church Road Day Care Unit
- Commission for Education & Formation
- Community and Business Partners CIC
- Community Council of Lancashire
- Community Gateway Association
- CX Ltd
- Contour Housing Group
- Consultant Caterers Ltd
- Creative Support Ltd
- Creative Support Ltd (Midway)
- CSB Contract Services Ltd
- Danfo UK Ltd
- Enterprise Managed Services Ltd
- E ON UK Plc
- Eric Wright Commercial Ltd
- Fylde Coast YMCA (Fylde)
- Fylde Community Link
- Galloway Society for the Blind
- Housing Pendle Ltd
- Hyndburn Homes Ltd
- I Care
- Jewson Ltd
- Kirkham Grammar School (Independent)
- Lancashire and Blackpool Tourist Board
- Lancashire Branch of Unison
- Lancaster University
- Leisure in Hyndburn
- Liberata UK Ltd (Chorley)
- Liberata UK Ltd (Pendle)
- Lytham Schools Foundation
- Mack Trading Ltd
- Mellors Catering Services Ltd (Bishop Rawstorne)
- Mellors Catering Services Ltd (Hambleton Primary School)
- Mellors Catering Services (Worden Sports College)
- Mellors Catering Services Ltd (Wyre)
- NIC Services Group Ltd
- NSL Ltd
- New Directions
- New Fylde Housing
- New Progress Housing Association
- Northgate Managed Services Ltd
- North West & North Wales Sea Fisheries Committee
- Ormerod Home Trust Ltd
- Pendle Leisure Trust Ltd
- Places for People Ind Supp Ltd
- Preston Care & Repair
- Preston Council for Voluntary Services
- Progress Care Housing Association
- Progress Housing Group
- Progress Recruitment (SE) Ltd
- Queen Elizabeth Grammar School
- Ribble Valley Homes
- Rossendale Leisure Trust
- Signposts MARC Ltd
- South Ribble Community Leisure Ltd
- Sungard Vivista Ltd
- Surestart Hyndburn
- Twin Valley Homes Ltd
- University of Cumbria
- Vita Lend Lease
- West Lancs Community Leisure Ltd
- Wyre Housing Association

Former Employers

- Andron Contract Services Ltd (Worden Sports College)
- Blackpool Airport Ltd (pre 05/07/2004)
- Blackpool & Fylde Society for the Deaf
- Blackburn Borough Transport Ltd
- Blackpool Challenge Partnership
- Blackpool Council for Voluntary Services
- Bulloughs Contract Services Ltd (St Albans)
- Bulloughs Contract Services Ltd (Glenburn)
- Burnley & Pendle Development Association
- Burnley & Pendle Joint Transport Committee
- Burnley & Pendle Transport Company Ltd
- Burnley District Citizens

Advice Service
Burton Manor Residential College
Carden Croft and Co. Ltd
Central Lancs Development Corporation
Clitheroe Town Council
Connaught Environmental Ltd (Blackpool BC)
Connaught Environmental Ltd (Blackpool Coastal)
Department of Transport
Dignity Funerals Ltd
Elm House Management Committee
Enterprise
Ex National Water Council
Ex NHS
Fylde Borough Transport Ltd
Fylde Coast Development Association
Fylde Coast YMCA (Wyre)
Greater Deepdale Community Association
Hyndburn Homewise
Hyndburn Transport
Kirkham Grammar School (Boarding)
Lancashire County Enterprise
Lancashire Economic Partnership
Lancashire Federation of Young Farmers Clubs
Lancashire Magistrates Courts Committee
Lancashire Waste Services Ltd
Lancashire West Partnership
Lancaster City Transport Ltd
Lancashire on-line learning
Lancaster Royal Grammar School (boarding)
Lancs South East Probation Committee
Lancs South West Probation Committee
Mellors Catering Services Ltd (Cardinal Newman)
Merseyside Valuation & CCT
NSL Ltd (Wyre)
Pilling & Winmarleigh Internal Drainage Board
Preston Borough Transport Ltd
Preston Education Action Zone
Redstone Managed Services Ltd
Samlesbury & Cuerdale Parish Council
Skelmersdale College
Skelmersdale Day Centre
Skelmersdale Development Corporation
Solar Facilities Management Ltd (Bishop Rawstorne)
Solar Facilities Management Ltd (Tarleton)
Solar Facilities Management Ltd (Ripley)
Solar Facilities Management Ltd (Seven Stars)
Solar Facilities Management Ltd (St Peters)
Spastics Society
The Community Alliance (Burnley and Padiham) Ltd
Wigan & District M&T College

Other

Rossendale Transport Ltd
Blackpool Transport Services Ltd
(Membership restricted to employees “deemed” at deregulation in 1986)

2. Basis of Preparation

The Statement of Accounts summarises the fund's transactions for the 2011/12 financial year and its position at year-end as at 31 March 2012. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2011/12 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 31 of these accounts.

3. Accounting Policies

Fund Account revenue recognition

- **Contribution income**

Normal contributions both from members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

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

- **Transfers**

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.

Individual transfers in/out are accounted for when received/paid, which is normally 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.

- **Investment Income**

i. 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.

ii. 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 asset statement as a current financial asset.

iii. 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 asset statement as a current financial asset.

iv. 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 are only recognised when contractually due.

Fund Account – expense items

- **Benefits payable**

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

- **Taxation**

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

- **Administrative expenses**

All administrative expenses are accounted for on an accruals basis. All other costs of administration are borne by the employer. The administration and processing expenses are a proportion of relevant officers' salaries in respect of the time allocated to pension administration and investment issues.

- **Investment Manager expenses**

Investment management expenses are accounted for on an accruals basis. They include the fees paid and due to the fund managers, custodian, actuarial fees and performance measurement and investment consultant fees.

Fees of the external investment managers 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 does not currently pay performance related fees to its investment managers. When an investment manager's fee note has not been received by the net asset statement date, an estimate based on market value of their mandate as at year end is used for the inclusion in the fund account. In 2011/12 £1,262,317.80 of fees is based on such estimates (2010/11 £1,294,239.45).

Net asset statement

- **Financial Instruments**

Financial assets are included in the net asset statement on a fair value basis as at the reporting date. A financial asset is recognised in the net asset 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 by the fund.

On initial recognition the Fund is required to classify financial assets and liabilities into held to maturity investments, available for sale financial assets, held for trading, designated at fair value through profit and loss or loans and receivables.

The assets and liabilities held by Lancashire County Pension Fund are classified as designated at fair value through profit and loss, loans and receivables and liabilities at amortised cost.

Financial instruments at fair value through profit or loss

Financial assets may be designated as at fair value through profit or loss only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the fund manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

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.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are the default category for financial instruments that do not meet the definition of financial liabilities at fair value through profit and loss.

- **Valuation of Investments**

Investments are shown at their fair value as at 31 March 2012. The fair value is the current bid price for quoted securities and unitised securities.

Transaction costs are included in carrying value of investments. Transaction costs include costs charged directly to the Pension Fund, such as fees, commissions paid to agents, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties.

Investments in Private Equity are valued at fair value in accordance with the guidelines issued by the British Venture Capital Association, or equivalent.

Investments in the Hedge Fund of Funds portfolio are valued at fair value on the basis of the closing market valuation provided by the administrator of each underlying fund.

The methodologies adopted in valuing financial instruments are explained in greater detail in note 18.

- **Currency Translation**

Assets and liabilities denominated in foreign currency are stated in the accounts by the application of the appropriate closing rate of exchange ruling at 31 March 2012. Any gains or losses are treated as part of a change in market value of investments.

- **Acquisition costs of Investments**

The Acquisition costs of investments are included within the purchase price.

- **Property**

The fund's freehold and leasehold properties were valued on 31 March 2012 by Cushman & Wakefield, acting as External Valuer. The valuations were in accordance with the requirements of the RICS Valuation standards and the International Valuation Standards. The valuation of each property was on the basis of Market Value, assuming that the property would be sold subject to any existing leases. The valuer's opinion of Market Value and Existing Use Value was primarily derived using comparable recent market transactions on arm's length terms.

- **Derivatives**

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes. Derivative contract assets are fair valued at bid prices and liabilities are fair valued at offer prices. Changes in fair value of derivative contracts are included in change in market value.

Future contracts are exchange traded and fair value is determined using exchange prices at their reporting date. Amounts due or owed to the broker are amounts outstanding in respect of initial margin and variation margin.

Forward foreign exchange contracts, are over the counter contracts and are valued by determining the gain or loss that arise from closing out the contract at the reporting date, by entering into an equal and opposite contract at that date.

- **Cash and cash equivalents**

Cash comprises of cash in hand and demand deposits.

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

- **Financial liabilities**

The fund recognises financial liabilities at fair value at the reporting date. A financial liability is recognised in the net asset 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.

- **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 IAS 26 the fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net asset statement (Note 31).

- **Additional voluntary contributions**

The AVC providers to the Pension Fund are Equitable Life and Prudential. The AVC's are invested separately from the Pension Fund's main assets and used to acquire additional money purchase benefits. These are not included in the Pension Fund accounts in accordance with regulation 5(2) (C) of the Local Government Pension

Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831). Members participating in these 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 in note 20.

Securities Lending

Investments lent under securities lending arrangements continue to be recognised in the net asset statement to reflect the scheme's continuing economic interest in the securities and are measured in accordance with the accounting policy for assets 'At fair value through income statement' or 'Available for sale' as appropriate.
Collateral is marked to market, and adjusted daily. As the Fund has no obligation to return the collateral to the borrowers, collateral is excluded from the Fund valuation.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Fund or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Fund does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Fund. The Fund does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

4. Critical Judgements in applying accounting policies

Unquoted private equity investments

It is important to recognise the highly subjective nature of determining the fair value of private equity investments. They are inherently based on forward-looking estimates and judgements involving many factors. Unquoted private equities are valued by the investment managers using guidelines set out by the British Venture Capital Association. The value of unquoted private equities at 31 March 2012 was £287.5 million (£201.8 million at 31 March 2011).

Pension Fund Liability

The pension fund liability is calculated every three years by an appointed actuary, with annual updates in intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 31. This estimate is subject to significant variances based on change to the underlying assumptions.

5. Assumptions made about the future and other major sources of estimated uncertainty

The Statement of Accounts contain estimated figures that are based on assumptions made by the Pension Fund about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Pension Fund's net asset statement at 31 March 2012 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	Private Equity investments are valued at fair value in accordance with BVCA guidelines. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The total Private Equity investments in the financial statements are £287.5m. There is a risk that this investment may be under or overstated in the accounts.
Pensions Liability	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 0.5% increase in the discount rate assumption would reduce the value of the liabilities by approximately £580 million. A 0.25% increase in assumed earnings inflation would increase the value of the liabilities by approximately £90m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £130m.

6. Contributions receivable

	2011/12 £m	2010/11 £m
Employers' contributions		
County Council	68.5	70.9
Scheduled Bodies	75.7	85.6
Admitted	12.9	14.3
	157.1	170.8
Employees' contributions		
County Council	20.5	22.5
Scheduled Bodies	26.8	28.8
Admitted	4.9	5.1
	52.2	56.4
Total contributions	**209.3**	**227.2**

Within the employee contributions figure for 2011/12, £242,830.87 are voluntary and additional regular contributions. All employer contributions are normal contributions.

7. Transfers in

	2011/12 £m	2010/11 £m
Individual transfers in from other schemes	11.1	15.6
Bulk transfers in from other schemes	0	0
	11.1	**15.6**

8. Benefits

	2011/12 £m	2010/11 £m
Pensions	163.6	149.2
Lump Sum retirement benefits	51.0	60.9
Lump Sum death benefits	4.5	4.4
	219.1	**214.5**

9. Payments to and on account of leavers

	2011/12 £m	2010/11 £m
Refunds to members leaving service	0.1	0.1
Contributions equivalent premium	(0.1)	(0.0)
Individual transfers to other schemes	13.7	12.7
	13.7	**12.8**

10. Administrative expenses

	2011/12 £m	2010/11 £m
Administration and processing	3.4	3.3
Audit fee	0.1	0.1
Legal and other professional fees	0.3	0.2
	3.8	**3.6**

11. Investment income

	2011/12 £m	2010/11 £m
Fixed interest securities	27.7	23.9
Equity dividends	46.5	29.6
Index linked securities	2.8	4.6
Pooled investment vehicles	5.5	0.9
Rents from properties	26.0	23.3
Interest on cash deposits	0.7	1.5
Other	9.6	5.5
Total Investment Income	**118.8**	**89.3**

12 Net rents from Properties

	2011/12 £m	2010/11 £m
Rental Income	26.0	23.3
Direct operating expenses	(1.2)	(1.6)
Net gain/(loss)	**24.8**	**21.7**

13. Stock Lending

Northern Trust is authorised to release stock to a third party under stock lending arrangements up to the statutory limits for this activity. Stock lending income generated in 2011/12 was £467,745 (2010/11 £178,513)

Securities on loan at the 31st March 2012 were £263m and are included in the net asset statement to reflect the scheme's continuing economic interest in the securities. This consisted of £67m of equities and £196m of bonds.

Collateral is marked to market, and adjusted daily. As the Fund has no obligation to return the collateral to the borrowers, collateral is excluded from the Fund valuation. The collateral is non cash and totalled £276m comprising all of government bonds.

14. Reconciliation of movements in investments and derivatives

	Market Value at 1 April 2011 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Market Value at 31 March 2012 £m
Fixed interest securities	559.1	696.0	(657.8)	26.1	623.4
Equities	1,735.1	401.0	(441.9)	(80.5)	1,613.7
Index linked securities	141.0	120.9	(159.1)	21.8	124.6
Pooled investments	1,395.5	399.2	(359.6)	31.2	1,466.3
Property	397.5	24.2	(34.1)	(3.7)	383.9
	4,228.2	**1,641.3**	**(1,652.5)**	**(5.1)**	**4,211.9**
Derivative contracts:					
Futures	0.9	41.4	(39.3)	(2.8)	0.2
Forward currency contracts	0.9				1.6
Purchased/written options					
Cash deposits	36.6				126.8
Other investment balances	14.6				19.4
Amounts receivable from sales of investments					
Amounts payable for purchases of investments					
	4,281.2				**4,359.9**

	Market Value at 1 April 2010 £m	Purchases at cost and derivative payments £m	Sales proceeds and derivative receipts £m	Change in market value £m	Market Value at 31 March 2011 £m
Fixed interest securities	448.1	406.4	(295.5)	0.1	559.1
Equities	1,011.7	1,090.4	(442.2)	75.2	1,735.1
Index linked securities	103.2	50.9	(15.9)	2.8	141.0
Pooled investments	1,962.2	154.9	(872.6)	151.0	1,395.5
Property	306.1	89.9	(9.1)	10.6	397.5
	3,831.3	**1,792.5**	**(1,635.3)**	**239.7**	**4,228.2**
Derivative contracts:					
Futures	0	4.1	(2.3)	(0.9)	0.9
Forward currency contracts	0.1				0.9
Purchased/written options					
Cash deposits	106.2				36.6
Other investment balances	12.7				14.6
Amounts receivable from sales of investments					
Amounts payable for purchases of investments					
	3,950.3				**4,281.2**

Transaction costs are included in the cost of purchases and in sale proceeds. Transaction costs include costs charged directly to the Pension Fund, such as fees, commissions paid to agents, brokers and dealers, levies by regulatory agencies and securities exchanges and transfer taxes and duties. Transaction costs incurred during the year 2011/12 amounted to £2,054,422 (2010/11: £2,316,511).
The investment assets at 31 March 2012 are managed by seven external investment managers, with the remaining cash deposits managed in-house. The split of the investment assets by investment manager is shown below.

Manager	2011/12 £m	%
Legal & General Investment Management	1,057.4	24
Newton Investment Management	615.6	14
J P Morgan Asset Management	501.4	12
UBS Global Asset Management	672.7	15
Knight Frank	383.9	9
Capital Dynamics	222.4	5
Mellon Transition Management	617.1	14
In-House	289.4	7
	4,359.9	**100**

Fixed Interest Securities	2011/12 £m	2010/11 £m
UK public sector quoted	234.3	179.9
UK corporate bonds quoted	289.0	352.3
Overseas public sector	0	0
Overseas corporate bonds	100.1	26.9
	623.4	**559.1**

Equities	2011/12 £m	2010/11 £m
UK quoted	772.8	833.1
Overseas quoted	840.9	902.0
	1,613.7	**1,735.1**

Index Linked Securities	2011/12 £m	2010/11 £m
UK quoted	124.6	141.0
	124.6	**141.0**

Pooled Investments	2011/12 £m	2010/11 £m
Managed/Unitised funds - UK equities	537.0	448.9
Overseas equities	400.3	423.2
Public sector bonds	0	0
Corporate bonds	0	141.9
Index linked	0	32.2
Unit trusts - UK equities	0	22.3
Overseas equities	0	4.8
UK fixed income funds	192.2	0
Overseas fixed income funds	49.3	0
Other pooled investment vehicles - UK	0	5.9
- overseas	0	44.9
Private equity investments	287.5	201.8
Hedge fund of funds	0	69.6
	1,466.3	**1,395.5**

Properties	2011/12 £m	2010/11 £m
UK – Freehold	292.9	318.9
UK – Long Leasehold	91.0	78.6
	383.9	**397.5**

Properties	2011/12 £m	2010/11 £m
Balance at start of the year	397.5	306.1
Additions	24.2	89.9
Disposals	(34.1)	(9.1)
Net gain/(loss) on fair value	(3.7)	10.6
Transfers in/out	0	0
Other changes in fair value	0	0
Balance at the end of the year	**383.9**	**397.5**

Derivatives Contracts	2011/12 £m	2010/11 £m
Futures Contracts	0.2	0.9
	0.2	**0.9**

Type of Future	Expiration	Economic Exposure £m	Asset £m	Liability £m
UK gilt exchange traded	3 months	9.6	0	0
Hang Seng (HKG)	1 month	4.7	0	0.1
MSCI Singapore Index	1 month	4.4	0	0
SPI 200 Index	3 months	12.5	0.3	0
Total			**0.3**	**0.1**

The economic exposure represents the notional value of stock purchased under the futures contract and therefore the value is subject to market movements. Derivative receipts and payments represent the realised gains and losses on futures contracts. Derivatives are held to manage economic exposure to markets, enhance investment returns and manage risk. Futures are used by the Pension Fund's bond manager to reallocate risk and exposures within the bonds portfolio.

Derivative Contracts (forward currency positions)

Settlement date	Bought £m EQV	Sold £m EQV	£m
Investment assets			
6 months and under	108.6	105.5	3.1
Investment liabilities			
6 months and under	58.2	59.7	(1.5)

Forward Foreign currency contracts are used to hedge against foreign currency movements.

Cash Deposits	2011/12 £m	2010/11 £m
Sterling	110.9	33.5
Foreign currency	15.9	3.1
	126.8	**36.6**

15. Financial Instruments classification

Accounting policy describes how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net asset statement heading.

2012	Designated at fair value through profit or loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m
Financial assets			
Fixed interest securities	623.4	-	-
Equities	1,613.7	-	-
Index linked securities	124.6	-	-
Pooled investments	1,466.3	-	-
Derivative contracts	3.4	-	-
Cash deposits	-	126.8	-
Other investment balances	19.4	-	-
Debtors	-	23.3	-
Total Financial assets	**3,850.8**	**150.1**	**-**
Financial liabilities			
Derivative contracts	1.6	-	-
Creditors	-	-	3.2
Total Financial liabilities	**1.6**	**-**	**3.2**

2011	Designated at fair value through profit or loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m
Financial assets			
Fixed interest securities	559.1	-	-
Equities	1,735.1	-	-
Index linked securities	141.0	-	-
Pooled investments	1,395.5	-	-
Derivative contracts	2.7	-	-
Cash deposits	-	36.6	-
Other investment balances	14.6	-	-
Debtors	-	21.6	-
Total Financial assets	**3,848.0**	**58.2**	**-**
Financial liabilities			
Derivative contracts	0.9	-	-
Creditors	-	-	9.2
Total Financial liabilities	**0.9**	**-**	**9.2**

16. Net gains and losses on financial instruments

Financial assets	2012 £m	2011 £m
Fair value through profit and loss	7.9	238.8
Loans and Receivables	-	-
Financial liabilities		
Fair value through profit and loss	-	-
Loans and Receivables	-	-
Financial liabilities at amortised cost	-	-
Total	**7.9**	**238.8**

17. Financial Instruments – Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying values of the financial assets and liabilities presented in the Fund's net asset statement. The fair values presented in the table are at a specific date and may be significantly different from the amounts which were actually paid or received on the maturity or settlement date.

	Carrying Value 2012 £m	Carrying Value 2011 £m	Fair Value 2012 £m	Fair Value 2011 £m
Financial assets				
Trading and other financial assets at fair value through profit and loss	3,347.5	3,284.0	3,850.8	3,848.0
Loans and Receivables	150.1	58.2	150.1	58.2
Total Financial assets	**3,497.6**	**3,342.2**	**4,000.9**	**3,906.2**
Financial Liabilities				
Trading and other financial assets at fair value through profit and loss	1.6	0.9	1.6	0.9
Financial liabilities at amortised cost	3.2	9.2	3.2	9.2
Total Financial liabilities	**4.8**	**10.1**	**4.8**	**10.1**

18. Financial Instruments – Valuation

Valuation of financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels according to quality and reliability of information used to determine fair values.

Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

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

Level 3

Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity 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, 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 table below provides an analysis of the financial assets and liabilities of the Pension Fund grouped into level 1 to 3 based on the level of which the fair value is observable.

2012	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Financial assets at fair value through profit and loss	3,563.3	-	287.5	3,850.8
Loans and Receivables	150.1	-	-	150.1
Total Financial assets	**3,713.4**	**-**	**287.5**	**4,000.9**
Financial liabilities				
Financial liabilities at fair value through profit and loss	1.6	-	-	1.6
Financial liabilities at amortised cost	3.2	-	-	3.2
Total Financial liabilities	**4.8**	**-**	**-**	**4.8**

2011	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Financial assets at fair value through profit and loss	3,576.6	-	271.4	3,848.0
Loans and Receivables	58.2	-	-	58.2
Total Financial assets	**3,634.8**	**-**	**271.4**	**3,906.2**
Financial liabilities				
Financial liabilities at fair value through profit and loss	0.9	-	-	0.9
Financial liabilities at amortised cost	9.2	-	-	9.2
Total Financial liabilities	**10.1**	**-**	**-**	**10.1**

19. Nature and extent of risks arising from Financial Instruments

Risk and risk management

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

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

a) Market risk

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

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

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

Other price risk

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

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

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 2012-13 reporting period.

Asset Type	Potential market movements (+/-)
UK bonds	5.7%
Overseas bonds	11.8%
UK equities	15.3%
Overseas equities	14.8%
Index linked gilts	7.6%
Cash	0%
Alternatives	7.7%
Property	9.4%

The potential price changes disclosed above are broadly consistent with a one-standard deviation movement in value of the asset. 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 shown overleaf):

Asset Type	Value as at 31 March 2012	Percentage Change	Value on Increase	Value on Decrease
	£m	%	£m	£m
Cash and cash equivalents				
Investment portfolio assets:				
UK bonds	695.7	5.7	735.3	656.1
Overseas bonds	100.0	11.8	111.8	88.2
UK equities	1,341.4	15.3	1,547.3	1,135.6
Overseas equities	1,236.9	14.8	1,420.3	1,053.5
Index linked gilts	166.9	7.6	179.6	154.2
Cash	147.9	0.0	147.9	147.8
Alternatives	287.4	7.7	309.6	265.2
Property	383.8	9.4	419.7	347.9
Total asset available to pay benefits	**4,360.0**		**4,871.5**	**3,848.5**

Asset Type	Value as at 31 March 2011	Percentage Change	Value on Increase	Value on Decrease
	£m	%	£m	£m
Cash and cash equivalents				
Investment portfolio assets:				
UK bonds	694.1	5.7	733.6	654.6
Overseas bonds	26.9	11.8	30.1	23.7
UK equities	1,344.6	15.3	1,551.0	1,138.3
Overseas equities	1,385.4	14.8	1,590.8	1,180.0
Index linked gilts	177.6	7.6	191.2	164.1
Cash	53.8	0.0	53.8	53.8
Alternatives	201.8	7.7	217.4	186.2
Property	397.5	9.4	434.6	360.3
Total asset available to pay benefits	**4,281.7**		**4,802.5**	**3,761.0**

Interest Rate Risk

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

The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors. The Fund's direct exposure to interest rate movements as at 31 March 2012 and 31 March 2011 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	As at 31 March 2012 £m	As at 31 March 2011 £m
Cash and cash equivalents	126.8	36.6
Fixed interest securities	815.6	700.9
Total	**942.4**	**737.5**

Interest rate risk sensitivity analysis

The Fund has recognised that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 110 basis point (BPS) movement in interest rates is consistent with the level of sensitivity applied as part of the Fund's risk management strategy. The Fund's investment advisor has advised that long–term average rates are expected to move less than 110 basis point from 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	Carrying amounts as at 31 March 2012	Change in year in net assets available to pay benefits	
		+100BPS	-100BPS
	£m	£m	£m
Cash and cash equivalents	126.8	1.3	(1.3)
Fixed interest securities	815.6	8.1	(8.1)
Total change in asset available	**942.4**	**9.4**	**(9.4)**

Asset Type	Carrying amounts as at 31 March 2011	Change in year in net assets available to pay benefits	
		+100BPS	-100BPS
	£m	£m	£m
Cash and cash equivalents	36.6	0.4	(0.4)
Fixed interest securities	700.9	7.0	(7.0)
Total change in asset available	**737.5**	**7.4**	**(7.4)**

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 2012 and as at the previous year end:

Currency exposure – asset type	Asset value as at 31 March 2012	Asset value as at 31 March 2011
	£m	£m
Overseas equities	1,236.9	1,385.4
Overseas bonds	100.0	26.9
Overseas alternatives	187.9	169.8
Overseas pooled	449.6	0
Total overseas assets	**1,974.4**	**1,582.1**

Currency risk – sensitivities analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 9.7% (as measured by one standard deviation).
A 9.7% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period.

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 9.7% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure asset type	Asset Value as at 31 March 2012	Change to net assets available to pay benefits	
		+9.7%	-9.7%
	£m	£m	£m
Overseas equities	1,236.9	1,357.0	1,116.8
Overseas bonds	100.0	109.7	90.3
Overseas alternatives	187.9	206.2	169.7
Overseas pooled	449.6	493.3	406.0
Total change in assets available	**1,974.4**	**2,166.2**	**1,782.8**

Currency exposure asset type	Asset Value as at 31 March 2011	Change to net assets available to pay benefits	
		+9.7%	-9.7%
	£m	£m	£m
Overseas equities	1,385.4	1,520.3	1,250.5
Overseas bonds	26.9	29.5	24.3
Overseas alternatives	0.0	0.0	0.0
Overseas pooled	169.8	186.3	153.3
Total change in assets available	**1,582.1**	**1,736.1**	**1,428.1**

b) 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 receipt that remains 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 instructions 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 31st March 2012 was £126.9 million (31 March 2011: £36.6 million). This was held with the following institutions:

Summary	Rating	Balances as at 31 March 2012 £m	Balances as at 31 March 2011 £m
Money market funds			
Bank of New York Mellon	Aa3	0	24.2
Bank deposit accounts			
Ulster Bank	Baa2	5.0	5.0
Northern Trust	A1	51.7	0
Bank of New York Mellon	Aa3	0	5.2
Bank current accounts			
Natwest Account	A3	70.2	2.2
Total		**126.9**	**36.6**

c) 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 the Fund has 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 2012 are due within the one year.

d) Refinancing risk

The Fund does not have any financial instruments that have a refinancing risk as part of its treasury management and investment strategies.

20. Additional Voluntary Contributions (AVC's)

The AVC providers to the Pension Fund are Equitable Life and Prudential. The AVC's are invested separately from the Pension Fund's main assets and used to acquire additional money purchase benefits. These are not included in the Pension Fund accounts in accordance with regulation 5(2) (C) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (SI 1998 No 1831). Members participating in these 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 overleaf. (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 2011 to 31 March 2012 for Prudential and 1 September 2010 to 31 August 2011 for Equitable Life.

Additional Voluntary Contributions

	Equitable life £m	Prudential £m	Total £m
Value at the start of the year	1.4	15	16.4
Income (incl. Contributions, bonuses, interest, transfers in)	0.1	3.7	3.8
Expenditure (incl. Benefits, transfers out, change in market value)	(0.3)	(4.5)	(4.8)
Value at the end of the year	1.2	14.2	15.4

21. Investment management expenses

	2011/12 £m	2010/11 £m
Administration, management and custody	6.7	6.2
Performance measurement service	0.1	0.1
Other advisory fees	1.5	1.7
Total	8.3	8.0

22. Current assets

	2011/12 £m	2010/11 £m
Contributions due from:		
Employers	10.4	13.3
Members	2.4	2.6
Transfer values receivable	0	0
Sundry Debtors	0	0
Cash Balances	0	0
Debtors: bodies external to general government	10.5	5.7
Total	23.3	21.6

23. Analysis of debtors

	2011/12 £m	2010/11 £m
Central government bodies	0	0
Other local authorities	5.5	7.3
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	17.8	14.3
Total	23.3	21.6

Included within the contributions due from employers figure is £2.4 million, in relation to a deferred debt due from the Ministry of Justice in transferring Lancashire Magistrates Courts to central government.

These payments will be received in 10 annual instalments, the total figure having been discounted over the life of the deferral.

24. Current liabilities

	2011/12 £m	2010/11 £m
Unpaid benefits	2.8	7.7
Accrued expenses	0.4	1.5
Total	3.2	9.2

25. Analysis of creditors

	2011/12 £m	2010/11 £m
Central government bodies	0	0
Other local authorities	(1.2)	(2.8)
NHS bodies	0	0
Public corporations and trading funds	0	0
Other entities and individuals	4.4	12.0
Total	3.2	9.2

26. Contingent Asset and Liability

The Pension Fund is a member of two group litigation actions aimed at reclaiming tax credits on overseas dividends and foreign income dividends on the basis that the original denial of a full tax credit was in contravention of EU non-discrimination law. If successful the estimated potential income to the Pension Fund is in the region of £10m. The estimated fees payable in respect of the litigations, regardless of the outcome, are approximately £300,000. This issue is still progressing through the courts.

27. Contractual Commitments

The Pension Fund holds investments in various Private Equity partnerships, the value of these investments at 31 March 2012 being £287.5m. 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. The outstanding commitments at 31 March 2012 are £231.7m.

28. 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. They include:

- At 31 March 2012, Gill Kilpatrick, CPFA, was Treasurer to the Pension Fund and County Treasurer for Lancashire County Council.
- The Pension Fund includes 66 scheduled and 154 admitted bodies. A list of the individual bodies within the scheme is found at note 1 to these accounts.
- The Pension Fund Committee comprises 14 County Councillors, 2 Councillors from Unitary Authorities, 2 Councillors from the Lancashire

Leaders Group, 2 Trade Union representatives, 1 representative from the Higher/Further education establishments and the Investment Advisory Panel.

The Pension Fund Committee members and senior officers of the Pension Fund were asked to complete a related party declaration for 2011/12. This revealed no material transactions between the Council and the members / officers and their families affecting involvement with the Pension Fund. Each member of the Pension Fund Committee formally considers conflicts of interest at each meeting.
The Lancashire 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 £2.9 million (2010/11: £2.9 million) in relation to the administration of the fund and 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 £68.5 million to the fund in 2011/12 (2010/11:£70.9m million). All monies owing to and due from the fund were paid in year.

Part of the pension fund cash holdings are invested on the money markets by the treasury management operations of Lancashire Council County. During the year to 31 March 2012, the fund had an average investment balance of £136.8 million.

29. Impairment of Icelandic Investment
Lancashire County Pension Fund had £2.4m on deposit with the Icelandic Bank Landsbanki when it collapsed in October 2008. The Pension Fund was one of many UK and Dutch organisations with such deposits, all of whom were granted priority creditor status by the Icelandic Supreme Court at a hearing in Reykjavik on 14th and 15th of September 2011. The Winding Up Board announced on 9th March 2012 that it anticipated recoveries in the Landsbanki Administration would exceed the book value of recognised priority claims by around ISK 121bn. Estimated recoveries are some 9% higher than the value of priority claims, and it is therefore now considered likely that the Pension Fund will recover 100% of their deposits, subject to potential future exchange rate fluctuations.
The Winding Up Board made its first distribution on 7th December 2011 and a second distribution on 25th May 2012. Approximately 42% of the total claim has now been repaid.

The table below shows the combined amount of the distributions and the amount outstanding.

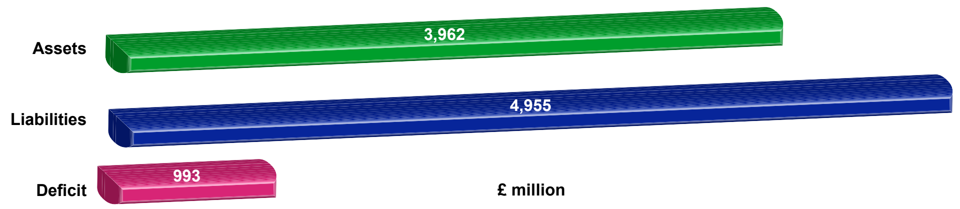
Claim	£
Principal	2,486,996.66
Interest	36,086.66
Total Claim	2,523,083.32
Distributions received to date:	
Principal	1,035,035.92
Interest	15,018.51
Total Distributions	1,050,054.43
Claim Outstanding	1,473,028.89

The exact timing and amounts of future distributions is not known at this stage. The deposit is treated as an asset on the balance sheet and the carrying value is written down as distributions are received.

30. Funding arrangements

Accounts for the year ended 31 March 2012 - Statement by the Consulting Actuary
This statement has been provided to meet the requirements under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2010 to determine the contribution rates with effect from 1 April 2011 to 31 March 2014.
On the basis of the assumptions adopted, the Fund's assets of £3,962 million represented 80% of the Fund's past service liabilities of £4,955 million (the "Funding Target") at the valuation date.



The valuation also showed that a common rate of contribution of 12.5% of pensionable pay per annum was required from employers. The common 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.

Adopting the same method and assumptions as used for assessing the Funding Target the deficit would be eliminated by an average additional contribution rate of 6.6% of pensionable pay for 19 years. This would imply an average employer contribution rate of 19.1% of pensionable pay in total.

Further details regarding the results of the valuation are contained in our formal report on the actuarial valuation dated 31 March 2011

In practice, each individual employer's position is assessed separately and the contributions required are set out in our 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 (although certain employers have some allowance for non-ill health early retirement costs included in their certified contribution rate).

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing 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 common contribution rate were as follows:

	For past service liabilities (Funding Target)	**For future service liabilities (Common Contribution Rate)**
Rate of return on investments (discount rate)		
- pre retirement	7.0% per annum	6.75% per annum
- post retirement	5.5% per annum	6.75% per annum
Rate of pay increases	5.0% per annum	5.0% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	3.0% per annum	3.0% per annum

The assets were assessed at market value.
The next triennial actuarial valuation of the Fund is due as at 31 March 2013. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2014.

31. Actuarial Present Value of Promised Retirement Benefits for the purpose of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes. In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 5.6% p.a. both before and after retirement, rather than the rates outlined. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2010 was £5,422 million.

John Livesey
Fellow of the Institute and Faculty of Actuaries
Mercer Limited
June 2012

32. Statement of Investment Principles

The Pension Fund operates within its approved Statement of Investment Principles, which is published by the Fund and available from the Fund's website at http://www.yourpensionservice.org.uk.

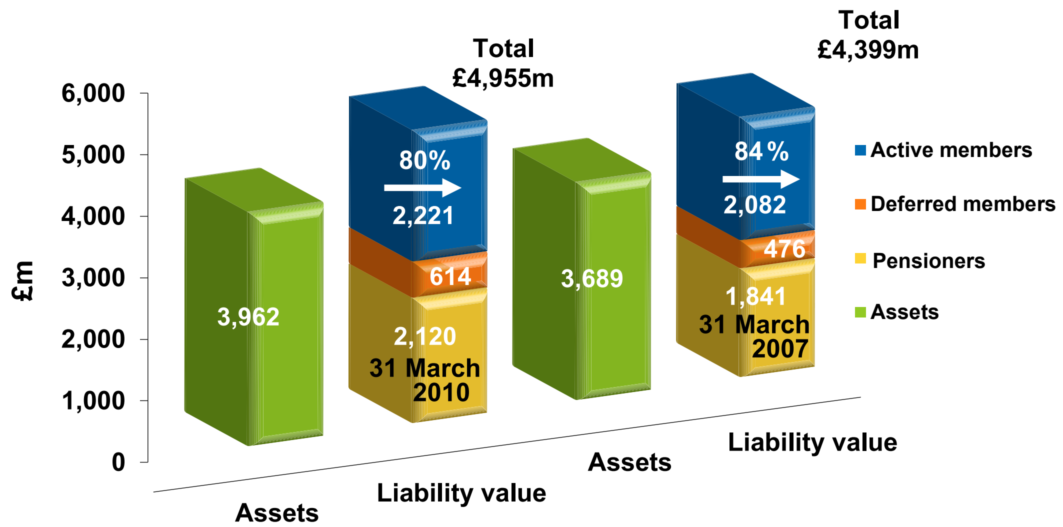
G. Actuarial Valuation

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 2010 which determines contribution rates effective from 1 April 2011 to 31 March 2014.
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. The methodology and assumptions by which the Funding Targets and contribution rates are calculated have also been determined in accordance with the Funding Strategy Statement.

The Funding Strategy Statement specifies a maximum period for achieving full funding of 19 years, this compares to a maximum period of 22 years adopted at the 2007 valuation in accordance with the then published FSS. The maximum deficit recovery period is now three years shorter so that the same target date for achieving full funding is being maintained as at the 2007 valuation. The FSS also specifies any transitional arrangements ("phasing") for the implementation of revised employer contribution requirements.

The valuation (effective from 1 April 2011) revealed a funding level of 80% and an average employer's contribution rate of 19.1%. There have been a number of material developments which have impacted on the fund since the previous valuation in 2007. The introduction of an Inflation Risk Premium (IRP) into the determination of the pension increase assumption used for the valuation has offset the adverse impact of the fall in real yields since the 2007 valuation. The effect of the IRP in conjunction with the change from RPI to CPI indexation more than offsets the negative impact of the yields change. Revisions of the assumptions adopted for the 2010 valuation has overall acted to place a lower value on liabilities and has therefore improved the funding position.
An extract from the certified Actuarial Valuation produced by Mercer as at 31 March 2010, detailing the breakdown of the 80% funding level is as follows:

Funding results – Funding Target
The market value of the Fund's assets at the valuation date is compared with the value of the Fund's past service liabilities (the Funding Target) below. The funding position at the previous valuation is shown for comparison.



The employer contributions for 2011/2012 are based on the 2010 valuation and the recommended employer contributions for the period 1 April 2011 to 31 March 2014 are set out in the Schedule to the Rates and Adjustments on the following table 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 Annex 1 of the Funding Strategy Statement.

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 36 of the Administration Regulations

Name of Fund	**Lancashire County Pension Fund**

I hereby certify that, in my opinion, the common rate of employers' contributions payable in each year of the period of three years beginning 1 April 2011 should be at the rate of 12.5 per cent of Pensionable Pay.
I hereby certify that, in my opinion, the amount of the employers' contributions payable in each year of the period of three years beginning with 1 April 2011, as set out above, should be individually adjusted as set out in the attached schedule.
Contributions will be payable monthly in arrears with each payment normally being due by the 19th of the following month. Pensionable Pay is pay as determined under the LGPS regulations for the calculation of employee contributions.
For employers where no allowance for non ill-health early retirement costs is included in the valuation 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. Additional contributions may be paid if requested by the employer concerned.
The 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 against a third party.

Regulation 36(8)

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.
For four employers I have shown on the attached Schedule the allowance made for non-ill health early retirements over the period of three years beginning 1 April 2011 taken into account when setting this employer's contribution rate.
No allowance for non-ill health early retirements has been made in determining the results of the valuation for other employers, on the basis that the costs arising will be met by additional contributions.

Signature	
Name	John Livesey
Qualification	Fellow of the Institute of Actuaries
Date of signing	31 March 2011

Schedule to the Rates and Adjustments Certificate dated 30 March 2008

Employers	2011/12 Individual Adjustment %	2011/12 Total Contribution Rate %	2012/13 Individual Adjustment %	2012/13 Total Contribution Rate %	2013/14 Individual Adjustment %	2013/14 Total Contribution Rate %	Non-ill health early retirement allowance included for the 3 years 2011/14 Amount £
ABM Catering Ltd	3.5	16.0	3.5	16.0	3.5	16.0	
Accrington & Rossendale College	7.1	19.6	7.1	19.6	7.1	19.6	
Accrington Academy	-1.8	10.7	-1.8	10.7	-1.8	10.7	
Alternative Futures	1.7	14.2	1.7	14.2	1.7	14.2	
Andron (City of Preston High)	-1.2	11.3	-1.2	11.3	-1.2	11.3	
Andron (Glenburn Sports College)	0.5	13.0	0.5	13.0	0.5	13.0	
Andron (Kennington)	0.0	12.5	0.0	12.5	0.0	12.5	
Andron (Ribblesdale High)	-0.3	12.2	-0.3	12.2	-0.3	12.2	
Arnold Schools	5.0	17.5	6.2	18.7	7.4	19.9	
Beaufort Avenue Day Care Centre	14.0	26.5	17.7	30.2	21.3	33.8	
Blackburn College	2.9	15.4	2.9	15.4	2.9	15.4	
Blackburn St Mary's College	1.7	14.2	1.7	14.2	1.7	14.2	
Blackburn with Darwen Borough Council	3.1	15.6	3.6	16.1	4.1	16.6	
Blackpool & The Fylde College	5.0	17.5	5.0	17.5	5.0	17.5	£246,000
Blackpool Airport Ltd (from July 2004)	20.5	33.0	24.5	37.0	27.8	40.3	
Blackpool Borough Council	3.9	16.4	4.4	16.9	4.9	17.4	£697,600
Blackpool Coastal Housing	-0.5	12.0	-0.5	12.0	-0.5	12.0	
Blackpool Sixth Form College	-0.5	12.0	-0.5	12.0	-0.5	12.0	
Blackpool Transport Services Ltd	-12.5	0.0	-12.5	0.0	-12.5	0.0	
Blackpool Zoo (Grant Leisure)	5.5	18.0	7.1	19.6	8.8	21.3	
Blackpool, Fylde & Wyre Society for the Blind	29.5	42.0	32.5	45.0	35.5	48.0	
Bootstrap Enterprise Ltd	0.2	12.7	0.2	12.7	0.2	12.7	
Bulloughs (Highfield)	-2.0	10.5	-2.0	10.5	-2.0	10.5	
Bulloughs (St Augustines)	1.9	14.4	1.9	14.4	1.9	14.4	
Bulloughs (St Marys)	4.0	16.5	4.0	16.5	4.0	16.5	

Employers	2011/12 Individual Adjustment %	2011/12 Total Contribution Rate %	2012/13 Individual Adjustment %	2012/13 Total Contribution Rate %	2013/14 Individual Adjustment %	2013/14 Total Contribution Rate %	Non-ill health early retirement allowance included for the 3 years 2011/14 Amount £
Burnley Borough Council	12.5	25.0	12.5	25.0	12.5	25.0	
Burnley College	2.3	14.8	2.3	14.8	2.3	14.8	
Calico Housing Ltd	6.8	19.3	6.8	19.3	6.8	19.3	
CAPITA	12.2	24.7	14.1	26.6	16.0	28.5	
Capita (Rossendale BC)	3.1	15.6	4.6	17.1	6.0	18.5	
Cardinal Newman College	3.3	15.8	3.3	15.8	3.3	15.8	
Caritas Care Ltd (was Catholic Caring Services)	6.2	18.7	6.2	18.7	6.2	18.7	
Catterall Parish Council	2.3	14.8	2.3	14.8	2.3	14.8	
Chorley Borough Council	6.8	19.3	7.3	19.8	7.8	20.3	
Chorley Community Housing	1.6	14.1	1.6	14.1	1.6	14.1	
Church Road Methodist Day Centre	6.7	19.2	7.0	19.5	7.3	19.8	
Commission for Education & Formation	8.0	20.5	8.0	20.5	8.0	20.5	
Community Council of Lancashire	8.3	20.8	8.3	20.8	8.3	20.8	
Community Gateway Association Ltd	1.7	14.2	2.4	14.9	3.0	15.5	
Connaught Environmental (Blackpool BC)	-3.9	8.6	-3.9	8.6	-3.9	8.6	
Connaught Environmental (Blackpool Coastal Housing)	0.5	13.0	0.5	13.0	0.5	13.0	
Consultant Caterers Ltd	2.5	15.0	2.5	15.0	2.5	15.0	
Contour Housing Association	4.1	16.6	4.1	16.6	4.1	16.6	
Creative Support Ltd	1.6	14.1	1.6	14.1	1.6	14.1	
CXL Ltd	-0.6	11.9	-0.6	11.9	-0.6	11.9	
Danfo (UK) Ltd	172.2	184.7	172.2	184.7	172.2	184.7	
Darwen Aldridge Community Academy	-1.2	11.3	-1.2	11.3	-1.2	11.3	
E ON UK Plc	6.2	18.7	6.2	18.7	6.2	18.7	
Edge Hill University College	1.5	14.0	2.0	14.5	2.5	15.0	
Enterprise Managed Services Ltd	1.1	13.6	2.4	14.9	3.6	16.1	
Eric Wright Commercial Ltd	5.4	17.9	5.4	17.9	5.4	17.9	
Fulwood Academy	-1.3	11.2	-1.3	11.2	-1.3	11.2	
Fylde Borough Council	7.0	19.5	8.3	20.8	9.5	22.0	
Fylde Coast YMCA (Fylde)	-2.0	10.5	-2.0	10.5	-2.0	10.5	

Employers	2011/12 Individual Adjustment %	2011/12 Total Contribution Rate %	2012/13 Individual Adjustment %	2012/13 Total Contribution Rate %	2013/14 Individual Adjustment %	2013/14 Total Contribution Rate %	Non-ill health early retirement allowance included for the 3 years 2011/14 Amount £
Fylde Community Link	4.3	16.8	4.3	16.8	4.3	16.8	
Galloways Society for the Blind	32.2	44.7	32.2	44.7	32.2	44.7	
Garstang Town Council	-1.3	11.2	-1.3	11.2	-1.3	11.2	
Housing Pendle Ltd	1.8	14.3	1.8	14.3	1.8	14.3	
Hyndburn Borough Council	12.3	24.8	12.3	24.8	12.3	24.8	
Hyndburn Homes Ltd	1.4	13.9	1.4	13.9	1.4	13.9	
I Care	-1.6	10.9	-1.6	10.9	-1.6	10.9	
Kirkham Grammar School	4.1	16.6	4.6	17.1	5.1	17.6	
Kirkland Parish Council	2.5	15.0	2.5	15.0	2.5	15.0	
Lancashire & Blackpool Tourist Board	1.1	13.6	1.1	13.6	1.1	13.6	
Lancashire County Branch Unison	8.0	20.5	8.0	20.5	8.0	20.5	
Lancashire County Council	5.8	18.3	6.2	18.7	6.6	19.1	
Lancashire Fire & Rescue Service	5.0	17.5	5.0	17.5	5.0	17.5	£199,000
Lancashire Police Authority	2.3	14.8	2.8	15.3	3.3	15.8	£450,500
Lancashire Probation Committee	6.6	19.1	6.6	19.1	6.6	19.1	
Lancaster & Morecambe College	4.1	16.6	4.1	16.6	4.1	16.6	
Lancaster City Council	8.1	20.6	8.1	20.6	8.1	20.6	
Lancaster University	1.9	14.4	2.2	14.7	2.6	15.1	
Leisure in Hyndburn	3.3	15.8	4.5	17.0	5.7	18.2	
Liberata	6.0	18.5	6.0	18.5	6.0	18.5	
Liberata UK Ltd (Chorley)	8.9	21.4	8.9	21.4	8.9	21.4	
Lytham Schools Foundation	2.2	14.7	2.2	14.7	2.2	14.7	
Mellor's (formerly Wyre)	1.7	14.2	1.7	14.2	1.7	14.2	
Mellor's Catering (Cardinal Newman)	5.0	17.5	5.0	17.5	5.0	17.5	
Myerscough College	0.8	13.3	1.0	13.5	1.1	13.6	
Nelson and Colne College	3.3	15.8	3.3	15.8	3.3	15.8	
New Fylde Housing	42.3	54.8	42.3	54.8	42.3	54.8	
New Progress Housing	3.9	16.4	3.9	16.4	3.9	16.4	

Employers	2011/12 Individual Adjustment %	2011/12 Total Contribution Rate %	2012/13 Individual Adjustment %	2012/13 Total Contribution Rate %	2013/14 Individual Adjustment %	2013/14 Total Contribution Rate %	Non-ill health early retirement allowance included for the 3 years 2011/14 Amount £
NHS PCT Blackburn	1.6	14.1	1.6	14.1	1.6	14.1	
NIC Services Group Ltd	2.5	15.0	2.5	15.0	2.5	15.0	
North Western & North Wales Sea Fisheries Committee	13.4	25.9	13.4	25.9	13.4	25.9	
Northgate Managed Services	0.1	12.6	0.1	12.6	0.1	12.6	
NSL Ltd (Lancaster)	4.5	17.0	4.5	17.0	4.5	17.0	
NSL Ltd (Wyre BC)	0.6	13.1	0.6	13.1	0.6	13.1	
Ormerod Home Trust Ltd	11.7	24.2	13.7	26.2	15.5	28.0	
Our Lady Queen of Peace (Bullough Contract Services)	3.5	16.0	3.5	16.0	3.5	16.0	
Pendle Borough Council	12.1	24.6	14.1	26.6	16.2	28.7	
Pendle Leisure Trust Ltd	1.2	13.7	1.2	13.7	1.2	13.7	
Penwortham Town Council	1.5	14.0	1.5	14.0	1.5	14.0	
Pilling Parish Council	4.8	17.3	4.8	17.3	4.8	17.3	
Preston Care and Repair	6.0	18.5	6.0	18.5	6.0	18.5	
Preston City Council	5.6	18.1	6.1	18.6	6.6	19.1	
Preston College	2.7	15.2	3.0	15.5	3.3	15.8	
Preston Council for Voluntary Services	9.4	21.9	9.4	21.9	9.4	21.9	
Progress Care Housing	3.9	16.4	3.9	16.4	3.9	16.4	
Progress Housing Group Ltd	3.9	16.4	3.9	16.4	3.9	16.4	
Progress Recruitments	2.9	15.4	2.9	15.4	2.9	16.4	
Queen Elizabeth's Grammar School	8.3	20.8	9.3	21.8	10.3	22.8	
Ribble Valley Borough Council	3.6	16.1	4.1	16.6	4.6	17.1	
Ribble Valley Homes	1.8	14.3	1.8	14.3	1.8	14.3	
Rossendale Borough Council	13.8	26.3	15.3	27.8	16.8	29.3	
Rossendale Leisure Trust	0.2	12.7	1.2	13.7	2.1	14.6	
Rossendale Transport Ltd	10.7	23.2	19.3	31.8	27.8	40.3	
Runshaw College	2.6	15.1	2.9	15.4	3.2	15.7	
Signposts MARC Ltd	-12.5	0.0	-12.5	0.0	-12.5	0.0	

Employers	2011/12 Individual Adjustment %	2011/12 Total Contribution Rate %	2012/13 Individual Adjustment %	2012/13 Total Contribution Rate %	2013/14 Individual Adjustment %	2013/14 Total Contribution Rate %	Non-ill health early retirement allowance included for the 3 years 2011/14 Amount £
Solar Facilities (Bishop Raws)	-12.5	0.0	-12.5	0.0	-12.5	0.0	
Solar Facilities (Ripley)	8.5	21.0	8.5	21.0	8.5	21.0	
Solar Facilities (Seven Stars)	3.4	15.9	3.4	15.9	3.4	15.9	
Solar Facilities (St Peters)	-3.0	9.5	-3.0	9.5	-3.0	9.5	
Solar Facilities (Tarleton)	1.4	13.9	1.4	13.9	1.4	13.9	
South Ribble Borough Council	6.8	19.3	7.8	20.3	8.8	21.3	
South Ribble Community Leisure Ltd	10.4	22.9	10.4	22.9	10.4	22.9	
St Anne's on Sea Town Council	-1.4	11.1	-1.4	11.1	-1.4	11.1	
Surestart Hyndburn	-2.0	10.5	-1.0	11.5	-0.1	12.4	
Twin Valley Homes Ltd	3.8	16.3	3.8	16.3	3.8	16.3	
University of Central Lancashire	1.6	14.1	1.6	14.1	1.6	14.1	
University of Cumbria (was St Martins College)	1.5	14.0	1.5	14.0	1.5	14.0	
Vita Lend Lease BSF ICT	0.2	12.7	0.2	12.7	0.2	12.7	
Vita Lend Lease Ltd	1.3	13.8	1.3	13.8	1.3	13.8	
West Lancashire Borough Council	7.5	20.0	7.5	20.0	7.5	20.0	
West Lancashire Community Leisure Ltd	-0.5	12.0	-0.5	12.0	-0.5	12.0	
Whitworth Town Council	3.6	16.1	3.6	16.1	3.6	16.1	
Wyre Borough Council	12.6	25.1	12.6	25.1	12.6	25.1	
Wyre Housing Association	57.8	70.3	57.8	70.3	57.8	70.3	

Other interested bodies with no pensionable employees

Former Employers	Proportion of Pension Increases to be Recharged %
Alzheimer's Society	See notes
Barnoldswick Town Council	See notes
Blackpool & Fylde Mind Association	See notes
Blackpool & Fylde Society for the Deaf	100
Blackpool Town Centre Forum Ltd	See notes
Bulloughs (St Albans)	See notes
Burnley & Pendle Development Association	100
Burton Manor Residential College	100
Carden Croft Ltd	See notes
Community Alliance (Burnley & Padiham) Ltd	See notes
CSB Contract Services	See notes
Elm House Management Committee	See notes

Former Employers	Proportion of Pension Increases to be Recharged %
Ex Department of Transport	100
Ex National Health Service	100
Ex National Water Council	100
Fylde Coast Development Association	100
Lancashire South East Probation Committee	100
Lancashire Valuation Tribunal	See notes
New Directions	See notes
Preston Vision Ltd	See notes
Samlesbury & Cuerdale Parish Council	See notes
Skelmersdale College	See notes
Spastics Society	100

Notes

Members of the Fund employed by Skelmersdale College have transferred to membership of the Tyne and Wear Fund, and so a bulk transfer payment will be required. Any residual funding shortfall in the LCPF after the transfer payment should then be recovered from the College.

For the remaining employers listed as "see notes" above further calculations are required in connection with them ceasing to participate in the Fund.
Further details for these employers will be notified in due course.

H: Contacts

http://www.yourpensionservice.org.uk

Benefits and other Administrative Issues

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Pension Benefits and Administration

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Pension Fund Accounts, Investments and Governance

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I
PLANNED

I. Appendices

LANCASHIRE COUNTY PENSION FUND
GOVERNANCE POLICY STATEMENT

(Updated as at July 2011)

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 31 of the LGPS (Administration) Regulations.

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

PURPOSE of 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 it delegates its function, or part of its function, in relation to maintaining a pension fund to a committee, sub-committee or officer of the authority;

(b) if it does so –

the frequency of any committee or sub-committee meetings;
the terms, structure and operational procedures of the delegation;
whether such a committee or sub-committee includes representatives of employing authorities (including non-scheme employers) or scheme members, and if so, whether those representatives have voting rights.

(c) the extent to which a delegation, or absence of a delegation, complies with guidance given by the Secretary of State and, to the extent it does not so comply, the reasons for not complying.

GOVERNANCE of Lancashire County Pension Fund

4. Under the cabinet structure in local government, management of the pension fund is a non-executive function and this is reflected in the Lancashire governance structure that is set out below. The Pension Fund Committee reports directly to Full Council. The County Treasurer is designated Treasurer to the Pension Fund.

COUNTY COUNCIL
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. exercise responsibility for the administration of the Lancashire County Pension Fund ("the Fund");
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. 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.

Terms of Reference

1. 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.

2. To have overall responsibility for investment policy and monitor overall performance.

3. 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.

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

5. To meet at least quarterly, or otherwise as necessary, with the Investment Panel in attendance.

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

7. To approve the policies and procedures for any internally managed Fund investments.

8. To establish a Pension Fund Administration Sub-Committee and agree its composition, role and terms of reference.

9. To receive regular reports from the Treasurer to the Fund on the administration of the Fund to ensure that best practice standards are satisfied and met and to satisfy itself that and justify to all stakeholders, including Fund Employers, that the Fund is being run on an efficient and effective basis.

10. To approve the procurement process, tender award criteria and evaluation methodology in advance of any tender being invited for the appointment of external advisers and other external assistance in relation to the management of the Fund, to include:

    a. external Investment Managers to discharge functions to be determined by the Committee relating to the management of the Fund's investments;
    b. external property agents and advisors;
    c. an external corporate governance adviser;
    d. an external Fund custodian;
    e. external performance measurement advisers;
    f. the Fund Actuary; and
    g. the Fund's AVC Provider.

11. To approve an Annual Business Plan, Statement of Investment Principles, Governance Policy Statement, Treasury Management Strategy and Policy and Governance Compliance Statement.

12. To approve the Pension Fund Annual Report.

13. To approve a Funding Strategy statement to include the Fund's policy in respect of:

    a. the Funding Target;
    b. the collection of employee contributions;
    c. the collection of employer contributions;
    d. the collection of additional employer contributions; and
    e. Admissions and Terminations.

14. To determine which pension related functions and responsibilities should be exercised under the Council's Scheme of Delegation to Chief Officers.

15. To approve the overall appropriate and necessary training requirements for members of the Committee.

PENSION FUND ADMINISTRATION SUB-COMMITTEE
(Sub-Committee of the Pension Fund Committee)

Composition and role

1. The role of the Pension Fund Administration Sub-Committee ("the Sub-Committee") is to ensure that best practice standards are satisfied and met and to satisfy itself that and justify to all stakeholders, including Fund Employers, that the Fund is being run on an efficient and effective basis.

2. The Sub-Committee shall meet at least twice a year or otherwise as necessary.

3. The membership of the Sub-Committee shall be determined by the Pension Fund Committee ("the Committee"). The current membership is five County Councillors, one Trade Union representative and one representative from either the Lancashire borough and city councils or the Lancashire Unitary Authorities. All members have voting rights.

Terms of Reference

1. To ensure that the Committee's functions as Administering Authority are discharged and approve an Annual Administration Report.

2. To agree the terms of a Service Level Agreement in relation to the provision of administration services and support.

3. To submit reports and make recommendations to the Committee relating to the administration of the Lancashire County Pension Fund.

4. To respond to any Government consultations relating to the administration and benefits of the Local Government Pension Scheme.

5. To approve the following:

    a. Pensions Administration strategy statement;
    b. Communication Policy statement;
    c. Internal Dispute Resolution procedure;
    d. Death Grant procedure;
    e. Bulk Transfer Payment policy;
    f. Commutation policy (small pensions);
    g. Transfer policy; and
    h. Abatement policy.

INVESTMENT PANEL

Composition and role

1. The Investment Panel ("the Panel") will provide expert professional advice to the Pension Fund Committee in relation to investment activities, including the following categories of investment:

    a. fixed interest securities managed by Investment Managers;
    b. UK equities managed by the Investment Managers;
    c. overseas equities and bonds managed by Investment Managers;
    d. local investment in the acquisition and development of property in accordance with the investment strategy approved by the Pension Fund Committee;
    e. UK and overseas unquoted investments via venture capital funds and other local arrangements;
    f. acquisition of land and premises and the development of such land and improvements, refurbishment and modernisation of such premises;
    g. indirect pooled property investments;
    h. designated index linked funds;
    i. investments managed internally and not by Investment Managers; and
    j. any other monies to be invested other than in the above categories; provided that in all cases the investment activity is consistent with the investment strategy approved by the Pension Fund Committee.

2. The Panel will:

    a. review the Fund's long term investment strategy and where necessary make recommendations to the Pension Fund Committee;
    b. monitor the performance of the Fund's Investment Managers; and
    c. report on the performance of the Fund and where necessary make recommendations to the Pension Fund Committee.

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

4. The membership of the Panel comprises:

    a. The Treasurer to the Fund (as Chair);
    b. Not less than two independent advisers appointed in accordance with arrangements determined by the Pension Fund Committee;
    c. The officer of the County Council fulfilling the role of Chief Investment Officer for the Fund; and
    d. An officer of the County Council identified by the Treasurer to the Fund to oversee investment activities.

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

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

Terms of Reference

1. To provide advice to the Treasurer of the Fund regarding:

    a. Recommendations to the Pension Fund Committee in relation to the Investment Strategy for the Fund;
    b. The performance management of Investment Managers;
    c. The broad composition of the Fund's investment portfolio, management style and types of investment;
    d. The proposed procurement process, tender award criteria and evaluation methodology for external advisers and other external assistance including investment managers, property agents and advisors, corporate governance adviser, Fund Custodian, performance measurement advisers, the Fund Actuary and the Fund's AVC Provider (" external support") to enable the Treasurer to the Fund to seek the approval of the Pension Fund Committee to commence the procurement of any required external support;
    e. The selection and appointment of any required external support (subject to the role of the Pension Fund Committee), their terms of office and remit;
    f. The allocation of ranges and thresholds within which the Investment Managers should operate;
    g. Review of the Statement of Investment Principles and compliance with investment arrangements;
    h. Recommendations on the detailed management of the investment portfolios to respond to requests from investment managers to vary certain aspects of their mandates;
    i. The performance management of an internally managed investments; and
    j. The securing of specialist advice within allocated budgets.

DELEGATION

Under the Scheme of Delegation to Chief Officers, Council and Committee Functions are delegated as follows: -

County Treasurer

Pensions Fund

As Treasurer of the Lancashire County Pension Fund:

1. Subject to the prior agreement of the two independent advisers on the Investment Panel to allocate monies for investment in the following categories of investment:

    a. categories fixed interest securities managed by Investment Managers;
    b. UK equities managed by Investment Managers;
    c. overseas equities and bonds managed by Investment Managers;
    d. local investment in the acquisition and development of property in accordance with the investment strategy approved by the Pension Fund Committee;

e. UK and overseas unquoted investments via venture capital funds and other local arrangements;
f. acquisition of land and premises and the development of such land and improvements, refurbishment and modernisation of such premises;
g. indirect pooled property investments;
h. designated index linked funds;
i. investments not to be managed by Investment Managers; and
j. other monies to be invested other than the above categories. Provided that in all cases the investment activity is consistent with the investment strategy approved by the Pension Fund Committee.

2. To report to each meeting of the Pension Fund Committee:

a. the investments authorised by the Treasurer to the Fund in accordance with paragraph 1 above since the previous meeting of the Pension Fund Committee, including the recommendations made by the Investment Panel in relation to each investment ;and
b. any investments that were considered by the Investment Panel but were not actioned by the Treasurer to the Fund together with the reasons for this.

3. To set the appropriate funding target for the Fund.

4. To place any monies not allocated to investments on short term deposit in accordance with the Treasury Management Strategy and Policy approved by the Pension Fund Committee.

5. In consultation with the Investment Panel, to monitor and review the performance of investments made by Investment Managers and to report to each meeting of the Pension Fund Committee on the exercise of this delegation.

6. To be responsible for the management of the Fund's property portfolio in accordance with the policy guidelines of the Pension Fund Committee and subject to the Procurement rules and Financial Regulations of the County Council, comprising:-

a. the negotiation and acceptance of terms for the acquisition, development and redevelopment and disposal of land and buildings;
b. the acquisition and disposal of incidental property vehicles;
c. the negotiation and acceptance of terms for the granting, renewing, reviewing, varying or assignment of leases, underleases, tenancies, licences and any other interest in Fund property;
d. the preparation and implementation of schemes of works of modernisation, improvement, maintenance and repair to Fund property together with the invitation and acceptance of tenders and the authorisation of expenditure on such works;
e. the appointment and supervision of managing agents and professional advisors necessary for the effective management of the Fund's property portfolio, within budget provision;
f. the collection of all rents, the setting of management and collection of service charges, insurance premiums and any other monies arising out of the Fund's property portfolio, together with the approval of any in-house systems established to achieve this; and

g. The placing of insurance cover for the Fund's property portfolio to such value and for such risks as shall be considered appropriate.

7. To execute documentation relating to the implementation of a new investment mandate or existing investment mandates, including the renewal of property leases.

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

9. To arrange and authorise the provision of appropriate 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.

10. 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.

11. To prepare and submit the following to Pension Fund Administration Sub-Committee:

a. Pension Administration Strategy statement;
b. Commutation policy (small pensions);
c. Internal Dispute Resolution procedure;
d. Death Grant procedure;
e. Bulk Transfer Payment policy;
f. Transfer policy;
g. Abatement policy; and
h. Communication policy statement;

and to arrange for the implementation and review as necessary of the abovementioned statements, strategies, policies and procedures

12. To prepare and submit the following to the Pension Fund Committee:

a. Pension Fund Annual Report;
b. Annual Business Plan;
c. Statement of Investment Principles;
d. Funding Strategy statement including the Fund’s policy in respect of:

(i) the Funding Target;
(ii) the collection of employee contributions;
(iii) the collection of employer contributions;
(iv) the collection of additional employer contributions;
(v) Admissions and Terminations;

e. Governance Policy Statement;
f. Governance Compliance Statement; and

g. Treasury Management Strategy and Policy and to arrange for the implementation and review as necessary of the abovementioned statements, strategies, policies and procedures.

13. To carry out the administrative functions of the administering authority relating to the Local Government Pension Scheme, under the terms of a Service Level Agreement.

14. The payment of death grants in accordance with the agreed Death Grant Procedures.

15. To deal with stage 2 appeals under the Internal Dispute Resolution Procedure.

16. To arrange and authorise appropriate and necessary training for members of the Committee.

17.To appoint any required external support (subject to the role of the Pension Fund Committee and the Independent Investment Panel), their terms of office and remit.

CURRENT 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. The sessions cover all aspects of funding, investments, Scheme management and administration and are facilitated by an appropriate Officer, Investment Manager or Fund Actuary.

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.

INCLUSION

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 provide 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'.

REVIEW

This document is reviewed following any material changes to the administering authority's governance policy and was last reviewed on 15 April 2011.

APPENDIX I

Lancashire County Pension Fund Governance Compliance Statement:

Principle		Compliance
A. Structure	(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council (b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee(1) (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)	✘ ✘
C. Selection and Role of Lay Members	(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. (It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all time.)	✓
D. Voting	(a) the policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	✓
E. Training / Facility Time / Expenses	(a) that in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process. (b) that where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	✓ ✓
F. Meetings - Frequency	(a) that an administering authority's main committee or committees meet at least quarterly. (b) that an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits. (c) that administering authorities who do not include lay members in their formal governance	✓ ✓

	arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.	✓
G. Access	(a) that subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.	✓
H. Scope	a) that administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	✓
I. Publicity	(a) that administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.	✓

Notes

(1) The reasons for partial compliance in respect of Structure are as follows. District Councils, Scheduled Bodies and Scheme are represented. Admitted bodies only represent 7% 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.

(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 essentially that currently performed by officers and it is not apparent what added value such an appointment would bring. This is the reason for partial compliance in respect of Representation.

PENSION FUND ADMINISTRATION SUB COMMITTEE APPENDIX A

LANCASHIRE COUNTY PENSION FUND

Administration Report 2011/12

your pension service

Lancashire County Council

1. INTRODUCTION

a) Purpose

This annual 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 against the standards set out in the SLA during the year.

The SLA exists between Your Pension Service and the Pension Fund Committee for the provision of a range of pension administration services and support. This agreement has been in place since 31 October 1997.

The report also explains the activities and events undertaken by Your Pension Service (YPS) over the reporting year.

b) Review of the Year

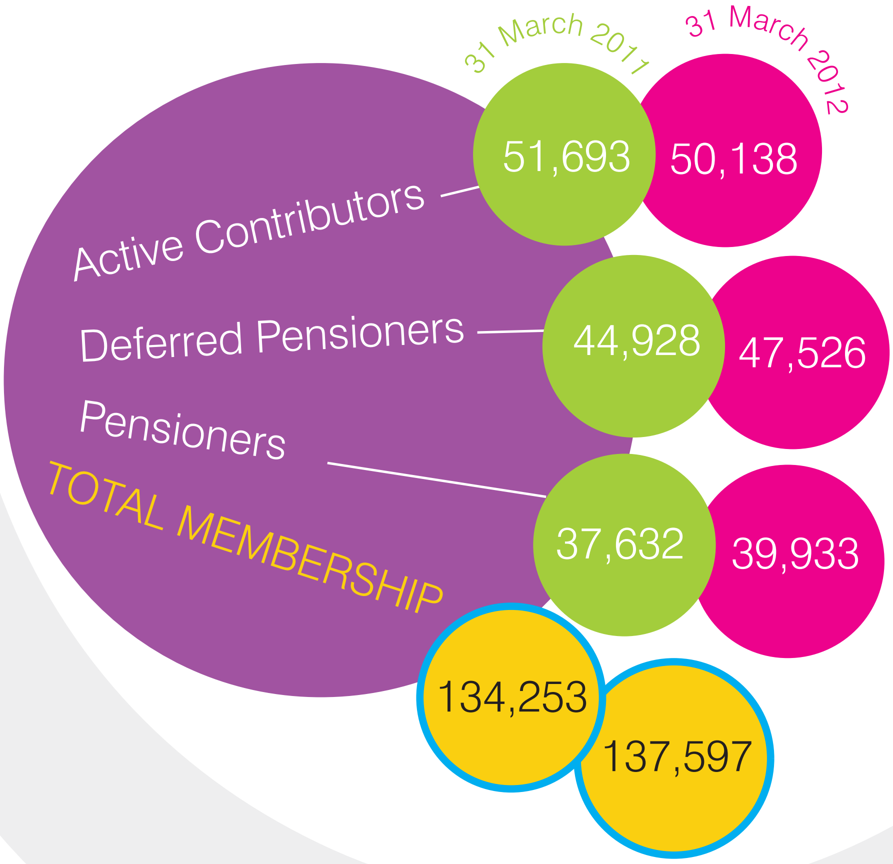
2011 has been a year of change within Your Pension Service. By far the biggest development within the Service was the transfer of the Fund's pensioner payroll to our integrated pensions administration and payroll system. Although this change has led to some upheaval in the short term, it has, however, resulted in significant savings that the Service has been able to pass on to its clients, including Lancashire County Pension Fund, via a reduction in fees.

Your Pension Service was delighted to be re accredited with the Government's Customer Service Excellence award in June 2011; reflecting that customer service continues to be a priority for the Service. The assessor commented on how the customers were especially appreciative of the responsiveness of YPS staff. Customer feedback was overwhelmingly positive with several favourable comparisons being made with other pension providers. This award confirms that customer focus continues to be a priority for YPS. A summary of customer feedback is shown at Appendix A.

2. PERFORMANCE

a) Membership

Membership of the Scheme increased by 2.5% over the year. This is reflected in the increase in deferred and pensioner members as local authorities and other public sector bodies continue to reduce their workforce and employees leave or retire.



b) Caseload & Performance

Performance continues to be broadly in line with SLA targets and the Service continues to meet its key performance indicator; 'to calculate and pay all retirement benefits within 10 working days'. However, the service was unable to meet its performance targets in a number of areas the most notable being estimates and transfers. Two events contributed to this negative performance;

- The number of retirements increased by 21% over the year and resource was reallocated to give priority to processing retirements. Performance in this area is now above target.
- The Government Actuary's Department advised Funds to cease processing transfers between November 2011 and February 2012 as new actuarial factors were awaited in respect of the discount rate to be used for cash equivalent transfer values. New factors were finally received on 23 February and performance in this area is now on target.

By far the greatest negative impact on performance was the move to the integrated administration and payroll system. However, although this development caused some disruption to service in the short term, the advantage of a reduction in duplication should result in the ability to improve performance in future years.

Comparison of Caseload 2008 to 2011

Caseload

	2008/09	2009/10	2010/11	2011/12
New Member set ups	8,448	7,186	6,286	3,542
Transfer in Quotes & Payments	2,098	2,338	3,192	1,206
Issue of Leaver Statements	6,745	5,567	5,903	4,369
Transfer out Quotes & Payments	1,455	1,545	1,904	1,088
General Correspondence	1,799	1,870	2,064	2,441
Member Changes	10,161	10,630	10,630	16,621
Estimate of Retirement Benefits	2,341	3,610	4,736	2853
Pensioner Changes	6,589	5,631	4,695	5,572
Calculation of Retirement Benefits	1,799	2,173	2,652	3,224
Calculation of Death/ dependant Benefits	1,720	1,712	2,268	2,291
TOTALS	43,155	42,262	44,330	43,207

SLA performance standards

Performance against SLA Targets 2008 - 2011

	TARGET	ACTUAL 2008/09	ACTUAL 2009/10	ACTUAL 2010/11	ACTUAL 2011/12
Payment of pensions on due date	100%	100%	100%	100%	100%
Production and distribution of annual P60s to pensioners by 31 May	100%	100%	100%	100%	100%
Implementation of annual cost of living pension increases on the due date	100%	100%	100%	100%	100%
Calculate and pay all retirement benefits within 10 working days of receipt of notification, or date of entitlement to benefit, whichever is later	90%	95%	96%	91%	90%
Respond to request for estimates of benefits within 10 working days following receipt of request	90%	96%	94%	84%	78%
Deal with transfers in/out of the Fund within 10 working days of receipt of documentation	90%	94%	93%	91%	76%
Implementation of pensioner and member changes by payment due date	90%	96%	98%	95%	91%
Respond to general correspondence within 10 working days	90%	92%	90%	90%	87%
Set up new starters to the Scheme within 10 days of receipt of notification	90%	98%	99%	99%	100%
Provide annual benefit statements to all active and deferred Scheme	100%	100%	100%	100%	100%

c) Annual Benefit Statements

Over the year YPS has distributed more than 97,000 benefit statements to scheme members in accordance with a rolling programme. Deferred members received statements during May 2011. Active members received their benefit statements towards the end of 2011

3. CUSTOMER SERVICE & EMPLOYER LIAISON

a) Customer Service Excellence

Customer service is at the heart of YPS and continues to be a priority. YPS was re accredited for the Customer Service Excellence award in June. The assessor commented on how the customers were especially appreciative of the responsiveness of YPS staff and customer feedback was overwhelmingly positive with several favourable comparisons being made with other pension providers. This award confirms that customer focus continues to be a priority for YPS. A summary of customer feedback is shown at Appendix A.

b) Front Office

The front office provides a helpdesk facility and is the first point of contact for both Scheme members and employers. This service is now part of the One Connect customer service centre.

Over the year 85% of calls were successfully answered. A dip in performance early in the year was addressed by providing additional resource and by bringing some administrative tasks back in house. The percentage of calls successfully answered has since been consistently above the service level target of 90%.

c) Training Courses for Scheme Members & Employers

During the year the following training courses and presentations were delivered as follows:-

- Scheme information was presented at 18 Pre retirement courses.
- A number of promotional events were attended at the request of the employer. Scheme information was available and the team delivered presentations and responded to general member enquiries relating to the membership of the pension scheme.
- At the request of employers 5 bespoke training events were delivered and a further 13 academy training visits were undertaken.
- Each year, following the issue of Annual benefit statements, a series of 'pension surgeries' are arranged at locations throughout the County. This year 14 events took place with over 650 members attending

d) Communication with Scheme Members

The regular annual newsletter for pensioners, 'Beacon' was sent in May 2011 along with P60's. 'Scheme Talk', the annual newsletter for active members, was sent with annual benefit statements towards the end of 2011

e) Annual Practitioner Conference

This year's employer conference was held at Woodlands on 23rd September 2011. The guest speaker on the day was from the Pensions Regulator who covered the topic of auto enrolment. The fund's AVC provider, Prudential, also attended to raise awareness of the changes to pension's tax relief. Over 80 delegates attended the day.

f) Directors Briefing

A briefing for Chief Finance Officers and Directors was held on 13 December 2011.

The actuary attended to discuss the interim actuarial review and the proposed employer covenant review. Over 50 delegates attended.

g) Scheme Promotion

A campaign to promote the Scheme to non-members is underway. The campaign is a joint initiative between Your Pension Service and Lancashire County Council's Communications Team. Surveys have been sent out to more than 7,000 non members in order to gain a better understanding of the reasons for non membership and to help assess the potential for non members to join the Scheme. The next stage of this campaign will be to consider promotional messages to coincide with LCC's new auto-enrolment responsibilities.

5. LEGISLATIVE CHANGE

Public Sector Pensions Reform

In December 2011, the Chief Secretary to the Treasury, Danny Alexander MP, made a statement to the House of Commons on progress made in the negotiations with the Trades Unions in respect of the reform of public sector pension schemes.
The statement sets out that heads of agreement had been established with most unions in the local government, health, civil service and teacher's pension schemes. The statement was accompanied by a written ministerial statement from the Secretary of State for Communities and Local Government, Eric Pickles MP, specifically in respect of the Local Government Pension Scheme (LGPS), which stated that a 'heads of agreement' had been agreed between the main local government unions, the Local Government Association (LGA) and the Government regarding a way forward for the Local Government Pension Scheme. This agreement set out the principles which will govern scheme design, ongoing costs management and governance of the new scheme.

The agreed principles included: -

- The introduction of a new Scheme in April 2014 (with regulations in place by April 2013)
- The new scheme will be a Career Average Scheme;
- The ability to have limited or no contribution rate increases for employees in the LGPS provided that the Government's financial constraints are met;
- Some elements of choice to encourage new members to join and existing members to remain in the Scheme; and
- Normal Pension Age will match the rise in State Pension Age.

Representatives from the LGA and the TUC committed to agree and to cost a new scheme by April 2012. However, some questions have been raised by CLG in respect of the expected cost of the new scheme and this has led to a delay in the process and at the time of writing no formal agreement has been reached and the final 2014 Scheme design is yet to be announced. Whatever new Scheme is agreed, there is no doubt that its implementation will dictate the work of the Service over the coming years'.

A full brief of other legislative change affecting the Fund is set out at Appendix B.

6. APPEALS

Under the terms of the Local Government Pension Scheme appeals from members are dealt with under the Internal Dispute Resolution Procedure (IDRP) which applies to members of the LGPS whose position may be affected by decisions taken by their employer, former employer or LGPS administering authority.

The IDRP is a formal procedure for individuals to appeal about their treatment under the LGPS regulations. The arrangements in place allow for a 2 stage appeal process. Responsibility for determinations under the first stage of the procedure can rest with the employing authority or administering authority depending on the reason for appeal.

Responsibility for determinations under the second stage of the procedure rests solely with the Administering Authority and for Lancashire the Appeals officer position has been designated to the Deputy County Treasurer

During the year 15 stage 2 appeals were received. Two thirds of these cases related to disputes concerning the award of ill health benefits either because benefits had not been granted or a dispute concerning the level of ill health awarded.

Of the 15 cases received 4 have been dismissed, 5 have been upheld and 6 are currently on-going.

7. e-DEVELOPMENT

a) Altair integrated administration and payroll system

Lancashire County Pension Fund's Pensioner Payroll was transferred to Altair's integrated pension administration and payroll system from July 2011. The implementation of this integrated system will streamline the retirement process by reducing duplication.   A further add on to this integrated system is 'immediate payments' which is a facility to make payments at source. This will remove the need to utilise LCC's Accounts Payable facility resulting in further efficiency savings through a reduction in internal charges for items such as lump sum payments.

b) Future Developments

The Service has agreed a project plan of future developments with its system provider, Heywood. The plan includes the introduction of Member Self Service. This development allows Scheme members to access their pension records on-line, including payslips for pensioner members and benefit statements for active and deferred members. This development should result in savings in terms of printing and postage, although telling members about this facility will be key in the short term

The Service is also considering a new Heywood development which has been designed to enable the transfer of key information to the Fund from Employers HR/Payroll systems. This development is particularly helpful in terms of collecting new member and opt-out information in line with the new auto-enrolment requirements as well providing a facility to interface pay information to assist with the calculations required for any new career average scheme. This facility could be rolled out to all Fund Employers to provide one solution to replace the numerous interfaces currently used by Employers. This solution could save time and improve data quality.

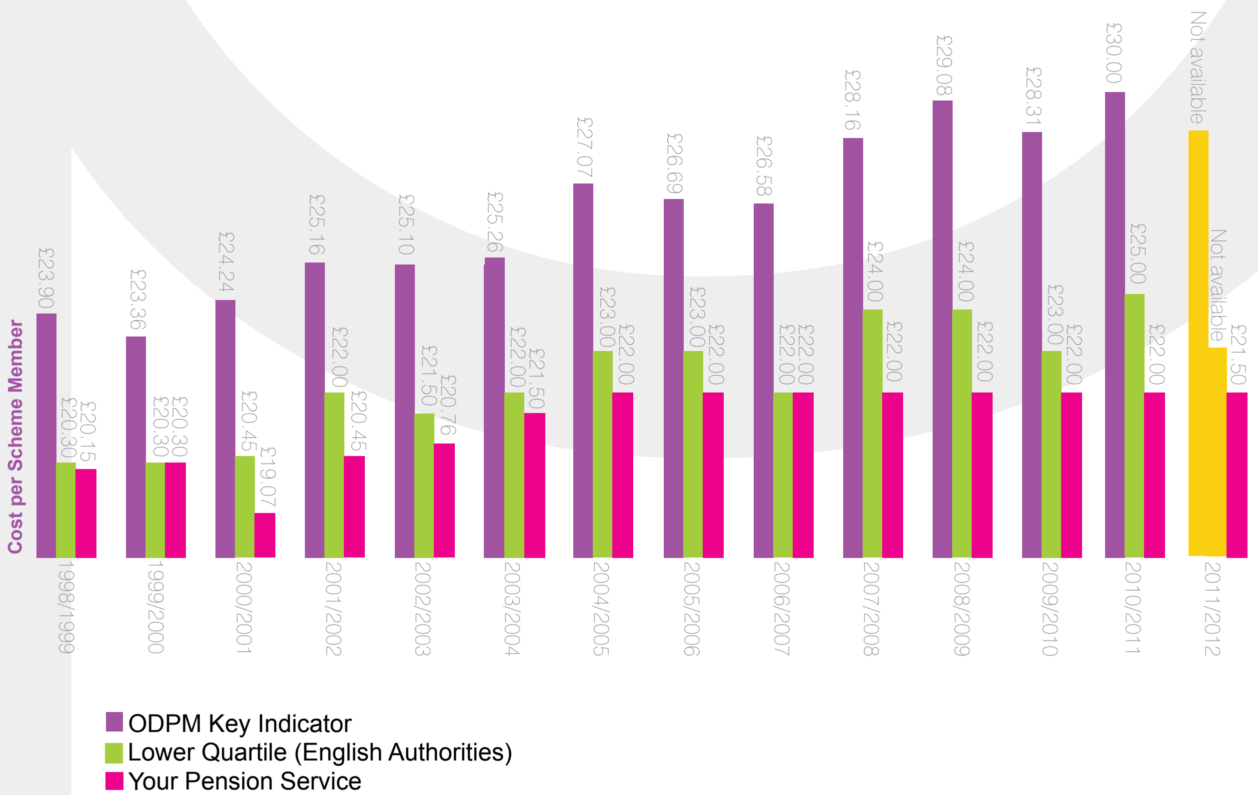
8. CHARGES

In line with the current SLA Your Pension Service charges an annual price per member and is committed to charging no more than the lower quartile price per member as produced by the Department of Local Government and Communities from their annual statistical survey of Local Government Pension Funds (SF3). This figure is £25 per member as shown in the latest published statistics for 2010/11.

However, as a consequence of continued efficiencies, particularly the savings realised by the integration of the administration and payroll systems, the charge to the Fund for Your Pension Service has been reduced to £21.50 per member.

The graph below reflects this charging policy and shows that YPS has consistently charged less than the lower quartile cost of Local Government Pension Funds.

However, it should be noted that the Service is about to enter into a period of intense change brought about by the planned LGPS reform and the introduction of auto-enrolment. Both of these seem likely to require additional resource if quality of service, which is central to the Fund's objectives, is to be maintained. Further reports will be made to the Committee as necessary once the actual implications become clearer.



APPENDIX A

Customer Feedback 2011

your pension service

"Prompt and Efficient service on receiving pension"

"Everyone has been very courteous and efficient, no complaints at all. Thank you"

"Forms are clear, Process is clear, Processing dealt with promptly and efficiently."

"I have recently retired and had several queries re my pension - I just wanted to say how helpful and polite every person I spoke to was."

"I would like to take this opportunity of thanking you very much for your processing of my benefit. What I thought would be an arduous process, turned out to be quick and efficient. Also you kept me well informed along the way."

"Phone calls always answered by a real person. Queries were always dealt with after the first call. Documents returned as promised. WELL DONE!"

"Your staff are always pleasant and very helpful - it takes the stress out of sorting problems/queries out. Thank you"

"Excellent service. Thank you"

"You appear to have pulled out all the stops to ensure I got my pension details as fast as possible. Thank you very much"

Lancashire County Council

APPENDIX B

OTHER LEGISLATIVE CHANGE

Pensions Tax

In April 2011, changes to the annual allowance came into effect. The annual allowance is the amount each year that any person's pension benefits may increase without giving rise to a tax charge. The main changes are the following:

- the annual allowance has reduced from £255,000 to £50,000;
- members who exceed the annual allowance in any given year will be allowed to use any unused allowances from the previous 3 years; and
- introducing a facility entitled 'Scheme Pays', where a member may ask the pension scheme to pay any annual allowance tax charge on their behalf if such charge is over £2000, and, if so, will receive a reduction to their pension benefits.

Change to the discount rate

HM Treasury published revised guidance on the application of the discount rate to be adopted in calculating cash equivalent transfer values (CETVs), effective from 26 October 2011. The discount rate reflects the anticipated investment return over a period of time.

Calculation of CETVs form part of a number of different processes, such as transferring benefits in and out, purchasing additional pension, divorce calculations, to name a few. Consequently, a number of revised sets of guidance from the Government Actuary's Department (GAD) have been received and implemented.

Local Government (Discretionary Payment) (Injury Allowances) Regulations 2011

These regulations came into force from 16 January 2012. The main features are the following:

- a requirement for local government employers to publish a written policy statement (which must be kept under review) on whether they intend to adopt a discretionary injury benefit scheme;
- admission bodies have been removed from the definition of local government employers so the injury benefit provisions will not directly apply to them;
- the employer's independent registered medical practitioner will need to certify the employee's injury or disease before the employee can receive a permanent or temporary injury allowance;
- death benefit provisions now include payments to 'nominated co-habiting partners';
- appeals will no longer involve the Secretary of State but will be part of the internal dispute resolution procedure (IDRP); and
- The provision to award a gratuity has been revoked.

Auto-enrolment

Later in 2012, the Government will implement changes to workplace pensions, which will have an impact for all employers, including employers who participate in the LGPS. The main change will require employers to automatically enrol certain members of their workforce into a pension scheme and make employer contributions.

These changes aim to encourage people to save more for their retirements as current pension savings levels have decreased against a backdrop of increased life expectancy and an expected major increase in the percentage of the adult population over 65.

These changes will be phased in (largest employers first) over the next few years. Each employer will be given a date from which they must be compliant with the new laws, known as their 'staging date'. For Lancashire County Council the staging date has been confirmed as January 2013.

It is expected that changes will be required to the LGPS regulations in line with these reforms, specifically relating to the scheme's entry requirements.

Lancashire County Pension Fund
Local Government Pension Scheme
Communication Policy Statement
March 2006

Introduction

This is the Communication Policy Statement of the 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 publish a Statement by 1st April 2006, under the LGPS (Amendment) (No.2) Regulations 2005 which came into force on 14th December 2005.

The regulations require the administering authority to prepare maintain and publish a written statement setting out their policy concerning communications with …

- Members;
- Representatives of members;
- Prospective members; and
- Employing authorities

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 employing authorities;
- The format, frequency and method of distributing such information or publicity; and
- The promotion of the Scheme to prospective members and their employing authorities.

The Policy

Lancashire County Council as administering authority is responsible for communications relating to the Local Government Pension Scheme and will ensure that an appropriate communications strategy is in place and is in line with Scheme regulations and overriding legislation.

Lancashire County Council recognises the measures contained in the Pensions Act 2004 and is committed to the Governments wider informed choice agenda. As administering authority, Lancashire County Council will actively encourage the provision of good pension information and the promotion of pensions in the workplace.

The administering authority's communications strategy includes …

- Clear, accurate and timely communication of the provisions and requirements of the Local Government Pension Scheme to all stakeholders*

- Scheme promotion targeting prospective members and their employers.
- The use of various media as appropriate to ensure that information reaches all stakeholders.
- Recognition that different styles and methods of communication will suit different stakeholders
- Robust feedback and evaluation processes
- Encouragement and assistance for all stakeholders in respect of their own communication and information responsibilities in relation to the Scheme.

Provision of Information

Lancashire County Council, as administering authority, undertakes to provide information and publicity about the Scheme to members, representatives of members and employing authorities.

Format and Frequency

The format and frequency of information is set out in the Communication Programme at Appendix I of this Statement.

Promotion

The administering authority undertakes to promote the LGPS to employing authorities. In particular the authority will target prospective members i.e. the employing authority's new employees and current employees who are eligible to join the Local Government Pension Scheme and are not currently members of the Scheme.

Review

This statement will be reviewed if there is any material change in the administering authority's communications policy. The policy will be reviewed no less frequently than annually.

Appendices

Appendix I	Communication Programme
Appendix II	Statement of Risk
Appendix II	Scheme Regulations and Overriding Legislation

** Stakeholders are defined as members, representatives of members, prospective members and employers (members are defined as active, deferred or pensioner members).*

Communication Programme

Communication / Information	Stakeholder*	Format	Frequency	Method
Actuarial Valuation	All Stakeholders	Paper / website	Triennial	Mail / email / internet
Administering Authority Policies	All Stakeholders	Paper	As amended	Mail / email
Annual Benefit Statements (ABS)	Active and Deferred Members	Paper	Annual rolling schedule	Mailed to home address
Axise – On Line	Active Members	Interactive On-line Service	24/7	Intranet
Communication Policy Statement	All Stakeholders	Paper / website	As amended	Email / internet/intranet
Customer Surveys	Members	Paper	Annual Rolling schedule	Mail to home address
Employee Bulletins	Members and Prospective Members	Paper / website / DVD	As required	Mail / email / internet
Employee Guide	Members	Paper / website	On or before employment. On request	Via HR Depts Mail / intranet
Employee Surgeries	Active Members	Appointment / drop in	Co-ordinated with ABS annual rolling schedule	Face to face
Employer Bulletins	Employer	Paper / website / DVD	As required	Mail / email / internet
Pensions administration Strategy Statement	Employer	Paper / email / website	On admission and as amended	Face to face / mail

Employer Forum (Directors Brief)	Employer	Presentation	Annually	Face to face / email
Employer Guide	Employer	website	As amended	Internet
Employer Training	Employer	Presentation DVD	On request / as required	Face to face – in house and employer locations. Mail
Fact Sheets	All Members	Paper / website	On request / as required	Mail / email / internet
Focus Group	Members and Prospective Members	Meeting	Quarterly	Face to face
Funding Strategy Statement	All Stakeholders	Paper / website	As amended	Intranet / internet
Governance Policy Statement	All Stakeholders	Paper / website	As amended	Email / internet / intranet
Letter	All Stakeholders	Paper	As required	Mail
New Employer information pack	Employer	Paper / website	On Admission	Face to Face
New Starter information pack	Prospective Members	Paper / website	On or before employment On request	Via HR Depts / Mail / internet
Newsletters	Members & prospective Members	Paper/ website	Annual	Mail / internet / intranet
Pension Fund Committee meeting agenda & minutes	All Stakeholders	Website	Annual rolling schedule	internet / intranet
Practitioner Conference	Employer	Presentation	Annually	Face to face
Pre – Retirement presentations	Active members / Employers	Presentation	On request	Face to face
Report and Accounts	All Stakeholders	Paper / website	Annual	Mail / email / internet

Service Standards Leaflet	All Stakeholders	Paper / website	As amended	Internet / internet
Statement of Investment Principles	All Stakeholders	Paper / website	As amended	Intranet / internet
Telephone Helpdesk	All Stakeholders	Telephone	Mon – Fri 8.45 am to 4.30 pm	Oral
Viewpoint Leaflet	All Stakeholders	Paper / website	As amended	Internet / internet
Website	All Stakeholders	Website	24/7	Intranet / internet

**Stakeholders are defined as members, representatives of members, prospective members and employers (members are defined as active, deferred or pensioner members).*

Summary Risk Register
(A Full risk register can be found at Appendix 1 of the Lancashire County Pension Fund Funding Strategy Statement)

Key Risks Identified

Administering Authority

Deterioration of funding level
Local Government reorganisation
Changes to LGPS Regulations
Changes to overriding legislation
Resources
Unclear decision process
Change in Scheme Profile (increase/decrease membership)

Employing Authority

Deterioration of funding level
Change in employing authority circumstances (increase/decrease in membership).
Employer unclear of obligations and responsibilities in respect of the LGPS

This list may be amended from time to time as part of the review process.

Scheme Regulations and Overriding Legislation

The Local Government Pension Scheme (Transitional Provisions) Regulations 1997

The Local Government Pension Scheme Regulations 1997 (as amended)

The Occupational Pensions Schemes (Disclosure of Information) Regulations 1986

The Pensions Act 2004

The Finance Act 2004

The Data Protection Act 1998

The Freedom of Information Act

Lancashire Pensions Services

Pension Administration Strategy Statement

2010

Lancashire County Council

Lancashire Pensions Services

THE BEST FOR LANCASHIRE AND BEYOND

CONTENTS

Acknowledgement & Review

This statement will be reviewed by Lancashire Pensions Services on an annual basis.

Signed and dated

______________________________ ____________________

Diane Lister
Head of Pensions & Exchequer
Lancashire Pensions Services

Date

Employer Acknowledgement

Signed and dated

______________________________ ____________________

Signature of Fund Employer

Date

______________________________ Employer

______________________________ Name

______________________________ Designation

Background

Lancashire Pensions Services is responsible for the administration of the Local Government Pension Scheme (LGPS). This service is carried out on behalf of Lancashire County Council, the Administering Authority, which is required by law to provide an administration service for the LGPS within the geographical area of Lancashire.

Purpose

Regulation 65 of the Local Government Pension Scheme (Administration) Regulations 2008 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 fund 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 fund employer;
- Any other matters that the administering authority consider suitable for inclusion in the 'Pension Administration Strategy.'

Regulation 65 is set out fully at Annex A.

Compliance

The undertakings set out within this Pension Administration Strategy will be reviewed annually by Lancashire Pensions Services. Employers will be consulted on any changes to the Strategy. In no circumstance does this Strategy override the contents of the Service Level Agreement between the Lancashire County Pension Fund and Lancashire Pensions Service. It does not 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. Lancashire Pensions Services' Undertakings

1.1. Liaison and Communication

a) Lancashire Pensions Services shall nominate persons who will act as the Fund Employers primary contact in respect of the following areas:

- Technical
- Systems
- Administration
- Communication

In addition, Lancashire Pensions Services will:

b) Ensure that Employer Forums and Pensions Practitioner 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
- Mid Career courses
- New Starters Induction courses
- Benefit Statement and AVC surgeries

n.b. Attendance by Lancashire Pensions Services 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 separately by the parties to this statement.

c) Provide a Helpdesk facility for members' general enquiries, available in normal office hours, and providing a single access point for information relating to the pension scheme.

d) Provide Scheme information: An annual member newsletter will be produced and distributed to all members and be available to 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 and promote electronic communication.

g) Carry out annual employer visits in order to report performance in line with this Pension Administration Strategy.

1.2. Performance Levels

Lancashire Pensions Services has a Service Level Agreement with the Pension Fund Committee 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. Statistics relevant to individual Employer's will be reported annually and will form the basis of an annual Employer visit carried out by Lancashire Pensions Services.

The Annual Administration Report reported to the Pension Fund Committee is available in the Employers area of Lancashire Pensions Services' website.

1.2.1. Pensioner Members

Performance Standard	Minimum Target
a) Make payment of pensions on due date.	100%
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.	95%
g) Calls to the Pensions Helpdesk answered.	90%
h) Undertake annual reviews to establish continuing entitlements to pension for all children over age 17/18.	100%

1.2.2 Active & Deferred Members

Performance Standard	Minimum Targets
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%
e) Provide information on request in respect of Pension Sharing on Divorce within legislative timescales.	100%
f) Implement Pension Sharing Orders within legislative timescales.	100%
g) 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%
h) 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%
i) 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%
j) Respond to general correspondence within 10 working days of receipt.	90%
k) Calls to the Pensions Helpdesk answered.	90%
l) 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 Lancashire Pensions Services. Within 10 working days of receipt of notification or date of entitlement to benefit; whichever is later.	90%
m) Advise transfer value out within 15 working days of receipt of necessary documentation.	90%
n) 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 and AVCs

Lancashire Pensions Services will ensure the following functions are carried out in relation to the Lancashire County Pension Fund:

a) Collect and control employer and employee contributions (plus interest as appropriate).

b) Maintain and update members' records regarding AVC contributions.

c) Calculate service credits, additional pensions or maximum cash on retirement where appropriate based on fund values received from the 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 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.

1.3.2. Year End Information

a) Lancashire Pensions Services will update its systems and member records each year on receipt of the employer's year end data.

b) At each Actuarial Valuation period, Lancashire Pensions Services 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.

c) Lancashire Pensions Services 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

Lancashire Pensions Services will ensure the following functions are carried out:

a) New Starters / Disclosure of Information

Create member records for all new starters admitted to the LGPS, and provide the employer with a statutory notification for each employee within 10 working days of the commencement of their employment. (If the member is transferring service from a previous employer, the notification will be sent within 10 working days of the completion of the transferred service.)

b) Benefit Estimates & Annual Benefit Statements

Provide every active, deferred and pension credit member with a benefit statement each year based on total membership and estimated final pay.

Lancashire Pensions Services will compare the data with employers as specified at Section 2.3 before producing the statements and will liaise with the employer to determine whether to send statements out to home address or via the employing department.

Provide one further estimate each year as requested by the employer on form LPS12 within 10 working days of receipt of the request.

c) Changes in Circumstance

Update and maintain a member's record for any changes received in their circumstances including:

- Change of hours / weeks
- Change of name
- Change of marital status
- Change of contract
- Change of employee contribution rate
- Change of title
- Change of address
- Breaks in service

Within 10 working days of receipt of the notification of change.

d) Early Leavers

Process early leavers (deferred benefits / refunds) as soon as is reasonably practicable or at the latest within 15 working days of the receipt of form LPS08. This form is required to calculate the members leaving entitlement.

We will apply Pensions Increases to all deferred benefits each year in line with the annual Pensions Increase (Review) Order.

e) Retirements

Calculate and pay benefits within 10 working days of receipt of notification or date of entitlement, which ever is the later.

Arrange to make pension payments on the last working day of each month.

Make payments 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 Lancashire

Pensions Services. 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.

Where a member takes flexible retirement and elects to rejoin the scheme, the procedure for *'New Starters / Disclosure of Information'* at Section 1.3 will be followed.

f) Death in Service

Calculate and pay dependants benefits within 10 working days of receipt of notification or date of entitlement, which ever 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 31st May each year.

Apply Pensions Increases to pensions on the due date.

Implement changes in spouse / dependants circumstances.

1.4. Improving methods of Passing Information

1.4.1 E-Government

Lancashire Pensions services will seek to improve and promote electronic facilities for data interchange between employers, scheme members and the Service in line with e-government strategy.

Provide day to day system support to all employers who have access to the AXIS system.

1.5. Circumstances for recovery of Additional Costs

See section 2.5 Employer Undertakings.

1.6. Other Matters

1.6.1. Decisions

Lancashire Pensions Services will ensure that members are notified of any decisions made under the scheme regulations in relation to their benefits within 5 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)

Lancashire Pensions Services will ensure the appropriate policies are formulated, reviewed and publicised in accordance with the scheme regulations (see Annex B).

1.6.3. The Regulations

The regulations relevant to this Pension Administration Strategy Statement are:

- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
- The Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended)
- The Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended)
- The Occupational Pensions Schemes (Disclosure of Information) Regulations 1986
- The Pension Acts 1995 & 2004
- The Data Protection Act 1998
- Finance Act 2004

2. Employer Undertakings

2.1. Liaison and Communication

2.1.1. Customer Liaison

a) The employer shall nominate a person / persons who will act as the primary contact(s) for general administration/payroll issues and regulatory/employer discretion issues with Lancashire Pensions Services.

b) The employer will facilitate an annual visit by Lancashire Pensions Services with the appropriate primary contact.

c) The employer shall nominate an authorised signatory / signatories in respect of all documents and instructions received by Lancashire Pensions Services.

d) The employer shall ensure representation at Employer Forums and The Pensions Practitioner Conference as specified in Section 1.1.

e) The employer shall undertake to ensure that all personnel linked to the Lancashire Pensions Service will undergo appropriate training as noted in Section 1.1.

2.2. Performance Levels

Performance achieved by the Employer in relation to the following will be reported annually by Lancashire Pensions Services and will form the basis of an annual visit to the Employer by Lancashire Pensions Services: - .

- Payment of AVCs to Prudential;
- Payment of contributions collected, completion and submission of LPS14;
- Submission of year end return.

In addition, Lancashire Pensions Services will monitor and report on Employer performance in the following areas:

- Submission of new starter and changes in circumstances information;
- Notification of leave of absences (submission of LPS3, LPS4 and LPS5);
- Notification of leavers (submission of LPS8, LPS16 and LPS 17 where appropriate);
- The % of transactions carried out via e-forms

2.3. Administration of the LGPS and Compliance

2.3.1. Contributions and AVC's

The employer will ensure that both employee and employer contributions are deducted at the correct rate (including any contributions due to leave of absence with reduced or no pay and any additional contributions as Lancashire Pensions Services may request the employer to collect). The employer must maintain a policy to review employee tiered contribution rates, and notify Lancashire Pensions Services of any changes (see 2.3.3c).

a) All contributions, but not Prudential or Equitable Life AVC's, should be paid to the Lancashire County Pension Fund on a monthly basis via direct debit and in any case ***before the 19th of the month following that in which they were deducted***. This is in line with the Pensions Act 1995 and non-compliance may result in a fine on the employer.

b) Form LPS14 should be completed and returned by the 6th of each month to the Pension Contribution Section of LCC's Treasury Management. We will then take payment via direct debit on 19th of the month unless that falls on a non banking day and in this case the payment will be taken on the last banking day prior to the 19th.

Alternatively
Should payments be made via BACS they should be directed to:

National Westminster Bank	
Sort Code	: 01-67-14
Account No	: 05900824
Account Name	: General County Fund Account
Reference	: "pen conts – [employer name or ref no.]"

c) The employer will ensure that employee's Equitable Life and Prudential AVC's are paid direct to the provider <u>as soon as possible</u> after deduction but in all cases ***before the 19th of the month following that in which they were deducted*** as stated above.

2.3.2. Year End Information

The employer shall provide Lancashire Pensions Services with a year-end return to 31 March each year in an agreed format no later than 31 May.

Acceptable method(s) of returning year end information are shown at annex C.

The Employer shall also provide Lancashire Pensions Services with a Year-end Return to 31 March of the total hours worked.during the year for variable time employees. This return should be submitted by no later than 30 June.

2.3.3 Processing

a) New Starters / Disclosure of Information

At the latest, on the first day of employment, the employer will provide all new starters with a 'New Starter Pack'. This pack contains a form for opting out of receiving a state pension forecast within their annual benefit statement (it is a legal requirement that each member receives this option). In addition, Pensions Starter form LPS1 is processed by Employer Finance Section on the first day of employment.

The employer will also complete and send form LPS2 (notification of appointment of pensionable employee), attached to form LPS1, to Lancashire Pensions Services within 5 working days of the first payment of salary.

The employer will verify and forward a statutory notification to the member informing them of their formal admittance to the scheme.

n.b. form LPS2 is <u>not</u> necessary where the new starter records are sent in electronic format (see section 2.4).

b) Benefit Estimates & Annual Benefit Statements

Individual requests for retirement estimates must be processed via the employer. The employer will complete form LPS12 and send to Lancashire Pensions Services no more than 5 working days after the request is made.

In respect of Annual Benefit Statements, the employer will:

1. Provide electronic scheme member data as requested by Lancashire Pensions Services, or
2. Check scheme member data as provided by Lancashire Pensions Services

All data will need to be clean and accurate at least one month prior to the production of statements (please see attached production timetable in Annex C).

The employer will also collate queries arising from the statements and check membership and pay details for accuracy, before forwarding to Lancashire Pensions Services as appropriate.

c) Changes in circumstance

The employer will send a completed form LPS6 to Lancashire Pensions Services when one of the following individual membership changes occurs, as soon as reasonably practicable and no later than 5 working days of the payment of salary following notification of the change in 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.

n.b. LPS6 is <u>not</u> necessary where changes in circumstance are sent in electronic format (see section 2.4).

d) Leave of Absence

The employer will send the relevant notification form to Lancashire Pensions Services as soon as reasonable practicable and no later than 5 working days of the payment of salary following notification of :-

- Maternity/Adoption Leave (LPS3);
- Confirmation of Return to Duty (LPS4);
- Unpaid Leave of Absence (LPS5);
- Absence due to Trade Disputes;
- Absence due to Reserve Forces Service.

e) Early Leavers

The employer will send completed form LPS8 to Lancashire Pensions Services 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.

f) Payment of benefits where employment is continuing

The employer will send form LPS17 (Notice of Flexible Retirement) to Lancashire Pensions Services as soon as the flexible retirement has been approved.

Completed forms LPS8 and LPS10 will also be forwarded to Lancashire Pensions Services 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 agrees to follow the *‘New Starters / Disclosure of Information*’ procedure at Section 2.3.

g) Retirements

The employer will send form LPS16 (Notice of Intention to Retire) to Lancashire Pensions Services 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 forms LPS8 and LPS10 will also be forwarded to Lancashire Pensions Services 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.

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 Lancashire Pensions Services within 5 working days following the date of the decision together with form LPS10 and 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.

h) Death-in-service

The employer will send a completed form LPS8 to Lancashire Pensions Services following the death of a member within 5 working days of being informed of the employees’ death. Form LPS8 must provide details of informant and next of kin, if known.

2.4. Improving methods of Passing Information

2.4.1. E-Government

a) Lancashire Pensions Services 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 agrees to make reasonable attempts to embrace the E-Government Strategies proposed by Lancashire Pensions Services. Current options include sending bulk information by spreadsheet using secure email, and sending individual information by Eform. Contact Lancashire Pensions Services if you are interested in using these facilities.

b) Where an Employing Authority is granted (read-only) access to their scheme member records using the AXISe Pension Administration system, the employer will be given an account to be used. The employer is responsible for ensuring that only designated users use the account, and that the information 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 Lancashire Pensions

Services 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.

c) Similarly where third party administrators are used to fulfil the employers payroll/personnel function, the employer will take steps to ensure that its obligations are kept.

2.5 Circumstances for recovery of Additional Costs

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. Specifically the Authority will seek to recover interest on late payment of contributions 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.

n.b. Regulation 43 and 44 of the Local Government Pension Scheme (Administration) Regulations 2008 apply.

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 5 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 (see annex B).

Annex A – Regulation 65 Local Government Pension Scheme (Administration) Regulations 2008

Pension administration strategy

65—(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 employing authorities in relation to which it is the administering authority ("its employing authorities");

(b) the establishment of levels of performance which the administering authority and its employing authorities 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 employing authorities 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 employing authorities 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 employing authorities under regulation 43(2) on account of that authority'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 employing authorities 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 employing authorities 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 employing authorities 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) When an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its employing authorities and to the Secretary of State.

(7) An administering authority and its employing authorities must have regard to the current version of any pension administration strategy when carrying out their Scheme functions.

(8) In this regulation references to the functions of an administering authority include, where applicable, its functions as an employing authority.

Annex B – Discretions (England & Wales)

Discretions from 01/04/08 in relation to post 31/3/08 active members (excluding councillor members) and post 31/03/08 leavers (excluding councillor members), being discretions under:

- the Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [prefix B]
- the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- the Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]
- the Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (as amended) [prefix OT]

Discretion	Regulation	Exercised by
To whom to offer membership of the LGPS (designation bodies)	**A**4(3) & **A**Sch2(Pt2) & **A**8(1)	Employer
Whether to agree to an admission agreement with a community body	**A**5(1) & **A**7(4)	Admin. Authority
Whether to approve a community admitted body under **A**5(2)(a)(ii)	**A**5(2)(a)(ii) & **A**5(3)	Secretary of State
Whether to agree to an admission agreement with a transferee body	**A**6(1) & **A**6(10)(a)	Transferor employer
Define what is meant by "employed in connection with"	**A**6(12)	Transferor employer
Whether to approve a transferee admitted body under **A**6(2)(b)	**A**6(2)(b) & **A**6(4)	Secretary of State
Which employees to nominate for membership (admission bodies)	**A**7(1) & **A**12(6)	Employer
Whether to agree to an admission agreement with a Care Trust or NHS Scheme employing authority	**A**12(6)	Admin. Authority
Whether to terminate a transferee admission agreement in the event of - insolvency, winding up or liquidation of the body - breach by that body of its obligations under the admission agreement - failure by that body to pay over sums due to the Fund within a reasonable period of being requested to do so	**A**Sch3, para 10	Admin. Authority

Whether to set off against payments due to a transferee admission body any sums due to the Fund by that body	**A**Sch3, para 12(b)	Transferor employer
Whether to extend the 12 month option period for aggregation of deferred benefits	**A**16(4)(b)(ii)	Employer
Determine rate of employees' contributions	**B**3 & **T**9	Employer
Allow an "outsourced" manual worker to make a late option to continue to pay 5% contribution rate upon return to the LGPS (where option is made more than 30 days after rejoining the LGPS) **NB:** it would appear from **T**9 that the protection to pay the manual worker rate under **L**14 only continues to 31/03/11 for those who were active members at both 31/03/08 and 01/04/08, but not to those who left before 01/04/08 and return after then. This is not logical.	**T**9 & **L**12(3) & **L**14(3)(b)	Employer
Frequency of payment of member's contributions	**B**3(11)	Admin. Authority
Specify in an employee's contract what other payments or benefits, other than those specified in **B**4(1)(a) and not otherwise precluded by **B**4(2) or (3), are to be pensionable	**B**4(1)(b)	Employer
Whether to recover employee contributions that had been reduced or waived after 40 years pensionable local government service prior to the deletion of **L**15 by SI 2006/966	Reg 8 of SI 2006/966	Employer
Whether to extend normal 12 month period following end of relevant reserve forces leave for "Cancelling notice" to be submitted requesting that the service should not be treated as relevant reserve forces service	**A**19(8)(b)	Admin. Authority
Whether to allow a late application by member to pay optional contributions for a period of unpaid child related leave, strike, or unpaid leave of absence beyond 30 days	**A**22(2)	Employer
Whether to augment membership of an active member (by up to 10 years)	**B**12*	Employer
Whether to grant additional pension to a member (by up to £5,000 p.a.)	**B**13*	Employer
Agree method of paying for augmented membership granted under **B**12 or additional pension granted under **B**13	**A**40(2) & (4)	Employer / Admin. Authority
Whether to extend the one month period within	**A**40(9)(b)	Employer / Admin.

which a lump sum payment by the employer under A40(2) has to be made (to pay for any augmented membership granted under **B**12 or additional pension granted under **B**13)		Authority
Whether to require a satisfactory medical before agreeing to an additional regulation contribution (ARC) election under **B**14	**A**23(3)	Admin. Authority
Whether, how much, and in what circumstances to contribute to a shared cost AVC scheme	**A**25(3) & **B**15(3)	Employer
Whether to charge member for provision of estimate of additional pension that would be provided by the Scheme in return for transfer of in house AVC / SCAVC funds	**A**28(2)	Admin. Authority
Allow late application to convert scheme AVCs into membership credit i.e. allow application more than 30 days after cessation of active membership	**T**Sch1 & **L**66(8) & former **L**66(9)(b)	Employer
Governance policy must state whether the admin authority delegates their function of part of their function in relation to maintaining a pension fund to a committee, a sub committee or an officer of the admin authority and, if they do so delegate, state - the frequency of any committee or sub-committee meetings - the terms of reference, structure and operational procedures appertaining to the delegation - whether representatives of employing authorities or members are included and, if so, whether they have voting rights The policy must also state the extent to which a delegation, or the absence of a delegation, complies with Sec of State guidance and, to the extent it does not so comply, state the reasons for not complying.	**A**31*	Admin. Authority
Whether to set up a separate admission agreement fund	**A**32(1)	Admin. Authority
Decide on Funding Strategy for inclusion in funding strategy statement	**A**35*	Admin. Authority
Whether to obtain revision of employer's contribution rate on termination of an admission agreement where underfunding not met by insurer, bond or indemnity	**A**38(3)	Admin. Authority

Whether to obtain revision of employer's contribution rate with a view to ensure no underfunding by time admission agreement terminates	**A**38(4)	Admin. Authority
Whether to require any strain on Fund costs to be paid 'up front' by employing authority following redundancy, flexible retirement, or the waiver (in whole or in part) of any actuarial reduction on flexible retirement (but not waiver of reduction in full on compassionate grounds). **NB:** there is no provision equivalent to that in regulation 80(5) of the 1997 Regulations which permits strain on Fund costs to be charged for early voluntary retirements (i.e. after age 50/55 and before age 60) or early payment of a deferred benefit on health grounds.	**A**41(2)	Admin. Authority
Decide frequency of payments to be made over to Fund by employers.	**A**42(1)	Admin. Authority
Decide form and frequency of information to accompany payments to the Fund	**A**42(4)	Admin. Authority
Whether to issue employer with notice to recover additional costs incurred as a result of the employer's level of performance	**A**43	Admin. Authority
Whether to charge interest on payments by employers overdue by more than 1 month	**A**44(1)	Admin. Authority
Extend time period for capitalisation of added years contract	**T**Sch1 & **L**83(5)	Admin. Authority
No right to return of contributions due to offence of a fraudulent character or grave misconduct unless employer directs a total or partial refund is to be made	**A**47(2)	Employer
Employer may deduct contributions from an employee's pay or reserve forces pay	**A**45(1) & (2)	Employer
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits	**A**45(3)	Admin. Authority
Contribution Equivalent Premium (CEP) in excess of the Certified Amount (CA) recovered from a refund of contributions can be recovered from the Pension Fund	**A**49(1) & (2)	Employer
Can pay death grant due to personal representatives or anyone appearing to be beneficially entitled to the estate without need for grant of probate / letters of administration	**A**52(2)	Admin. Authority
Approve medical advisors used by employers	**A**56(2)	Admin. Authority

(for ill health benefits)		
Whether to extend six month period to lodge a stage one IDRP appeal	**A**58(7)(b)	Person making stage one IDRP decision
Decide procedure to be followed by admin authority when exercising its stage two IDRP functions and decide the manner in which those functions are to be exercised	**A**60(8)	Admin. Authority
Whether admin. authority should appeal against employer decision (or lack of a decision)	**A**63(2)	Admin. Authority
Whether to extend six month period for admin. authority to lodge an appeal against an employer decision	**A**63(3)(b)	Secretary of State
Specify information to be supplied by employers to enable admin. authority to discharge its functions	**A**64(1)(b)	Admin. Authority
Whether to have a written pensions administration strategy and, if so, the matters it should include	**A**65(1) & (2)	Admin. Authority
Communication policy must set out policy on communicating with members, representatives of members, prospective members and employing authorities and format, frequency and method of communications	**A**67*	Admin. Authority
Date to which benefits shown on annual benefit statement are calculated	**A**68	Admin. Authority
Decide policy on abatement of pensions following re-employment	**A**70(1)* & **A**71(4)(c) & **T**12	Admin. Authority
Whether to apply to Secretary of State for a forfeiture certificate (where member is convicted of a relevant offence)	**A**72(1)	Employer
Where forfeiture certificate is issued, whether to direct that benefits are to be forfeited	**A**72(3)	Employer
Where forfeiture certificate is issued, whether to direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits	**A**73(1) & (2)	Employer
Whether to recover from Fund any monetary obligation or, if less, the value of the member's benefits (other than transferred in pension rights or AVCs / SCAVCs) where the obligation was incurred as a result of a criminal, negligent or fraudulent act or omission in connection with the employment and as a result of which the	**A**74(2)	Employer

person has left employment		
Whether to recover from Fund any financial loss caused by fraudulent offence or grave misconduct of employee (who has left because of that), or amount of refund if less	**A**76(2) & (3)	Employer
Agree to bulk transfer payment	**A**81(1)(b)	Employer / Admin. Authority
Determine adjustments to bulk transfer payment	**A**82(2)	Fund actuary
Determine who should bear bulk transfer actuarial costs (where more than one employing authority is involved in the transfer)	**A**82(5)	Fund actuary
Extend normal time limit for acceptance of a transfer value beyond 12 months from joining the LGPS	**A**83(8)	Employer
Allow transfer of pension rights into the Fund	**A**83(9)	Admin. authority
Agree bulk inter fund adjustment terms (where 10 or more members affected by a single event)	**A**86(3)	Actuaries for both Funds
Whether to extend normal time limit for acceptance of restitution transfer value beyond 12 months from joining the LGPS	**T**Sch1 & **L**122A(2)(c)	Admin. Authority
Whether to allow a member to select final pay period for fees to be any 3 consecutive years ending 31 March in the 10 years prior to leaving	**B**11(2)	Employer
Whether all or some benefits can be paid if an employee reduces their hours or grade (flexible retirement)	**B**18(1)*	Employer
Whether to waive, in whole or in part, actuarial reduction on benefits paid on flexible retirement	**B**18(3)*	Employer
Decide which ill health tier leaver falls into	**B**20	Employer
Whether to grant application for early payment of benefits on or after age 50 / 55 and before age 60	**B**30(2)*	Employer
Whether to waive, on compassionate grounds, the actuarial reduction applied to benefits paid early	**B**30(5)*	Employer
Decide whether deferred beneficiary meets permanent ill health criteria	**B**31	Employer
Decide to whom death grant is paid	**B**23(2) & **B**32(2) & **B**35(2) & **T**Sch1 & **L**155(4)	Admin. Authority

Decide evidence required to determine financial dependence of nominated co-habitee on scheme member or financial interdependence of nominated co-habitee and scheme member	**B**25	Admin. Authority
Decide to treat child as being in continuous education or training despite a break	**B**26(5)(a)	Admin. Authority
Decide to suspend child's pension during a break in education or training	**B**26(5)(b)	Admin. Authority
Decide whether to commute small pension	**B**39 & **T**14(3)	Admin. Authority
Decide, in the absence of an election from the member, which benefit is to be paid where the member would be entitled to a benefit under 2 or more regulations in respect of the same period of Scheme membership	**B**42(1)(c)	Admin. Authority
Whether to accept a partial restitution payment	**T**Sch1 & **L**122A(8)	Admin. Authority
How to discharge Pension Credit liability	**T**Sch1 & **L**147	Admin. Authority
To accept (late) elections after 31/03/98 from members who want to count membership between 01/04/72 and 05/04/88 for widower's pensions. If a late election is allowed the employer must pass a resolution, within 6 months of agreeing to accept the election, to state that the membership will count for widower's pensions.	**T**6(3) & **L**42(4) [which still refers to the 1997 Transitional Regulations] & **OT**9	Employer

* These are matters about which the regulations require there must be a written policy.

Discretions under the Local Government Pension Scheme Regulations 1997 (as amended) in relation to active councillor members and pre 01/04/08 scheme leavers

Discretion	Regulation	Exercised by
Allow a councillor who has opted out more than once to rejoin	7(9)(a)	Employer
Frequency of payment of councillors' contributions	12(5)	Admin. Authority
Extend normal 12 month period following end of relevant reserve forces leave for "Cancelling notice" to be submitted by a councillor member requesting that the service should not be treated as relevant reserve forces service	17(4),(7),(8), & 89(4) & Sch 1	Admin. Authority
Allow a late application by a councillor member	18(6) & (7)	Employer

to pay optional contributions for a period of absence		
Grant application from a post 31/03/98 / pre 01/04/08 leaver or from a councillor for early payment of benefits on or after age 50 / 55 and before age 60	31(2)*	Employer
Waive, on compassionate grounds, the actuarial reduction applied to benefits paid early for a post 31/03/98 / pre 01/04/08 leaver or a councillor leaver	31(5)*	Employer
Councillor optants out only to get benefits paid from NRD if employer agrees	31(7A)*	Employer
Whether to extend 12 month period for aggregation of deferred benefits (where deferred councillor member wishes to aggregate with current councillor membership in the same Fund)	32(8A)	Employer
Decide, in the absence from a post 31/03/98 / pre 01/04/08 leaver of an election from the member within 3 months of being able to elect, which benefit is to be paid where the member would be entitled to a pension or retirement grant under 2 or more regulations in respect of the same period of Scheme membership	34(1)(b)	Employer
Decide to whom death grant is paid in respect of councillor members and post 31/03/98 / pre 01/04/08 leavers	38(1) & 155(4)	Admin. Authority
Treat child as being in continuous education or training despite a break (children of councillor members and children of post 31/03/98 / pre 01/04/08 leavers)	44(3)	Admin. Authority
Apportionment of children's pension amongst eligible children (children of councillor members and children of post 31/03/98 / pre 01/04/.08 leavers)	47(1)	Admin. Authority
Pay child's pension to another person for the benefit of the child (children of councillor members and children of post 31/03/98 / pre 01/04/08 leavers)	47(2)	Admin. Authority
Agree to commutation of small pension	49 & 156	Admin. Authority
Commute benefits due to exceptional ill-health (councillor members and pre 01/04/08 leavers)	50 and 157	Admin. Authority
Whether acceptance of AVC election is subject to a minimum payment (councillors only)	60(5)	Admin. Authority

Whether to require any strain on Fund costs to be paid "up front" by employing authority following early voluntary retirement of a councillor (i.e. after age 50 / 55 and before age 60), or early payment of a deferred benefit on health grounds or from age 50 with employer consent (pre 01/04/08 leavers).	80(5)	Admin. Authority
Frequency of employer's payments to the fund (in respect of councillor members).	81(1)	Admin. Authority
Form and frequency of information to accompany payments to the Fund (in respect of councillor members)	81(5)	Admin. Authority
Interest on payments by employers overdue by more than 1 month (in respect of councillor members)	82(1)	Admin. Authority
No right to return of contributions due to offence of a fraudulent character unless employer directs a total or partial refund is to be made (councillors and pre 01/04/08 leavers)	88(2)	Employer
Employer may deduct contributions from an councillor's pay or reserve forces pay	89(1) & (2)	Employer
Outstanding employee contributions can be recovered as a simple debt or by deduction from benefits (councillors and pre 01/04/08 leavers)	89(3)	Admin. Authority
Timing of pension increase payments by employers to fund (pre 01/04/08 leavers)	91(6)	Admin. Authority
Contribution Equivalent Premium (CEP) in excess of the Certified Amount (CA) recovered from a refund of contributions can be recovered from the Pension Fund (councillor leavers and pre 01/04/08 leavers)	92	Employer
Pay death grant due to personal representatives without need for grant of probate / letters of administration (death of councillor or pre 01/04/08 leaver)	95	Admin. Authority
Approve medical advisors used by employers (re ill health benefits for councillors and re pre 01/04/08 preserved benefits payable on health grounds)	97(10)	Admin. Authority
Decide procedure to be followed by admin authority when exercising its IDRP functions and decide the manner in which those functions are to be exercised (councillors and	99	Admin. Authority

pre 01/04/08 leavers)		
Appeal against employer decision, or lack of a decision (councillors and pre 01/04/08 leavers)	105(1)	Admin. Authority
Abatement of pensions following re-employment (councillors and pre 01/04/08 leavers)	109* & 110(4)(b)	Admin. Authority
Forfeiture of pension rights on issue of Secretary of State's certificate (councillors and pre 01/04/08 leavers)	111(2) & (5)	Employer
Where forfeiture certificate is issued, direct interim payments out of Pension Fund until decision is taken to either apply the certificate or to pay benefits (councillors and pre 01/04/08 leavers)	112(1)	Employer
Recovery from Fund of monetary obligation owed by former employee or, if less, the value of the member's benefits (other than transferred in pension rights) (councillors and pre 01/04/08 leavers)	113(2)	Employer
Recovery from Fund of financial loss caused by employee, or amount of refund if less (councillors and pre 01/04/08 leavers)	115(2) & (3)	Employer
Retention of CEP where member transfers out (councillors and pre 01/04/08 leavers)	118	Admin. Authority
Discharge Pension Credit liability (councillors)	147	Admin. Authority

*These are matters about which the regulations require there must be a written policy.

Discretions under the Local Government Pension Scheme (Transitional Provisions) Regulations 1997 (as amended)

Discretion	Regulation	Exercised by
To accept (late) elections after 31/03/98 from members who want to count membership between 01/04/72 and 05/04/88 for widower's pensions. If a late election is allowed the employer must pass a resolution, within 6 months of agreeing to accept the election, to state that the membership will count for widower's pensions.	9	Employer
Extending time limit for repayment of a previous refund (01/04/74 to 31/12/79)	17(3)	Former employer and new Admin. authority
Spouse's pensions for life for pre 01/04/98	Para 21 of Sch 3	Admin. authority

retirees / deferreds who die on or after 01/04/98.		

Discretions under the Local Government Pension Scheme Regulations 1995 (as amended) in relation to pre 01/04/98 scheme leavers

Discretion	Regulation	Exercised by
Grant application from a pre 01/04/98 leaver for early payment of deferred benefits on or after age 50 on compassionate grounds	D11(2)(c)	Employer
Decide, in the absence from a pre 01/04/98 leaver of an election from the member within 3 months of being able to elect, which benefit is to be paid where the member would be entitled to a pension or retirement grant under 2 or more regulations in respect of the same period of Scheme membership	D10	Employer
Decide to whom death grant is paid in respect of pre 01/04/98 leavers	E8	Admin. Authority
Treat child as being in continuous education or training despite a break (children of pre 01/04/98 leavers)	G1	Admin. Authority
Apportionment of children's pension amongst eligible children (children of pre 01/04/98 leavers)	G11(1)	Admin. Authority
Pay child's pension to another person for the benefit of the child (children of pre 01/04/98 leavers)	G11(2)	Admin. Authority

Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006 (as amended)

Under Regulation 7 of the Discretionary Compensation Regulations, each authority (other than an Admitted Body) is required to formulate and keep under review a policy which applies in respect of exercising their discretion in relation to:

Discretion	Regulation	Exercised by
To base redundancy payments on an actual weeks pay where this exceeds the statutory weeks pay limit.	5	Employer
To award lump sum compensation of up to 104 weeks pay in cases of redundancy,	6	Employer

termination of employment on efficiency grounds, or cessation of a joint appointment.		
To award compensatory added years to a person aged 50 or over with 5 or more years membership (or notional membership) of the LGPS in cases of redundancy, termination of employment on efficiency grounds, or cessation of a joint appointment which occurred after 30 September 2006 and before 1 April 2007 (but only if employment had commenced pre 1 October 2006)	11(2)	Employer

Note: 'local government' means employment with an employer who offers membership of the LGPS to its employees, regardless of whether or not the employee chooses to join the LGPS (except where the employer is an Admitted Body). Technically, an employee of an Admitted Body (i.e. a body that has applied to the administering authority to allow its employees to join the LGPS and has entered into a formal admission agreement) is only employed in 'local government' if he / she is a member of the LGPS.

<u>Formulating and publishing a policy under the Discretionary Compensation Regs 2006</u>

The employer must formulate, publish and keep under review a statement of their policy.

If the employer decides to amend the policy, no change can come into effect until one month has passed since the date the amended policy statement was published.

In formulating and reviewing its policy an employer is required by the Regulations to:

- have regard to the extent to which the exercise of their discretionary powers, unless properly limited, could lead to a serious loss of confidence in the public service, and

- be satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable costs.

Discretions under the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 (as amended)

Under Regulation 26 of the Discretionary Compensation Regulations, each authority (other than an Admitted Body) is required to formulate and keep under review a policy which applies in respect of exercising their discretion in relation to:

How to apportion any surviving spouse's annual compensatory added years payment where the deceased person is survived by more than one spouse	21(4)	Employer
How it will decide to whom any children's annual compensatory added years payments are to be paid where children's pensions are not payable under the LGPS (because the employee had not joined the LGPS) and, in such a case, how the annual added years will be apportioned amongst the eligible children	25(2)	Employer
Whether, in respect of the spouse of a person who ceased employment before 1 April 1998 and where the spouse or civil partner remarries, enters into a new civil partnership or cohabits after 1 April 1998, the normal pension suspension rules should be disapplied i.e. whether the spouse's or civil partner's annual compensatory added years payments should continue to be paid	21(7)	Employer
If, under the preceding decision, the authority's policy is to apply the normal suspension rules, whether the spouse's or civil partner's annual compensatory added years payment should be reinstated after the end of the remarriage, new civil partnership or cohabitation	21(5)	Employer
Whether and to what extent to reduce or suspend the member's annual compensatory added years payment during any period of re-employment in local government	17	Employer
How to reduce the member's annual compensatory added years payment following the cessation of a period of re-employment in local government	19	Employer
Agree to pay compensation on behalf of employer and recharge payments to employer	31(2)	Admin. Authority

Note: 'local government' means employment with an employer who offers membership of the LGPS to its employees, regardless of whether or not the employee chooses to join the LGPS (except where the employer is an Admitted Body). Technically, an employee of an Admitted Body (i.e. a body that has applied to the administering authority to allow its employees to join the LGPS and has entered into a formal admission agreement) is only employed in 'local government' if he / she is a member of the LGPS.

Formulating and publishing a policy under the Discretionary Compensation Regs 2000

The employer must formulate, publish and keep under review a statement of their policy.

If the employer decides to amend the policy, a new written statement must be published within a month of when the employer decided on the amendment(s). No change can come into effect until one month has passed since the date the amended policy statement was published.

In formulating and reviewing its policy an employer is required by the Regulations to:

- have regard to the extent to which the exercise of their discretionary powers, unless properly limited, could lead to a serious loss of confidence in the public service, and

- be satisfied that the policy is workable, affordable and reasonable having regard to the foreseeable costs.

Discretions under the Local Government (Discretionary Payments) Regulations 1996 (as amended)

Discretion	Regulation	Exercised by
Amount of injury allowance following loss of employment through permanent incapacity after sustaining an injury or contracting a disease as a result of anything required to do in carrying out duties of job.	34(2) and 38	Employer
Suspend or discontinue injury allowance if person becomes capable of working again	34(4)	Employer
Amount of injury allowance following reduction in pay after sustaining an injury or contracting a disease as a result of anything required to do in carrying out duties of job.	35 and 38	Employer
Amount and duration of injury allowance following cessation of employment where reg 35 payment was being made but reg 34 does not apply.	36	Employer
Amount and duration of a dependant's, spouse's or civil partner's injury allowance following death of employee after sustaining an injury or contracting a disease as a result of anything required to do in carrying out duties of job.	37(3), 37(6) and 38	Employer
Reinstate spouse's or civil partner's injury	37(4)	Employer

allowance following earlier cessation due to cohabitation, remarriage or registration of a new civil partnership		
Amount of death in service gratuity payable to surviving dependant, spouse or civil partner	40	Employer
Amount or retirement gratuity payable	41	Employer
Amount of gratuity payable to surviving dependant, spouse or civil partner where amount of annuity payments fall short of their capital value at date of award	41(4)	Employer
Amount if redundancy gratuity payable	42	Employer
Amount of gratuity payable to surviving dependant, spouse or civil partner where amount of redundancy annuity payments fall short of their capital value at date of award	42(4)	Employer
Amount of gratuity payable to any other surviving dependant, spouse or civil partner where amount of annuity payments paid under 42(4) fall short of their capital value at date of award	42(7)	Employer
Formulate and keep under review the injury allowance and gratuity policies to be operated by the authority	46A	Employer

Discretions under the Local Authorities (Members' Allowances) (England) Regulations 2003 [SI 2003/1021]

Discretion	Regulation	Exercised by
Scheme of allowances made by a district council, county council or London borough council must specify which members will be eligible to join the LGPS and whether the basic and / or special responsibility allowances will be pensionable	11	Relevant Authority

Discretions under the Local Authorities (Allowances for Members) (Wales) Regulations 2007 [SI 2007/1086]

Discretion	Regulation	Exercised by
Scheme of allowances made by a county council or county borough council must specify which members will be eligible to join the LGPS and that the basic and special responsibility allowances will be pensionable	38	Relevant Authority

Annex C – Year end returns

Acceptable methods of returning year end information are as follows:

Less than 30 active employees	Spreadsheet (see Appendix II(i) for column headings of data to be included) or Paper listings – Lancashire Pensions Services will automatically forward a schedule to the employer for completion.
Over 30 active employees	Spreadsheet (see Appendix II(i) for column headings of data to be included)

Lancashire County Pension Fund
Funding Strategy Statement (FSS)

This Statement has been prepared by Lancashire County Council (as Administering Authority) to set out the funding strategy for the Lancashire County Pension Fund (the Scheme), in accordance with the Local Government Pension Scheme Regulations and the guidance paper issued in March 2004 by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

1. Introduction

The Local Government Pension Scheme Regulations provide the statutory framework from which the Administering Authority is required to prepare a Funding Strategy Statement. The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Scheme 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 Statement of Investment Principles (SIP) for the Scheme published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

Benefits payable under the Scheme are guaranteed by statute and thereby the pensions promise is secure. 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 Scheme is a defined benefit final salary scheme under which the benefits are specified in governing legislation. The required levels of employee contributions are also 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. Contributions to the Scheme should be set so as to “secure its solvency”, whilst the actuary must also have regard to the desirability of maintaining as nearly constant a rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

2. Purpose of the 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 purpose of this Funding Strategy Statement is:

- **to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;**
- **to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and**
- **to take a prudent longer-term view of funding those liabilities.**

The intention is for this strategy to be both cohesive and comprehensive for the Scheme 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 Pension Fund

The aims of the fund are to:

- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies
- manage employers’ liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due, and
- maximise the returns from investments within reasonable risk parameters. (A detailed statement of the Fund's Investment Objective is found in the Statement of Investment Principles)

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 scheme benefits, transfer values, costs, charges and expenses,

as defined in the Local Government Pension Scheme Regulations

4. Responsibilities of the key parties

The Administering Authority should:

- collect employer and employee contributions by the due dates
- invest surplus monies in accordance with the LGPS (Management and Investment of Funds) Regulations 2009 (as amended)
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the actuary
- prepare and maintain a Funding Strategy Statement and a Statement of Investment Principles, both after due consultation with interested parties, and
- monitor all aspects of the Scheme's performance and funding and amend Funding Strategy Statement/Statement of Investment Principles.
- Ensure sound corporate governance in respect of all aspects of the administration and investment of the Fund.

The Individual Employer should:

- deduct contributions from employees' pay correctly
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- exercise discretions within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, and
- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the Funding Strategy Statement
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters, and
- advise on funding strategy.

5. Solvency issues and target funding levels

The funding objective

To meet the requirements of the Regulations 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 basis including allowance for projected final pay.

Determination of the funding target and recovery period

The principal method and assumptions to be used in the calculation of the **funding target** are set out in Annex 1.

Underlying these assumptions are the following two tenets:

- that the Scheme 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.

As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer (or employer grouping), following a principle of no cross-subsidy between the various employers in the Scheme.

In attributing the overall investment performance obtained on the assets of the Scheme 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 Scheme as a whole.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates:

- A maximum deficit recovery period of 19 years will apply. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A different period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan below).
- Where increases in employer contribution rates are required from 1 April 2011, following completion of the 2010 actuarial valuation, the increase from the rates of contribution payable in the year 2010/11 may be implemented in equal steps, over a maximum period of 3 years.
- On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme 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 Scheme to another participating employer.

In determining the above objectives the Administering Authority has had regard to:

- the responses made to the consultation with employers on the FSS principles
- relevant guidance issued by the CIPFA Pensions Panel
- the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose
- the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

Deficit recovery plan

If the assets of the scheme relating to an employer are less than the **funding target** at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall.

Additional contributions will be expressed as a level percentage of pensionable payroll.

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;
- any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.

In certain instances, and in particular for Fund employers which are considered by the Administering Authority to provide a high level of covenant, an allowance may be made as part of the recovery plan for investment performance at a higher level than that assumed for assessment of the **funding target**. This higher level of return assumed will, in particular, reflect the actual investment strategy of the Fund, on the basis that this is to be maintained over the entire recovery period. The assumptions to be used in these Recovery Plan calculations are set out in Annex 1.

The normal cost of the scheme (future service contribution rate)

In addition to any contributions required to rectify a shortfall of assets below the **funding target** contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the "normal cost"). The method and assumptions for assessing these contributions are also set out in Annex 1.

6. Link to investment policy set out in the Statement of Investment Principles

The results of the 2010 valuation show the liabilities to be 80% covered by the current assets, with the funding deficit of 20% being covered by future deficit contributions due from the participating employers.

In assessing the value of the Scheme's liabilities in the Valuation, allowance has been made for asset out-performance as described in Annex 1, taking into account the investment strategy adopted by the Scheme, as set out in the SIP.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgoings. However, it is possible to construct a portfolio which closely matches the liabilities and represents the least risk investment position. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts.

Investment of the Scheme's assets in line with the least risk portfolio would minimise fluctuations in the Scheme's ongoing funding level between successive actuarial valuations, assuming that the scheme started in a fully funded position.

If, at the Valuation date, the Scheme 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 investments.

Departure from a least risk investment strategy, in particular to include equity investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The current investment strategy, as set out in the SIP, is shown at Annex 2

7. Identification of risks and counter-measures

Funding of defined benefits is by its nature uncertain. Funding of the Scheme 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 actuary that the greatest risk to the Scheme's funding is the investment risk inherent in the predominantly equity based strategy, so that actual asset out-performance between successive valuations could diverge significantly from the out-performance currently required on the basis of the 2010 Valuation assumptions.

The responsibility for the investment management of the Lancashire County Pension Fund is detailed in the Statement of Investment Principles and is as follows:

Lancashire County Council is responsible for administering the Fund under the Local Government Pension Scheme Regulations. It discharges its responsibilities through:

- The Pension Fund Committee;
- The Fund's Investment Panel;
- The Fund's Investment Managers.

The division of responsibility is detailed below.

Pension Fund Committee

The Pension Fund Committee has overall responsibility for approval of the investment policy and strategy, the appointment of suitable persons to implement the policy and regular review of the Fund's performance investments and investment managers. The Committee meets at least four times per annum, and currently comprises 14 elected County Councillors, 4 representatives of the District Councils and Unitary Authorities within the Fund, 2 Trade Union representatives, a and representative from Lancashire's Further Education/Higher Education establishments. The 21 members of the Committee have full voting rights. Members of the Investment Panel also attend meetings of the Committee but they do not have any voting rights.

Investment Panel

The Investment Panel consists of two external investment advisors, the Head of Pension Fund and Treasury Management, the Assistant Director of Finance and the Treasurer to the Pension Fund. The Panel meet five times a year to monitor the investment activities and performance of the Fund's investment managers. The Panel is responsible for making recommendations to the Pension Fund Committee regarding taking strategic decisions relating to the broad sector composition of the portfolio, subject to general guidelines set by the Committee.

Investment Managers

The management of the Fund's investments is structured so as to provide diversification of management style and produce an acceptable spread of risk across the portfolio whilst maximising returns.

The Fund Managers have full discretion to invest within the policy limits laid down by the Pension Fund Committee and the Investment Panel.

The Administering Authority ensures that the members of the Pension Fund Committee receive suitable training each year on Pension Fund issues

In addition to the greatest risk, CIPFA have identified a number of other key risks that are shown at Annex 3 of this document. These risks will be subjected to the monitoring and review process as described in section 8 below.

8. Monitoring and Review

The Administering Authority has taken advice from the actuary in preparing this Statement, and has also consulted with the following key stakeholders:

- Fund Employers.
- The Pension Fund Committee

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

- if there have been significant changes to the Scheme membership, or LGPS benefits

- if there 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

- if there have been any significant special contributions paid into the Scheme.

Annex 1

Method and assumptions used in calculating the funding target

Method

The actuarial method to be used in the calculation of the funding target is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted (the Attained Age method), which makes advance allowance for the anticipated future ageing and decline of the current closed membership group.

Financial assumptions

Investment return (discount rate)

A yield based on market returns on UK Government gilt stocks and other instruments which reflects a market consistent discount rate for the profile and duration of the Scheme's accrued liabilities, plus an Asset Out-performance Assumption ("AOA") of 2.5% p.a. for the period pre-retirement and 1% p.a. post-retirement.

The asset out-performance assumptions represent the allowance made, in calculating the funding target, for the long term additional investment performance on the assets of the Fund relative to the yields available on long dated gilt stocks as at the valuation date. The allowance for this out-performance is based on the liability profile of the Scheme, with a higher assumption in respect of the "pre-retirement" (i.e. active and deferred pensioner) liabilities than for the "post-retirement" (i.e. pensioner) liabilities. This approach thereby allows for a gradual shift in the overall equity/bond weighting of the Fund as the liability profile of the membership matures over time.

Individual Employers

Having determined the AOAs as above for the Fund overall, it is important to consider how the financial assumptions in particular impact on individual participating employers. As employers in the Fund will have different mixes of active, deferred and pensioner members, adopting a different pre/post retirement investment return approach is equivalent to hypothecating a different equity/bond mix investment strategy for each employer. Such an approach would be inconsistent with the Fund practice, as set out in the FSS, of allocating investment performance pro rata across all employers based on a "mirror image" investment strategy to the whole Fund. In completing the calculations for individual employers therefore, a single, composite, pre and post retirement asset out-performance assumption of 1.55% has been calculated which, for the Fund as a whole, gives the same value of the funding target as the separate pre and post retirement AOAs.

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 Scheme's accrued liabilities but subject to the following two adjustments.

- An allowance of 0.3% p.a. for supply/demand distortions in the bond market (an "inflation risk premium") is incorporated and

- An allowance of 0.5% p.a. for pensions being increased annually in future by the change in the Consumer Price Index rather than the Retail Price Index, as announced in June 2010. This change will apply from April 2011 and the assumptions make due allowance for this revision as advised by the Actuary.

The overall reduction to RPI inflation as implied by the investment markets at the valuation date is 0.8% per annum.

Salary increases

The assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 2.0% p.a. over the inflation assumption as described above. This includes allowance for promotional increases.

Pension increases

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 in respect of service prior to April 1997).

Mortality

The mortality assumptions will be based on the most up-to-date information published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity and the experience of the scheme. The derivation of the mortality assumption is based on Fund specific analysis. Members who retire on the grounds of ill heath are assumed to exhibit average mortality equivalent to that for a good health retiree 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 minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 1% per annum.

Method and assumptions used in calculating the cost of future accrual

The cost of future accrual (normal cost) will be calculated using the same actuarial method and assumptions as used to calculate the funding target except that the financial assumptions adopted will be as described below.

The financial assumptions for assessing the future service contribution rate should take account of the following points:

- 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; and

- the future service liabilities for which these contributions will be paid have a longer average duration than the past service liabilities.

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 3.75% per annum, with a long term average assumption for price inflation of 3.0% per annum. These two assumptions give rise to an overall discount rate of 6.75% p.a.

Adopting this approach the future service rate is not subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the Regulations for stability in the “Common Rate” of contributions. In market conditions at the effective date of the 2010 valuation this approach gives rise to a somewhat more optimistic stance in relation to the cost of accrual of future benefits compared to the market related basis used for the assessment of the funding target.

At each valuation the cost of the benefits accrued since the previous valuation will become a past service liability. At that time any mismatch against gilt yields and the asset out-performance assumptions used for the funding target is fully taken into account in assessing the funding position.

Summary of key whole Fund financial assumptions used for calculating funding target and cost of future accrual (the “normal cost”) for the 2010 actuarial valuation

Long-term gilt yields	
Fixed interest	4.5% p.a.
Index linked	0.7% p.a.
Market-implied RPI price inflation	3.8% p.a.
Assumed CPI price inflation	3.0% p.a.
Past service Funding Target financial assumptions	
Investment return pre-retirement	7.0% p.a.
Investment return post-retirement	5.5% p.a.

Salary increases	5.0% p.a.
Pension increases	3.0% p.a.
Future service accrual financial assumptions	
Investment return	6.75% p.a.
CPI price inflation	3.0% p.a.
Salary increases	5.0% p.a.
Pension increases	3.0% p.a.

Assumptions used in calculating contributions payable under the recovery plan

The contributions payable under the recovery plan are calculated using the same assumptions as those used to calculate the **funding target**, with the exception that, for certain employers, the required contributions are adjusted to allow for the following variation in assumptions during the period of the recovery plan:

Investment return on existing assets and future contributions

An overall additional return of 3% p.a. above the liabilities consistent gilt yield (4.5% p.a. effective as at the valuation date) reflecting the underlying investment strategy of the scheme and, in particular, including the assets of the scheme that underlie the pensioner as well as the non-pensioner liabilities.

This is equivalent to a total rate of investment return of 7.5% p.a. effective as at the 2010 valuation date.

The investment return assumed for the contributions under the recovery plan is taken to apply throughout the recovery period. As a result, any change in investment strategy which would act to reduce the expected future investment returns could invalidate these assumptions and therefore the funding strategy.

The above variation to assumptions in relation to the recovery plan can only be applied for those employers which the Administering Authority deems to be of sufficiently high covenant to support the anticipation of investment returns, based on the current investment strategy, over the entire duration of the recovery period. No such variation in the assumptions will apply in any case to any employer which does not have a funding deficit at the valuation (and therefore for which no recovery plan is applicable). Where the variation in the assumptions does apply, the resultant total contribution rate(s) implemented following the 2010 valuation will be subject to a minimum of both:

- the contribution rate(s) originally planned for 2011/12 onwards based on the 2007 actuarial valuation, and

- the normal future service contribution rate for the employer concerned.

SIP INVESTMENT STRATEGY

The investment strategy is currently being revised by the Investment Panel taking into consideration the result of the latest actuarial valuation. A proposed new approach for investment strategy was approved by the Pension Fund Committee in the meeting held on 10 December 2010. The Investment Panel has had approval to dynamically manage the Fund's interest and inflation rate exposure and the Fund's longevity risk.

The Investment Panel are proposing that the fund adopts a "target range" asset allocations for increased flexibility. The specifics of this range and the performance measures for managers is still being finalised by the Investment Panel.

The Fund is currently still being measured by the approved benchmark allocation as shown in the current Statement of Investment Principles (Table 1).

Table 1

Current benchmark asset allocation as shown in the Statement of Investment Principles

Asset Class	Allocation (%)	Managed on an Active Basis (%)	Managed on a Passive Basis (%)
UK Equities	32	14	18
Overseas Equities	32	10	20
Bonds	17	11	6
Property	6	6	
Hedge Fund of Funds	3	3	
Private Equity	3	3	
Index Linked	4	1	3
Cash	3	3	
Total	100	73	27

Performance Targets

The current performance targets are as follows:

- The active equity managers are expected to outperform the Fund specific benchmark return (index return) by 1.5% (net of fees) over rolling three years.
- The active bonds manager is expected to outperform the Fund specific benchmark return by 0.75% (net of fees) over rolling three years.
- The property manager is expected to outperform the IPD small funds benchmark return (£10m to £300m) by 1% over rolling three years.
- The Private Equity manager is expected to outperform the BVCA median return.
- The Hedge Fund of Funds manager is expected to outperform cash returns by 6% (net of fees) over rolling three years.
- The index tracking manager is expected to track indices.

Key Risks Identified

The following risks will be monitored and reviewed in line with the monitoring and review guidelines identified within section 8 of the Funding Strategy Statement

Financial

Investment markets fail to perform in line with expectations
Market yields move at variance with assumptions
Investment Fund Managers fail to achieve performance targets over the longer term
Asset re-allocations in volatile markets may lock in past losses
Pay and price inflation significantly more or less than anticipated
Effect of possible increase in employers contribution rate on service delivery and admitted / scheduled bodies

Demographic

Longevity horizon continues to expand
Deteriorating pattern of early retirements

Regulatory

Changes to Regulations, eg more favourable benefits package, potential new entrants to scheme, eg part time employees.
Changes to national pension requirements and/or Inland Revenue rules

Governance

Administering Authority unaware of structural changes in employers membership (eg large fall in employee numbers, large number of retirements).
Administering Authority not advised of an employer closing to new entrants.
An employer ceasing to exist with insufficient funding or adequacy of bond.
Lack of frequent Pension Fund Committee meetings
Insufficient member training
Unclear decision making procedures
Changes to Pension Fund Committee membership

It should be noted that this list is not exhaustive and may be amended from time to time as part of the monitoring and review process.

Statement of Investment Principles

Introduction

This statement of Investment Principles, (SIP) complies with the LGPS regulations 1998 and subsequent amendments, (SI 2002/1852 and SI 2009/3093).

The Fund has produced the SIP following consultation with the Fund's Investment Panel, and a representative of the Fund's Actuary. The Statement is reviewed each year in the light of any new policy developments.

Responsibility for Investment Management

Lancashire County Council is responsible for administering the Fund under the Pension Scheme regulations 1997 (as amended).It delegates' responsibilities to:

- The Pension Fund Committee and its Sub-Committee,
- The Administration Sub Committee;
- The Fund's Investment Panel;
- The Fund's Investment Managers.
- The Fund's Custodian
- The Treasurer to the Fund

The division of responsibility is outlined in detail in the Governance Policy Statement. The full terms of reference and delegated authority are set out in the Constitution of Lancashire County Council. Please see link below:

Constitution

In summary, responsibility is as follows:

Pension Fund Committee

The Pension Fund Committee has overall responsibility for investment policy and monitoring overall performance. The Committee meets four times a year, and currently comprises 14 elected County Councillors, 4 representatives of the District Councils and Unitary Authorities within the Fund, 2 Trade Union representatives and a representative of the Higher and Further Education Sectors in Lancashire.

Investment Panel

The Investment Panel consists of two independent advisors, the Treasurer to the fund (as Chair), the officer of the County Council fulfilling the role of Chief Investment Officer for the Fund and an officer of the County Council identified by the Treasurer to the Fund to oversee investment activities.

The Panel will meet at least quarterly, or otherwise as necessary. The Panel may operate through sub groups to undertake particular tasks, but will formulate recommendations to the Treasurer to the Fund and or the Pensions Fund Committee through meetings of the full Panel.

The Panel is required to provide advice to the Treasurer of the Fund regarding:

To provide advice to the Treasurer of the Fund regarding:

a. Recommendations to the Pension Fund Committee in relation to the Investment Strategy for the Fund;
b. The performance management of Investment Managers;
c. The broad composition of the Fund's investment portfolio, management style and types of investment;
d. The proposed procurement process, tender award criteria and evaluation methodology for external advisers and other external assistance including investment managers, property agents and advisors, corporate governance adviser, Fund Custodian, performance measurement advisers, the Fund Actuary and the Fund's AVC Provider ("external support") to enable the Treasurer to the Fund to seek the approval of the Pension Fund Committee to commence the procurement of any required external support.
e. The selection and appointment of any required external support(subject to the role of the Pension Fund Committee), their terms of office and remit;
f. The allocation of ranges and thresholds within the Investment Managers should operate;
g. Review of the Statement of Investment Principles and compliance with investment arrangements;
h. Recommendations on the detailed management of the investment portfolios to respond to requests from investment managers to vary certain aspects of their mandates;
i. The performance management of any internally managed investments; and
j. The securing of specialist advice within allocated budgets

Investment Managers

The management of the Fund’s investments is structured so as to provide diversification of management style and produce an acceptable spread of risk across the portfolio whilst maximising returns.

The Fund's current investment managers are:

- Legal and General Investment Management who are responsible for an index tracking portfolio (passive portfolio) across all asset classes apart from property, private equity and hedge funds.

The Fund's specialist managers are:

- Newton Investment Management - Global Equities
- J P Morgan Asset Management - UK Equities
- UBS Global Asset Management - Bonds
- Knight Frank- Direct Property

- Capital Dynamics - Private Equity
- Gottex Fund Management – Hedge Fund of Funds

The Fund Managers have full discretion to invest within the policy limits laid down by the Pension Fund Committee and the Investment Panel, subject to restrictions set out later in this document.

Investment Objective

The Fund has two objectives in terms of its investment activities:

1. To ensure that resources are available to meet the Pension Fund's liabilities through achieving investment performance at least in line with actuarial assumption.
2. To achieve full funding (i.e. no funding deficit) over a period no longer than the current recovery period.

The current funding target assumptions include an assumed investment return (discount rate) of a yield based on market returns on UK Government gilt stocks and other instruments which reflects a market consistent discount rate for the profile and duration of the Scheme's accrued liabilities, plus an Asset Out-performance Assumption ("AOA") of 2.5% p.a. for the period pre-retirement and 1.0% p.a. post-retirement.

The asset out-performance assumption represents the allowance made, in calculating the funding target, for the long term additional investment performance on the assets of the Fund relative to the yields available on long dated gilt stocks as at the valuation date.

The allowance for this out-performance is based on the liability profile of the Scheme, with a higher assumption in respect of the "pre-retirement" (i.e. active and deferred Pensioner) liabilities than for the "post-retirement" (i.e. pensioner) liabilities. This approach thereby allows for a gradual shift in the overall equity/bond weighting of the fund as the liability profile of the membership matures over time.

Types of Investment

The Investment Panel ("the Panel") will provide expert professional advice to the Pension Fund Committee in relation to investment activities, including the following categories of investment:

a. Fixed interest securities managed by Investment Managers;
b. UK equities managed by the Investment Managers;
c. Overseas equities and bonds managed by Investment managers;
d. Local investment in the acquisition and development of property in accordance with the investment strategy approved by the Pension Fund Committee;
e. UK and overseas unquoted investments via venture capital funds and other local arrangements
f. Acquisition of land and premises and the development of such land and improvements, refurbishment and modernisation of such premises;
g. Indirect pooled property investments;
h. Designated index linked funds;
i. Investments managed internally and not by Investment Managers; and
j. Any other monies to be invested other than in the above categories;

Provided that in all cases the investment activity is consistent with the investment strategy approved by the Pension Fund Committee.

Underwriting is permitted provided that the investment complies with the existing investment policy.

Balance between Different Types of Investment

The managers, with the exception of the Property Manager have full discretion to invest within each investment category for which they are responsible, subject to statutory limits and any asset allocation ranges, around the benchmark, agreed between the Investment Panel and the managers. The Property Manager's mandate is advisory with final decisions being taken by the Treasurer to the Fund based upon that advice.

The Fund Specific Structure/Benchmark of the Fund was reviewed in 2010 and the Pension Fund committee agreed a new investment Strategy in December 2010. This revised strategy will be implemented in stages during 20010/11 and 2011/12. The strategy proposed a range based benchmark for asset classes allowing flexible asset allocation. The proposed ranges are:

Asset Class	Range %
Global Equities – Active and Passive, Physical and Index. Private and Publicly Quoted	40-60
Diversified Property –UK and Overseas. Direct and indirect.	10-20
Lower Volatility Strategies - (including but not exclusively, Fixed Income, PFI, Credit strategies, Infrastructure, Currency, Commodities, Absolute Return, Cash, funds and index, Local development/PPP type allocations)	20-40

The following interim benchmark is in place until the investment strategy is fully implemented and is subject to change following further deliberations by the Investment Panel on allocations to future mandates.

Structure of the Fund (Benchmark %)
Interim Benchmark

Asset Class	Total	Benchmark Index
Equities	60	FTSE All World
Private Equity	7	BVCA Median
Property	10	IPD
Hedge Fund of Funds	3	Interbank Bid 7 Day Notice Rate
Bonds	18	FTSE A All Stocks Gilts
Cash	2	7 Day Notice Rate
Total	100	

Stock Lending

Stock lending is undertaken up to the 35% limit as permitted under the Local Government Pension Scheme Management and Investment of Funds (Amendment) Regulations 2009. The programme is monitored for performance, limit and counterparty credit adherence, and voting requirements, via the Fund custodian and the Stock Lending manager's online reporting packages.

Investment Limits imposed under the Local Government Pension Scheme (Management and Investment of Fund's) (Amendment) Regulations 2003

The limits shown in Column 1 are those laid down under the 1998 Regulations. The limits in Column 2 are those allowed under the 2003 Regulations and may be used by Local Authority Pension Funds if, following proper advice, they have sought approval by their Pension Fund Committees for the increases and the reasons for adopting the increases are detailed in the Statement of Investment Principles.

The Lancashire County Pension Fund's Investment Panel and Pension Fund Committee has reviewed the 1998 Regulations limits and have adopted the increased limits for any single insurance contract and also for all contributions to partnerships.

	Column (1) Limits under regulation 14 (2)	Column (2) Limits under regulation 14 (3)
1. Any single sub-underwriting contract.	1%	5%
2. All contributions to any single partnership.	2%	5%
3. All contributions to partnerships.	5%	15%
4. with the sum of - (a) all loans (but see paragraph 1); and (b) and deposits with - (i) any local authority, or (ii) any body with power to issue a precept of requisition to a local authority, or to the expenses of which a local authority can be required to contribute, which is an exempt person (within the meaning of the Financial Services and Markets Act 2000(a)) in respect of accepting deposits as a result of an order made under section 38(1) of that Act, and all loans (but see paragraph 12).	10%	-
5. All investments in unlisted securities of companies.	10%	15%
6. Any single holding (but see paragraphs 2 and 3).	10%	-
7. All deposits with any single bank, institution or person (other than the National Savings Bank).	10%	-
8. All sub-underwriting contracts.	15%	-
9. All investments in units or other shares of the investments subject to the trusts of unit trust schemes managed by any one body (but see paragraph 3).	25%	35%
9a. All investments in open-ended investment companies where the collective investment schemes constituted by the companies are managed by any one body.	25%	35%
9b. All investments in units or other shares of the investments subject to the trusts of unit trust schemes and all investments in open-ended investment companies where the unit trust schemes and the collective investment schemes constituted by those companies are managed by any one body (but see paragraph 14).	25%	35%
10. Any single insurance contract.	25%	35%
11. All securities transferred (or agreed to be transferred) by the authority under stock lending arrangements.	25%	35% *

* The Local Government Pension Scheme Management and Investment of Fund's (Amended) Regulations 2005 allow administering authorities to increase the limit on their investments in securities transferred by the authority under stock lending arrangements from 25% to 35% of the total of their Pension Fund investments.

Investment Performance Targets and Benchmarks

- The UK and Global Equity specialist managers are expected to outperform the Fund Specific Benchmark performance return by 1.5% (net of fees) on a rolling three year basis.

- The Bonds specialist manager is expected to outperform the Fund Specific Benchmark performance return by 0.75% (net of fees) on a rolling three year basis.

- The Private Equity Manager is expected to outperform the median return in the British Venture Capital Association (BVCA) survey of Private Equity returns by 3%.

- The Index Tracking Manager is expected to achieve the index return for each asset class under its management.

- The property manager is expected to outperform the IPD Small Funds Benchmark (£10m to £300m) return by 1% on a rolling three year basis.

- The Hedge Fund of Funds manager is expected to outperform the London Interbank Bid 7 day notice rate by 6% per annum (net of fees) over a rolling three year period.

- The WM survey of Local Authority Pension Fund returns is also used by the Fund for comparative information purposes. In the WM analysis, private equity returns are compared to the FTSE all share returns as BVCA data is not available on a regular quarterly basis.

Policy on Risk

The overriding objective of the Lancashire County Pension Fund in respect of its investments is to minimise risk and maximise return while reducing volatility. The structure of the investment management arrangements has been implemented in order to produce a balanced spread of risk for the portfolio.

Within this the managers, in particular, are regularly questioned by the Investment Panel about the risk profile of their Lancashire portfolios.

Policy on Realisation of Investments

The Fund Managers are responsible for the realisation of investments and reinvestment of the proceeds. The proceeds from the realisation of investments are invested by the Fund Managers as cash deposits, until required for reinvestment in equities or fixed interest stocks. However, as the custody arrangements for the property portfolio and private equity portfolio are administered by Lancashire County Council, the realisation of investments for these asset classes are invested as cash deposits by the County Council until required for reinvestment in new properties or Private Equity Funds. As the Fund is cash flow positive, there is no need to realise investments in order to pay for benefits.

Monitoring and Review

The investment activities of the Fund's Investment Managers are reviewed at each Panel meeting and reported on to the Pension Fund Committee. At these meetings, asset allocation and investment performance of the Investment Managers is reviewed.

The Fund's Actuary carries out a triennial review of the Fund and sets the employers' contribution rates for each three year period. Details of investment strategy and activity are an important element of the actuarial review.

The Annual Report is produced by the Treasurer for all employing bodies within the Fund, and this report, together with various information bulletins produced in respect of the Pension Scheme, provides details of Investment Policy and performance relating to the Investment Managers. Extracts from the Report are circulated to all members with the Fund's newsletter and are posted on the Fund's web site (www.yourpensionservice.org.uk).

Social, Environmental and Ethical Considerations

In general, the Fund takes an active stance on corporate governance issues. It is a client of Pensions Investment Research Consultants (PIRC), who advises the Fund on Socially Responsible Investment issues. It is also a member of the Local Authority Pension Fund Forum, which is a group of like-minded authorities that meet to discuss and act / engage in respect of Socially Responsible Investment and Corporate Governance issues.

Policy on Voting

- The Pensions Investment Research Consultants (PIRC) shareholder principles and voting guidelines are used as general guidance for the exercise of the Fund's voting rights. (The Fund currently subscribes to the PIRC FTSE All Share, The European and US Voting Service.)

- The Fund's Investment Managers exercise the Fund's voting rights on the Committee's behalf, having regard to the PIRC guidelines, but also taking account of the particular circumstances of individual companies.

- The Committee delegates its agreement of any significant departure from the guidelines, proposed by the managers, to the Treasurer as Chairman of the Investment Advisory Panel.

- In all voting decisions the long-term financial interests of the Lancashire County Pension Fund are paramount.

Custody of the Fund

- The Fund's Global Custodian is BNY Mellon Asset Servicing. This service will transfer to Northern Trust by July 2011.

- The Custody for the Private Equity portfolio and the Property portfolio is currently administered by Lancashire County Council.

- The Fund's Index Tracking Manager (Legal and General Investment Management) invest Fund's with Legal and General Assurance (Pensions Management) Ltd in a unitised policy of assurance (Pooled Funds).

- The Custody of the Hedge Fund of Funds portfolio is administered by Citco Fund Services (Europe) BV.

- Details of Custody fees are held within the Treasurer's office and are generally based on the volume of transactions.

The title deeds in respect of the Fund's property holdings are held by Lancashire County Council and its property solicitors

Fee Structure

Details of fees paid to individual Fund managers are subject to confidentiality agreements and are generally linked to the value of Fund's under management. As part of the Fund's desire to ensure Fund Management agreements reflect transparency in respect of fee structures, the Fund managers have either removed or are in the process of phasing out soft commission arrangements.

Role of Lancashire County Council in-house staff in respect of the accounts and investments of the Pension Fund

Under the Lancashire County Council Scheme of delegation to Chief Officers, the Treasurer to the Fund, is responsible for carrying out, in consultation with the Investment Panel, the County Council's duties under the Local Government Pension Scheme (Management and Investment of Fund's) Regulations 1998, (as amended) with regard to the requirement to review the investments made by the Fund Managers. She reports at each meeting of the Pension Fund Committee.

The Treasury and Investment Team with the County Treasurer's Department supports the Treasurer in respect of her Pension Fund investment and accounting responsibilities and provide the following services:

- Production of the Pension Fund Annual Report;

- Preparation and maintenance of the accounts and balance sheet of the Pension Fund;

- Verification and monitoring of the investment data produced by the Fund managers to independent custodian records;

- Production of Pension Fund Business Plan;

- Completion of various statistical questionnaires;

- Preparation of agenda, working papers and reports for the Investment Panel meetings, Pension Fund Committee meetings and other miscellaneous investment meetings;

- Maintenance of Pension Fund internal cash account and investment of Pension Fund Cash not held by the investment managers;
- Provision of accounting data for IAS19 calculations;
- Monitoring compliance with policy laid down by the Investment Panel and Pension Fund Committee;
- Maintenance of regular dialogue with investment managers and custodians;
- The provision of data for performance monitoring and interpretation of performance results;
- The conducting of procurement exercises to secure the services of Investment Managers and other service providers on behalf of the Fund.
- The identifying of and conducting of due diligence on individual investment opportunities for consideration by the Investment Panel.
- Monitoring voting action by the managers;
- Advice to the Treasurer on Pension Fund Investment issues;
- Verification, monitoring and payment of Pension Fund fee invoices;
- Monitoring the receipt of income due to the Fund;
- Representing the Treasurer at the Local Authority Pension Fund Forum meetings and other relevant Pension Fund Investment meetings;
- Interpretation and implementation of the requirements of new legislation relating to Pension Fund accounting and investments;
- Attendance at various seminars covering new developments in respect of Pension Fund Investment issues.
- Research initiatives

Myners Principles of Investment Practice

The Myners Review of Institutional Investment in the UK

The Local Government Pension Scheme (Management and Investment of Fund's) Amendment Regulations 2002 came into force on 9 August 2002. It requires administering authorities to publish, in their Statement of Investment Principles, the extent to which the authority complies with the 10 Principles of Investment Practice and to give reasons for any non-compliance. The 10 principles were replaced by six new principles in 2009 a summary of compliance with these principles is outlined below:

Principle 1: Effective Decision Making
Fully compliant: The decision making process is fully outlined in the Governance Policy Statement, Governance Compliance Statement and Statement of Investment Principles. A

Pension Fund Business Plan is approved by the Pension Fund Committee on an annual basis.

Principle 2: Clear Objectives
Fully compliant: The overall objective for the Fund is outlined in the Statement of Investment Principles. A Fund Specific Benchmark was introduced from 1 July 2002.

Principle 3: Risk and liabilities
Fully compliant: The Investment Panel and Pension Fund Committee have considered the appropriate assets for the Fund, following Asset/Liability studies. The Fund has considered all major asset classes and has made commitments to Private Equity, Property and Hedge Fund of Funds. The new Investment Strategy identifies scope for allocation to further alternative asset classes.

Principle 4: Performance assessment
Fully compliant: Performance of the managers is assessed on a quarterly basis, with a detailed formal review of annual and long-term performance undertaken annually and reported to the Pension Fund Committee. Performance is measured by the WM Company, and Investment Property Databank. Regular monitoring of the performance of the Committee and the advisors commenced during 2007/8. Two new independent advisers were appointed in May 2009.

Principle 5: Responsible ownership
Partially compliant: The Fund votes all its shares, utilising the PIRC Voting Guidelines, and is a member of the Local Authority Pension Fund Forum, which is primarily concerned with Corporate Governance issues and shareholder activism. Voting action is monitored on a quarterly basis. Although the Fund does not specifically incorporate the principle of the US Department of Labor Interpretative Bulletin on activism, required for full compliance, the Fund's Corporate Governance and Activism policies achieve similar aims.

Principle 6: Transparency and reporting
Fully compliant: The Statement of Investment Principles outlines who is responsible for strategic and asset allocation decisions for the Fund and the reasons behind this Structure. It contains the current investment objective and details of the operational aspects of the Fund’s investments.
In addition to the Annual Report, which is distributed to all member bodies within the Fund as a matter of course and is available on request to any Scheme Member, the Fund operates a web site (www.yourpensionsservice.org.uk) and provides all of its Members with regular information bulletins.

MERCER

Lancashire County Pension Fund

Actuarial valuation report as at 31 March 2010

Consulting. Outsourcing. Investments.

March 2011

Lancashire County Pension Fund
Actuarial valuation as at 31 March 2010

MERCER

Consulting. Outsourcing. Investments.

Summary

An actuarial valuation of the Lancashire County Pension Fund has been carried out as at 31 March 2010.

The key conclusions from the valuation are:

- The Fund showed a deficit of £993m at the valuation date based on the assumptions made for calculating its funding target. This measure compares the Fund's assets with the value of the past service benefits at 31 March 2010. It represents a funding level of 80% relative to the Fund's funding target.

- Based on the assumptions made for assessing the cost of future accrual, the Common Contribution Rate (i.e. the average employer contribution rate in respect of future service only) was 12.5% of Pensionable Pay.

- If the actuarial assumptions were to be based purely on the returns available on conventional and index-linked gilts (a so-called "least risk" basis) the deficiency would have increased to £2,841m.

- If the deficit is recovered through additional employer contributions over a 19 year period then the employer contributions rate required to meet the deficit emerging from the valuation is 6.6% of Pensionable Pay per annum.

- The required overall average employer contribution rate is 19.1% of Pensionable Pay subject to any transitional phasing arrangements in accordance with the FSS. Where an additional allowance has been made for certain employers for an increased investment return assumption over the duration of the recovery plan, this has offset the certified employer contribution requirement, as specified in the FSS. Contributions for each separate employer will be levied as a percentage of payroll in under the recovery plan. These contributions will commence from 1 April 2011.

- The recommended employer contributions for the period 1 April 2011 to 31 March 2014 are set out in Appendix I to this report. Employee contributions are payable in addition to the employer contributions. These contributions are adequate to meet the funding objective based on the actuarial assumptions detailed in this report. No additional contributions are required from employers to meet normal scheme expenses since allowance for these are included in the recommended contributions.

- A partial allowance has been made in the employer contributions for certain employers in relation to the anticipated costs of non-ill health early retirements over the 3 years from 1 April 2011. The allowance is shown in Appendix I. Additional capital contributions will be paid on top of the rates shown in respect of non-ill health early retirements in excess of the allowances.
- Any further possible adjustments to contributions for employers in the inter-valuation period are noted on the Certificate in Appendix H.

Signature	______________________________
Fund Actuary	John Livesey
Date of signing	31 March 2011
Qualification	Fellow of the Institute and Faculty of Actuaries

Compliance Statements

This report is addressed to the Administering Authority and has been prepared in accordance with the version of the Board for Actuarial Standards' 'Guidance Note 9: Funding Defined Benefits – Presentation of Actuarial Advice' current at the date this report is signed. Technical Actuarial Standard R: Reporting Actuarial Information and Technical Actuarial Standard D: Data issued by the Board for Actuarial Standards also apply to this report and the report complies with their requirements, where relevant.

However the following aspects of GN9 are not relevant to the LGPS in the current circumstances and so have not been reported on:

- Paragraph 3.4.16 of GN9 requires the actuary to include the certification of technical provisions in relation to a valuation under Part 3 of the Pensions Act 2004. As Part 3 of the Pensions Act 2004 does not apply to the LGPS, this report does not comply with paragraph 3.4.16 of GN9; and

- Paragraph 3.5 of GN9 requires the actuary to report on the value of the liabilities that would arise had the Fund wound up on the valuation date (based on the cost of buying out the accrued benefits with insurance policies). As the LGPS is a statutory scheme, there is no regulatory provision for scheme wind up and the scheme members have a statutory right to their accrued benefits. Therefore the concept of solvency on a buy-out basis does not apply. Accordingly, this report does not comply with paragraph 3.5 of GN9.

The calculations in the report use methods and assumptions appropriate for reviewing the financial position of the Scheme and determining the appropriate contribution rate for the future. Mercer does not accept liability to any third party in respect of this report; nor does Mercer accept liability to the Administering Authority if the advice is used for any purpose other than that stated (for example for accounting disclosures or corporate mergers/acquisitions).

The data for the actuarial valuation was provided by the Administering Authority and its accuracy has been relied upon. Whilst 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 which is incomplete or inaccurate.

The report may be disclosed to participating employers and others who have a statutory right to see it. It may also be disclosed, if the Administering Authority and Mercer consent, to any other third parties.

Contents Page

Appendices

1

Introduction

1.1 This report sets out the results of the actuarial valuation of the Lancashire County Pension Fund ('the Fund') as at 31 March 2010. The valuation has been carried out on the instructions of Lancashire County Council (the "Administering Authority") in accordance with the requirements of Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008, as amended (the "Administration Regulations").

Purpose of valuation

1.2 The primary aims of the valuation are to review the financial position of the Fund and to determine appropriate employer contributions to the Fund for the future.

1.3 In particular, the valuation aims:

- to assess the Fund's funding position relative to its funding objective;
- taking the above into account, to determine the appropriate future level of employer contributions.

1.4 Under the provisions of the Administration Regulations employer contributions are calculated by the actuary having regard to the assumptions and methodology set out in the Fund's Funding Strategy Statement (FSS). In accordance with the LGPS Regulations, the FSS has been determined by the Fund's Administering Authority, having taken the advice of the Fund's Actuary and after consultation with those parties as it considers appropriate.

Funding objective

1.5 The Administering Authority has reviewed its approach to funding strategy and this is published in the Funding Strategy Statement. Consistent with the FSS the funding objective for the valuation is to achieve and then maintain assets equal to the funding target. The funding target is the present value of 100% of projected accrued liabilities, including allowance for projected final pay. This approach is also considered appropriate to comply with the requirement of the Administration Regulations to secure the solvency of the Fund.

1.6 The funding objective is the same as at the previous valuation.

1.7 The methodology and assumptions by which the funding target and contribution rates are calculated have also been determined in accordance with the Fund's FSS.

1.8 The FSS specifies a maximum period for achieving full funding of 19 years in most circumstances. This compares to a maximum period of 22 years adopted at the 2007 valuation in accordance with the then published FSS. The maximum deficit recovery period is now three years shorter so that the same target date for achieving full funding is being maintained as at the 2007 valuation. For each individual employer, the funding objective, method and assumptions depend on the particular employer's circumstances and different approaches have been adopted where applicable, in accordance with the FSS. The FSS also specifies any transitional arrangements ("phasing") for the implementation of revised employer contribution requirements.

Previous actuarial valuation

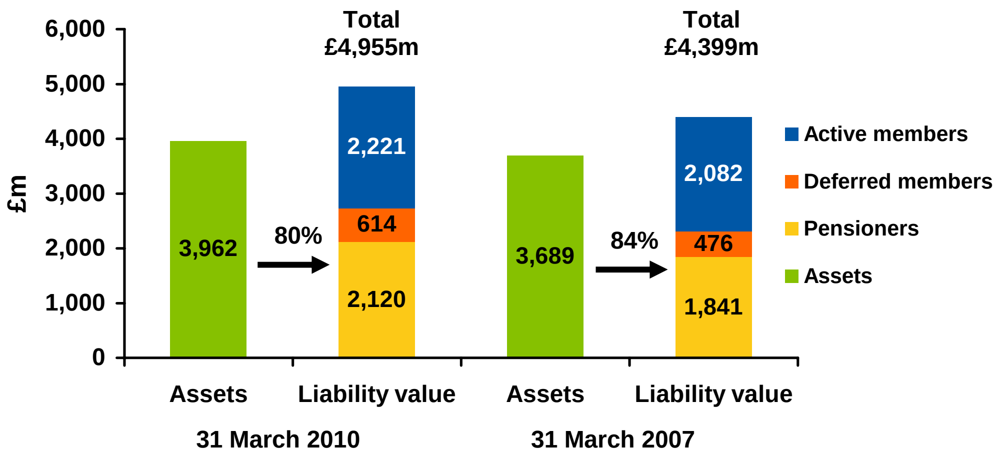
1.9 The previous actuarial valuation of the Fund was carried out as at 31 March 2007 by ourselves.

1.10 At the previous valuation an average employer contribution rate of 17.8% of Pensionable Pay was determined, made up of a normal contribution rate for benefits and expenses of 13.3% of Pensionable Pay plus deficiency recovery contributions of 4.5% of Pensionable Pay. The report on the 2007 actuarial valuation sets out the agreed contribution rates for individual employers for the period 1 April 2008 to 31 March 2011 (the corresponding rates for the year to 31 March 2008 being shown in the 2004 actuarial valuation report). Appendix F includes the amounts of employer contributions which have actually been paid since the last actuarial valuation.

2

Funding results – funding target

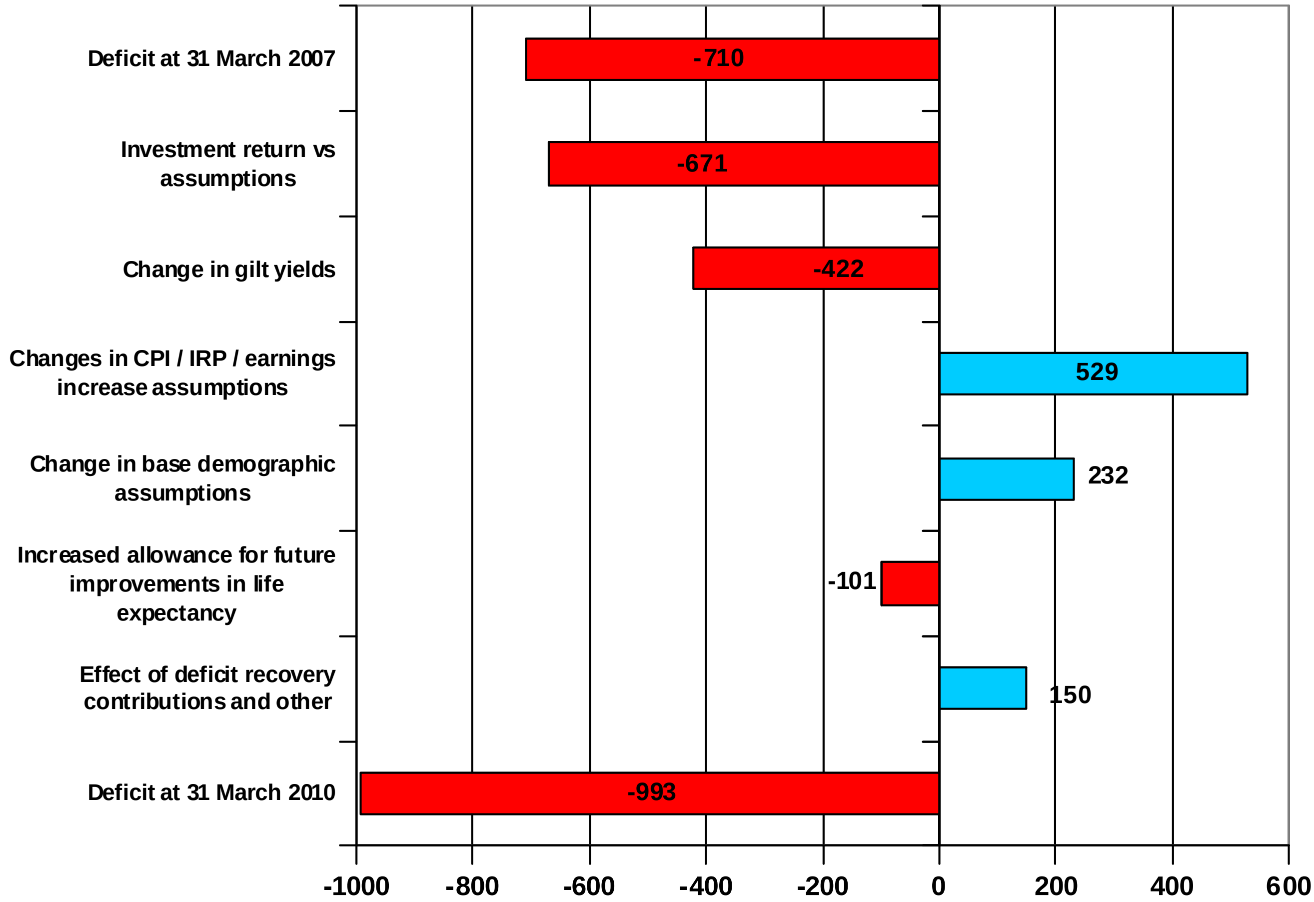
2.1 The market value of the Fund's assets at the valuation date is compared with the value of the Fund's past service liabilities (the funding target) below. The funding position at the previous valuation is shown for comparison.



2.2 The shortfall against the funding target at the valuation date was £993 million (£710 million at 2007). This represents a funding level of 80% relative to the funding target (84% at 2007).

Analysis of change in funding position

2.3 The key factors influencing the change in the value of the liabilities since the previous valuation are shown below (figures in £m):



2.4 The above analysis highlights a number of material developments affecting the Fund since the previous valuation:

- The introduction of an Inflation Risk Premium (IRP) into the determination of the pension increase assumption used for the valuation has offset to a degree the adverse impact of the falls in real yields since the last valuation. Indeed the effect of the IRP in conjunction with the change from RPI to CPI indexation more than offsets the negative impact of the yields change.

- Revision of the assumptions adopted for the 2010 valuation, specifically base rates of mortality, ill health retirements, real salary growth and allowance for dependants' benefits, has overall acted to place a lower value on liabilities and so acted to improve the funding position. This has been offset to some extent by the effect of making increased allowance for future improvements in life expectancy.

2.5 It also highlights the key differences between what was assumed at the previous valuation and experience since then:

- Investment returns have been below the level required to keep pace with the assumptions adopted at the previous valuation.

- Liabilities have increased due to changes in market yields

3

Funding results – contribution requirements

3.1 This section provides details of the contribution requirements assessed for the Fund as a whole. The contributions payable by the employers for the period 1 April 2011 to 31 March 2014, and the timing and frequency of the contributions, have been certified in Appendices I and H respectively, as is required in accordance with the Administration Regulations.

3.2 These contributions have been determined using the funding objective described in Section 1, and are made up of the following elements:

- a contribution to cover the cost of the future service accrual (including death benefits and expenses), known as the "Common Contribution Rate";
- an adjustment to address any imbalance of assets relative to the funding target.
- an allowance of the costs of future early retirements, where applicable.

3.3 In practice, each employer's position is assessed separately. The individual rates shown in Appendix I take into account the differing circumstances of each employer and the funding plan, as laid down in the Funding Strategy Statement, in particular in relation to deficit recovery period, assumed level of investment returns over the deficiency recovery period, and implementation of changes in employer contributions where these are required.

Common Contribution Rate

3.4 The table below shows the first of these elements. This cost is calculated as the value of benefits expected to accrue to the membership in respect of one year's service based on projected salaries. To this is added an allowance for expenses. The figures are expressed as percentages of Pensionable Pay (as defined in Appendix H) and apply for the period to the next formal actuarial valuation.

	2010 %	2007 %
Normal contribution rate for retirement and death benefits	18.5	19.4
Allowance for administrative expenses	0.4	0.4
Total normal contribution rate	18.9	19.8
Average member contribution rate	6.4	6.5
Employer normal contribution	12.5	13.3

Contributions to address shortfall

3.5 The funding objective is to achieve and maintain a funding level of 100% of liabilities (the funding target). Adopting the same method and assumptions as used for calculating the funding target, the deficit of £993 million could be eliminated by an average contribution addition of 6.6% of Pensionable Pay for 19 years. This would imply an average employer contribution rate of 19.1% (17.8% at the previous valuation) of Pensionable Pay.

3.6 The Schedule to the Rates and Adjustments Certificate (attached as Appendix I) sets out the contributions for each employer over the three year period to 31 March 2014 towards the shortfall against the funding target. The corresponding figures for 2010/11 are set out in the report on the actuarial valuation of the Fund as at 31 March 2007. Contribution requirements for the period from 1 April 2014 onwards will be revised as part of the next actuarial valuation as at 31 March 2013 and will be confirmed in the Rates and Adjustments Certificate and Schedule accompanying that valuation report.

4

Method and assumptions

Funding method

4.1 The funding method adopted is known as the projected unit method under which the salary increases assumed for each member are projected until the member is assumed to leave active service.

4.2 Under the projected unit method, if the membership profile remains stable in terms of age and sex, and the assumptions are borne out, then the normal future service contribution rate (as a percentage of salaries) will remain stable. The method therefore implicitly allows for new entrants replacing leavers.

4.3 For those employers which are closed to new entrants an alternative method is adopted, known as the attained age method. This method makes advance allowance for the anticipated future ageing of the current closed membership group.

4.4 The method as specified above is the same as was used at the previous valuation.

Assumptions

4.5 The financial and demographic assumptions used to assess the funding target, the normal cost of benefit accrual and the recovery plan are set out in Appendix D. A number of changes have been made to the assumptions used, compared with the previous valuation, as noted below and in Appendix D.

4.6 The table below sets out a summary of the market (gilts) yields at the valuation date, implied inflation and inflation adjustment assumptions, together with the equivalent details at the date of the previous valuation:

	31 March 2010	31 March 2007
Long-dated gilt yield	4.5%	4.4%
Long-dated index-linked gilt yield	0.7%	1.3%
Market expectation for long-term inflation (RPI basis)	3.8%	3.1%
Adjustment for Inflation Risk Premium (IRP) and CPI Indexation	-0.8%	0.0%
Adjusted CPI inflation	3.0%	n/a

4.7 The assumptions to which the valuation results are particularly sensitive are shown below.

	2010 funding target	2010 normal cost	2007 funding target	2007 normal cost
Investment return pre-retirement	7.0% p.a.	6.75% p.a.	6.9% p.a.	6.5% p.a.
Investment return post-retirement	5.5% p.a.	6.75% p.a.	5.4% p.a.	6.5% p.a.
Salary increases	5.0% p.a.	5.0% p.a.	4.85% p.a.	4.5% p.a.
Pension increases in payment	3.0% p.a.	3.0% p.a.	3.1% p.a.	2.75% p.a.
Retired members' mortality – base tables	CMI Self Administered Pension Schemes (SAPS) tables with scheme and member category specific adjustments		PA92 YoB tables +1 year	
Retired members' mortality – future improvements	CMI 2009 model methodology with 1% p.a. long term trend		CMI Medium Cohort model	

4.8 The mortality rates shown above relate to members retiring in normal health. At this valuation, members retiring in ill-health are assumed to be 3 years older than the above tables (5 years older assumed at the 2007 valuation).

4.9 At this valuation, 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 £1p.a. of pension given up. This assumption is unchanged from the last actuarial valuation.

4.10 The contributions payable under the recovery plan are calculated using the same assumptions as those used to calculate the funding target, with the exception that, during the period of the recovery plan, for certain employers an increased investment return on existing assets and future contributions is assumed, as specified in Appendix D.

4.11 As an illustration of the mortality rates adopted for the valuation, the future life expectancies for a male/female at age 65 are shown in the table below:

Pensioners	Life expectancy currently aged 65	
	2007 valuation	2010 valuation
Males normal health	21.0	21.5
Female normal health	23.9	24.1
Males ill health	16.9	19.1
Female ill health	19.7	21.6
Male dependants	21.0	20.0
Female dependants	23.9	23.1

4.12 The basis of valuing the assets (market value) is consistent with the assumptions used in assessing the funding target liabilities and the recovery plan.

5

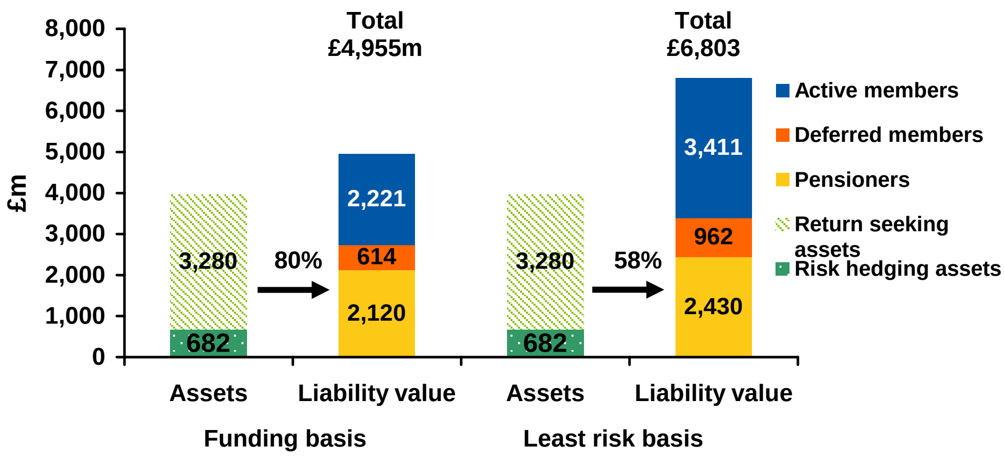
Least risk funding results

5.1 The results of the 2010 valuation show the funding target to be 80% covered by the current assets.

5.2 In assessing the value of the Fund's liabilities (the funding target), allowance has been made for asset out-performance as described in Section 4, taking into account the investment strategy adopted by the Fund, as set out in the Fund's Statement of Investment Principles (SIP).

5.3 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 least 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 least risk portfolio would minimise fluctuations in the Fund's ongoing funding level between successive actuarial valuations.

5.4 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. On this basis of assessment, the assessed value of the Fund's liabilities at the 2010 valuation would have been significantly higher, by approximately 37% and the declared funding level would be correspondingly reduced to approximately 58%. This is illustrated in the following chart, which also shows the assets of the Fund broken down into return seeking and risk hedging classes, giving a broad indication of the degree to which a risk based investment strategy is being adopted in funding for the liabilities.



5.5 On a least risk basis the deficiency at the valuation date is £2,841 million which compares to a deficit on the ongoing basis of £993 million.

5.6 Departure from a least risk investment strategy, in particular to include equity and other risk based return seeking investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

6

Variability and risks

6.1 The employer contributions set out in the Schedule to the Rates and Adjustments Certificate have been determined as described in section 3 of this report. These in turn depend on the financial and demographic assumptions used as described in section 4.

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

6.3 It is likely, especially in the short-term, that the assumptions will not be borne out in practice. It is therefore important to consider the potential impact on the employer contribution rates of actual experience differing from what has been assumed. The details in this section do this, based on the valuation results for the Fund as a whole.

Sensitivity to key assumptions

6.4 Real investment return, salary increase and life expectancy assumptions impact significantly on the funding position and the following table illustrates the sensitivity to variations in these key assumptions over the long term. The base point is the funding level of 80%. Each row of the table considers one change in isolation, with all other assumptions being unaltered. An equivalent change in the assumption in the opposite direction would change the funding level value by the equivalent amount in the opposite direction.

Change in assumption	Revised funding level at 31 March 2010
Pre retirement return reduced by 0.5%	78%
Salary increases increased by 0.25% p.a.	79%
Life expectancy increased by 1 year	78%

6.5 Similarly these assumptions impact significantly on the cost of the benefits accruing over the year. The following table illustrates the sensitivity to variations in these key assumptions over the long term. The starting point is the normal contribution rate of 12.5% of Pensionable Pay. Each row of the table considers one change in isolation, with all other assumptions being unaltered. As before, a change in the assumption in the opposite direction would give rise to a change in the employer normal contribution rate of an equivalent amount in the opposite direction.

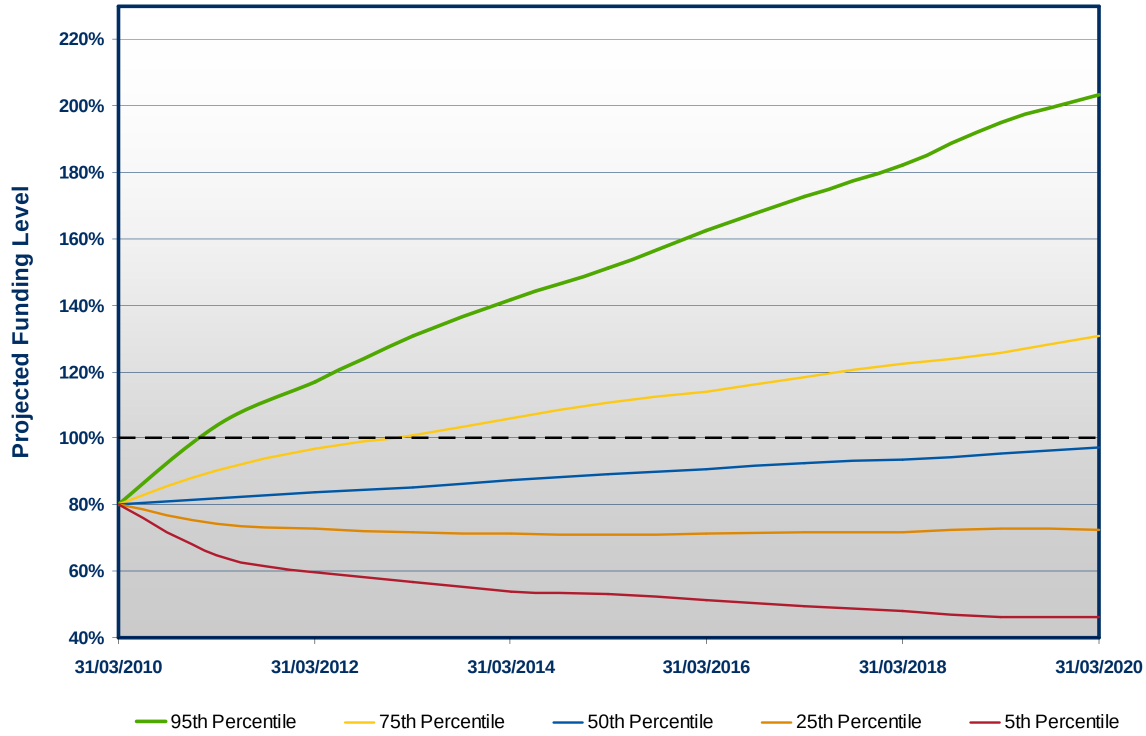
Change in assumption	Revised employer normal contribution rate at valuation date (% of Pensionable Pay)
Salary increases increased by 0.25% p.a.	13.0
Life expectancy increased by 1 year	12.7

Funding level sensitivity to investment markets

6.6 The chart below shows a "funnel of doubt" funding level graph. This illustrates the range and uncertainty in the future progression of the funding level, relative to the funding target adopted at the valuation, due to possible changes in various risk factors such as investment markets and interest rates.

6.7 Using a simplified model, the chart shows the probability of exceeding a certain funding level over a 10 year period from the valuation date. For example, the top line shows the 95th percentile level (i.e. there is a 5% chance of the funding level at each point in time being better than the funding level shown, and a 95% chance of the funding level being lower).

6.8 The chart adopts the 2010 actuarial valuation results as a starting point, and allows for the planned contributions into the Fund based on the valuation and funding strategy. The chart assumes median investment returns in line with "best estimate" market expectations and variability of those returns broadly in line with historic experience. It assumes continuation of the Fund's current investment strategy, over the projection period.



Risks that the funding objective will not be met

6.9 The Administering Authority's policy for meeting the funding objective carries a number of risks outside of the Administering Authority's control. The following paragraphs comment on some potentially material risks.

6.10 If any 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. If the reason for the employer not paying the agreed contributions is one of financial difficulties, then the Administering Authority's focus would switch to the need to secure as far as possible that any debt from the employer on it exiting the fund can be recovered. This risk can be mitigated by regular employer covenant review, strengthening of covenant as appropriate, and monitoring of changes in employer covenant. In the ultimate default of an employer any shortfall would then become the responsibility of a guarantor or all other employers in the Fund.

6.11 If the future investment return on assets falls short of the rates assumed in the calculation of the funding target and recovery plan, the funding position will be worse than expected. It is likely that an increase in future employer contributions will be required. The analysis shown earlier in this section illustrates the potential volatility of contribution rates and funding levels to future investment returns.

6.12 If market levels and/or market yields change such that the liability values increase by more than the assets, or decrease by less than the assets, the funding position would be worse than expected. An increase in employer contributions would be expected as a result. The same comments would apply if general population mortality studies and analysis of the Fund show that pensioners are living longer, or if improvements in mortality are found to be at a faster rate than allowed for. The analysis shown earlier in this section illustrates the quantitative impact of such changes.

6.13 If members make decisions around their options such that those decisions increased the Fund's liabilities (e.g. by not commuting pensions for cash to the extent assumed), the funding position would be worse than expected. As a result, future employer contributions might then need to be increased.

6.14 There is a specific investment matching risk that is particularly relevant for the Fund. This is the risk inherent in the predominantly equity-based strategy, such that actual asset out-performance between successive valuations could diverge significantly from the investment return assumptions made, as set out in Appendix D.

6.15 As mentioned in Section 5, alternative investment strategies could be followed that would minimise the risk of deterioration in the funding position assessed relative to the funding target, for example by raising the proportion of bond investment. Such a strategy would reduce the risk that changing economic conditions would cause deterioration in the Fund's funding position. It would also tend to produce a more stable contribution rate but at a higher overall level than indicated in Section 3.

Appendix A

Summary of benefits

Local Government Pension Scheme Regulations

The benefits and contributions payable under the Fund are set out in the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended). These regulations have replaced the Regulations which were in force at the previous valuation, except for a number of saved regulations as specified by the Local Government Pension Scheme (Transitional Provisions) Regulations 2008.

With effect from 1 April 2008 new rules were introduced replacing the 1997 scheme, under the provisions of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (SI2007/1166). The principal changes were: the replacement, for future service, of the existing benefits structure based on a pension of 1/80th of Pensionable Pay for each year of pensionable service plus an automatic lump sum of three times this amount by one based on 1/60th of Pensionable Pay for each year of pensionable service; and an increase in the average level of employee contributions from that date. These changes were taken into account at the 2007 valuation.

The following supplementary Regulations have also been laid in relation to the new scheme:

- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (SI2008/238)
- The Local Government Pension Scheme (Administration) Regulations 2008 (SI2008/239)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI2009/3150)

The following further amendments to the above Regulations have subsequently been issued:

- The Local Government Pension Scheme (Benefits, Membership and Contributions) (Amendment) Regulations 2011 Statutory Instrument No. 561
- The Local Government Pension Scheme (Miscellaneous) Regulations 2010 Statutory Instrument No. 2090
- The Local Government Pension Scheme (Amendment) Regulations 2010 Statutory Instrument No. 528
- The Local Government Pension Scheme (Miscellaneous) Regulations 2009 Statutory Instrument No. 3150
- The Local Government Pension Scheme (Amendment) Regulations 2009 Statutory Instrument No. 1025
- The Local Government Pension Scheme (Administration) (Amendment) Regulations 2009 Statutory Instrument No. 447
- The Local Government Pension Scheme (Administration) (Amendment) Regulations 2008 Statutory Instrument No. 3245
- The Local Government Pension Scheme (Amendment) (No.2) Regulations 2008 Statutory Instrument No. 2989
- The Local Government Pension Scheme (Miscellaneous) Regulations 2008 Statutory Instrument No. 2425
- The Local Government Pension Scheme (Amendment) Regulations 2008 Statutory Instrument No. 1083 (including amendments as per Correction Slip issued in September 2009)

We have made no allowance for other changes which may be introduced in the future.

Benefits recharged to individual employers on a £ for £ basis have been excluded from the calculation of the valuation liabilities.

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.

The Government announced in June 2010 that the rate of increase and revaluation that applies to pensions in payment and deferment in the LGPS and the other public sector schemes will in future be determined by reference to the Consumer Price Index (CPI) rather than the Retail Prices Index (RPI). Historically, CPI increases have on average been lower than RPI increases and, due to the nature of the two calculations, they are expected to remain so over the long term. The change is expected, therefore, to lead to lower increases to pensions, both in deferment and once in payment. This change has been taken into account in determining the financial assumptions adopted at this valuation.

Appendix B

Summary of membership data

Pensionable Employees

	At 31 March 2007	At 31 March 2010	Increase (%)
Number	51,056	50,595	-0.9
Annual Pensionable Pay[1] (£000s)	783,996	847,620	8.1
Average Pensionable Pay (£)	15,356	16,753	9.1
Average Age [2] (years)	48.6	49.1	N/A
Average Pensionable Service[3] (years)	11.2	11.3	0.9

Notes: 1 – Pensionable Pay figures include actual pay for part-time employees.

2 – Weighted by accrued pension.

3 – Weighted by salary.

Preserved Pensioners*

	At 31 March 2007	At 31 March 2010	Increase (%)
Number	31,468	42,124	33.9
Annual Pensions inclusive of Pension Increase (£000s)	32,825	43,398	32.2
Average Pension including Pension Increase (£)	1,043	1,030	-1.2
Average Age[2] (years)	47.0	47.8	N/A

* including frozen refunds and leaver options pending

Current Pensioners

	At 31 March 2007	At 31 March 2010	Increase (%)
Number	26,983	30,403	12.7
Annual Pensions inclusive of Pension Increase (£000s)	110,854	132,631	19.6
Average Pension including Pension Increase (£)	4,108	4,362	6.2
Average Age[2] (years)	68.2	68.6	N/A

Current Widow/Widower Pensioners etc.

	At 31 March 2007	At 31 March 2010	Increase (%)
Number	5,068	5,504	8.6
Annual Pensions inclusive of Pension Increase (£000s)	11,595	13,508	16.5
Average Pension including Pension Increase (£)	2,288	2,454	7.3
Average Age[2] (years)	75.5	76.2	N/A

In addition there were 362 current dependant pensioners as at 31 March 2010 with pensions in payment totalling £380,000 per annum.

Appendix C

Distribution of membership by employing bodies

Employing Body	Pensionable Employees	Preserved Pensioners	Pensioners
ABM Catering Ltd	8	1	1
Accrington & Rossendale College	193	173	86
Accrington Academy	55	6	0
Alternative Futures	39	2	2
Andron (City of Preston High)	2	0	0
Andron (Glenburn Sports College)	5	0	0
Andron (Ribblesdale High)	7	0	1
Andron (Kennington)	1	0	0
Arnold Schools Ltd	13	12	14
Beaufort Avenue Day Care Centre	1	2	4
Blackburn College	336	228	127
Blackburn St Mary's College	101	47	14
Blackburn with Darwen Borough Council	4,236	3,797	2,216
Blackpool & Fylde Mind Association	1	3	2
Blackpool & The Fylde College	487	347	216
Blackpool Airport Ltd (from July 2004)	2	1	5
Blackpool Borough Council	4,412	3,249	2,457
Blackpool Borough Transport Ltd	42	44	305
Blackpool Coastal Housing	129	35	10
Blackpool Sixth Form College	54	21	8
Blackpool Zoo (Grant Leisure Ltd)	10	8	2
Blackpool, Fylde & Wyre Society for Blind	4	5	14
Bootstrap Enterprise Ltd	9	1	0
Bulloughs (Highfield)	2	4	0
Bulloughs (St Augustines)	1	0	0
Bulloughs (St Marys)	1	0	0
Bulloughs (Whalley Primary)	2	0	0
Burnley Borough Council	514	646	1,024

Employing Body	Pensionable Employees	Preserved Pensioners	Pensioners
Burnley College	157	142	54
Calico Housing Ltd	110	68	63
CAPITA	114	85	49
Capita (Rossendale BC)	19	5	2
Cardinal Newman College	60	57	26
Caritas Care Ltd (was Catholic Caring Services)	63	64	28
Catterall Parish Council	1	0	0
Chorley Borough Council	323	380	471
Chorley Community Housing	55	32	15
Church Road Methodist Day Centre	9	3	5
Commission for Education & Formation	1	1	0
Community Alliance (Burnley & Padiham) Ltd	1	1	3
Community Council of Lancashire	7	11	7
Community Gateway Association Ltd	80	32	12
Connaught Environmental (Blackpool BC)	6	0	0
Connaught Environmental (Blackpool Coastal Housing)	3	0	0
Consultant Caterers Ltd	8	1	0
Contour Housing Association	7	4	1
Creative Support Ltd	34	1	1
CX Ltd	124	47	10
Danfo (UK) Ltd	1	2	3
Darwen Aldridge Community Academy	65	1	1
E ON UK Plc	1	0	0
Edge Hill University College	742	407	212
Elm House Management Committee	2	7	1
Enterprise Managed Services Ltd	10	7	2
Eric Wright Commercial Ltd	1	0	0
Fulwood Academy	53	3	0
Fylde Borough Council	294	235	450
Fylde Coast YMCA (Fylde)	6	3	0
Fylde Community Link	16	7	1
Galloways Society for the Blind	3	1	23
Garstang Town Council	2	0	0
Housing Pendle Ltd	113	26	15
Hyndburn Borough Council	344	284	622
Hyndburn Homes Ltd	101	23	12
I Care	34	3	1
Kirkham Grammar School	57	37	16
Kirkland Parish Council	1	0	0
Lancashire & Blackpool Tourist Board	19	7	2
Lancashire County Branch Unison	3	3	1
Lancashire County Council	24,553	22,341	18,262
Lancashire Fire & Rescue Service	281	129	75
Lancashire Police Authority	2,286	684	538
Lancashire Probation Committee	477	239	408
Lancashire Valuation Tribunal	2	4	7

Employing Body	Pensionable Employees	Preserved Pensioners	Pensioners
Lancaster & Morecambe College	173	224	79
Lancaster City Council	777	564	920
Lancaster University	970	712	614
Leisure in Hyndburn	44	67	10
Liberata	89	22	13
Liberata UK Ltd (Chorley)	3	0	0
Lytham Schools Foundation	36	14	27
Mellor's (formerly Wyre)	3	0	0
Mellor's Catering (Cardinal Newman)	6	0	0
Myerscough College	347	309	62
Nelson and Colne College	176	235	77
New Fylde Housing	11	3	20
NHS PCT Blackburn	18	0	0
NIC Services Group Ltd	1	2	0
North Western & North Wales Sea Fisheries Committee	8	11	12
Northgate Managed Services	18	0	0
NSL Ltd (Lancaster)	1	0	0
NSL Ltd (Wyre BC)	1	0	0
Ormerod Home Trust Ltd	8	7	3
Our Lady Queen of Peace (Bullough Contract Services)	3	1	0
Pendle Borough Council	337	353	616
Pendle Leisure Trust Ltd	99	76	15
Penwortham Town Council	5	3	0
Pilling Parish Council	2	0	1
Preston Care and Repair	5	4	0
Preston City Council	971	1,032	1,281
Preston College	401	476	139
Preston Council for Voluntary Services	2	3	0
Preston Vision Ltd	3	0	0
Progress Housing Group Ltd	216	84	62
Progress Recruitments	1	2	0
Queen Elizabeth's Grammar School	20	6	11
Ribble Valley Borough Council	232	175	206
Ribble Valley Homes	22	4	7
Rossendale Borough Council	189	244	566
Rossendale Leisure Trust	30	57	12
Rossendale Transport Ltd	15	8	57
Runshaw College	339	235	83
Singposts MARC Ltd	1	1	0
Solar Facilities (Bishop Raws)	1	0	1
Solar Facilities (Seven Stars)	2	0	0
Solar Facilities (St Peters)	2	0	0
Solar Facilities (Tarelton)	3	1	0
Solar Facilities (Ripley)	1	0	1
South Ribble Borough Council	300	295	371

Employing Body	Pensionable Employees	Preserved Pensioners	Pensioners
South Ribble Community Leisure Ltd	41	27	14
St Anne's on Sea Town Council	1	0	0
Surestart Hyndburn	31	25	1
Twin Valley Homes Ltd	295	74	47
University of Central Lancashire	1,279	1,004	432
University of Cumbria (was St Martins College)	799	473	203
Vita Lend Lease BSF ICT	1	0	0
Vita Lend Lease Ltd	22	2	0
West Lancashire Borough Council	541	324	670
West Lancashire Community Leisure Ltd	38	26	13
Whitworth Town Council	2	7	10
Wyre Borough Council	328	278	530
Wyre Housing Association	9	21	25
Former Employers with no Active Members	0	614	1,151
Totals	**50,595**	**42,124**	**36,269**

Appendix D

Actuarial assumptions used

Funding target assumptions

Financial assumptions

Investment return (discount rate)

A yield based on market returns on UK Government gilt stocks and other instruments which reflects a market consistent discount rate for the profile and duration of the Scheme's accrued liabilities, plus an Asset Out-performance Assumption ("AOA") of 2.5% p.a. for the period pre-retirement and 1.0% p.a. post-retirement.

The asset out-performance assumption represents the allowance made, in calculating the funding target, for the long term additional investment performance on the assets of the Fund relative to the yields available on long dated gilt stocks as at the valuation date. The allowance for this out-performance is based on the liability profile of the Scheme, with a higher assumption in respect of the "pre-retirement" (i.e. active and deferred pensioner) liabilities than for the "post-retirement" (i.e. pensioner) liabilities. This approach thereby allows for a gradual shift in the overall equity/bond weighting of the Fund as the liability profile of the membership matures over time.

Individual Employers

Having determined the AOAs as above for the Fund overall, it is important to consider how the financial assumptions in particular impact on individual participating employers. As employers in the Fund will have different mixes of active, deferred and pensioner members, adopting a different pre/post retirement investment return approach is equivalent to hypothecating a different equity/bond mix investment strategy for each employer. Such an approach would be inconsistent with the Fund practice, as set out in the FSS, of allocating investment performance pro rata across all employers based on a "mirror image" investment strategy to the whole Fund (other than for any employers adopting a bespoke investment strategy in accordance with the FSS). In completing the calculations for individual employers therefore, a single, composite, pre and post retirement asset out-performance assumption of 1.55% p.a. has been calculated which, for the Fund as a whole, gives the same value of the funding target as the separate pre and post retirement AOAs.

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 Scheme's accrued liabilities but subject to the following two adjustments.

- An allowance for supply/demand distortions in the bond market is incorporated and
- Due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index, as announced in June 2010. This change will apply from April 2011 and the assumptions make due allowance for this revision as advised by the Actuary.

The overall reduction to market implied RPI inflation at the valuation date is 0.8% per annum.

Salary increases

The assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 2.0 % p.a. over the CPI inflation assumption as described above. This includes allowance for promotional increases. This has been modified from the assumption at the previous valuation (of 1.75% above the RPI inflation assumption) to reflect future expectations, averaged over the long-term, for real salary increases, and the change in inflation assumption from RPI to CPI.

Pension increases

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. The pension increase assumption is modified appropriately to reflect any benefits which are not fully indexed in line with inflation (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

Demographic assumptions

Mortality

The mortality 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 scheme. The mortality tables used reflect the Fund's membership profile, and are set out in the summary section below. Members who retire on the grounds of ill heath are assumed to exhibit average mortality equivalent to that for a good health retiree 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 minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 1% per annum.

Early retirement

Some members are entitled to receive their benefits (or a part of their benefits) unreduced from an age prior to the Fund's normal pension age under the "Rule of 85" provisions of the Regulations. This age will be at some point between ages 60 and 65, depending on the length of a member's pensionable service. The calculations in respect of the relevant service to which these terms apply (basically pre April 2008 service but with transitional protections for certain members) allow for a proportion of the active membership to retire in normal health prior to age 65, as set out below.

	% retiring per annum	% retiring per annum
Age	Males	Females
60	24	41
61	15	20
62	21	20
63	22	19
64	26	23

For post April 2008 service (other than protected service) the situation is different since the "Rule of 85" rule has been removed (and for post October 2006 service for new entrants to the Scheme from that date). For this service we have assumed the earliest age at which unreduced benefits become an entitlement is 65, except for those members who have protected status under the transitional provisions.

Other than for certain employers as specified in Appendix I no allowance has been made for non-ill health early retirements prior to the ages specified above. Additional capital contributions will be paid by employers in respect of the cost of these retirements where that exceeds the allowance made.

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:

	% leaving per annum	% leaving per annum
Age	Males	Females
35	0.03	0.02
45	0.07	0.07

	% leaving per annum	% leaving per annum
55	0.31	0.27

The proportion of ill health early retirements falling into each tier category, split by males and females, has been assumed to be as set out below:

	Tier 1	Tier 2	Tier 3
Males	72%	9%	19%
Females	73%	14%	13%

Withdrawals

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	13.50	14.92
35	3.39	4.18
45	1.69	2.59

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 £1p.a. of pension given up.

Proportion married/in civil partnership and age difference

It has been assumed that the proportions of members below will on death give rise to a spouse's/civil partner's/dependant's pension, 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	45	25
35	45	47
45	54	55

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.4% 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.

Assumptions used in calculating the cost of future accrual

The cost of future accrual (the common contribution rate) has been calculated using the same actuarial assumptions as used to calculate the funding target 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 following points:

- 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; and
- the future service liabilities for which these contributions will be paid have a longer average duration than the past service liabilities.

The financial assumptions in relation to future service 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 3.75% per annum, with a long term average assumption for price inflation of 3.0 % per annum. These two assumptions give rise to an overall discount rate of 6.75% p.a.

Adopting this approach the future service rate is not subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the Regulations for stability in the common rate of contributions. In market conditions at the effective date of the 2010 valuation this approach gives rise to a somewhat more optimistic stance in relation to the cost of accrual of future benefits compared to the market related basis used for the assessment of the funding target.

At each valuation the cost of the benefits accrued since the previous valuation will become a past service liability. At that time any mismatch against gilt yields and the asset out-performance assumptions used for the funding target is fully taken into account in assessing the funding position.

Summary of key assumptions used for calculating funding target and cost of future accrual for the 2010 actuarial valuation

Long-term gilt yields	
Fixed interest	4.5% p.a.
Index linked	0.7% p.a.
Past service Funding Target financial assumptions	
Investment return pre-retirement	7.0 % p.a.
Investment return post-retirement	5.5 % p.a.
CPI price inflation	3.0% p.a.
Salary increases	5.0 % p.a.
Pension increases	3.0 % p.a.
Future service accrual financial assumptions	
Investment return	6.75% p.a.
CPI price inflation	3.0% p.a.
Salary increases	5.0% p.a.
Pension increases	3.0 % p.a.

Post retirement mortality

	Table	Adjustment*
Males normal health pensioners	S1PMA CMI_2009_M [1%]	103%
Female normal health pensioners	S1PFA CMI_2009_F [1%]	96%
Males ill health pensioners	As for male normal health pensioners +3 years	
Female ill health pensioners	As for female normal health pensioners +3 years	
Male dependants	S1PMA CMI_2009_M [1%]	124%
Female dependants	S1DFA CMI_2009_F [1%]	106%
Male future dependants	S1PMA CMI_2009_M [1%]	108%
Female future dependants	S1DFA CMI_2009_F [1%]	101%

*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.

For example, a “+1 year” rating would mean beneficiaries are assumed to have the mortality of someone one year their senior which has the effect of reducing their life expectancy and hence reducing the assessed value of the corresponding liabilities.

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.

For example, a “106%” weighting would mean beneficiaries have mortality rates 6% higher than the unadjusted table which reduces the assessed value of the corresponding liabilities.

Other Demographic assumptions

Pre-retirement mortality	PA92 MC YoB tables + 1 year
Commutation	One half of members take maximum lump sum, others take 3/80ths
Ill health retirement and proportions married/civil partnerships	Revised at the 2010 valuation based on up to date detailed analysis of general LGPS experience
Withdrawal and other demographics	As for 2007 Valuation

Assumptions used in calculating contributions payable under the recovery plan

The contributions payable under the recovery plan are calculated using the same assumptions as those used to calculate the **funding target**, with the exception that, for certain employers, the required contributions are adjusted to allow for the following variation in assumptions during the period of the recovery plan:

Investment return on existing assets and future contributions

An overall additional return of 3.0% p.a. above the liabilities consistent gilt yield of 4.5% p.a. effective as at the valuation date, reflecting the underlying investment strategy of the scheme and, in particular, including the assets of the scheme that underlie the pensioner as well as the non-pensioner liabilities.

This is equivalent to a total rate of investment return of 7.5% p.a. effective as at the 2010 valuation date.

The investment return assumed for the contributions under the recovery plan is taken to apply throughout the recovery period. As a result, any change in investment strategy which would act to reduce the expected future investment returns could invalidate these assumptions and therefore the funding strategy.

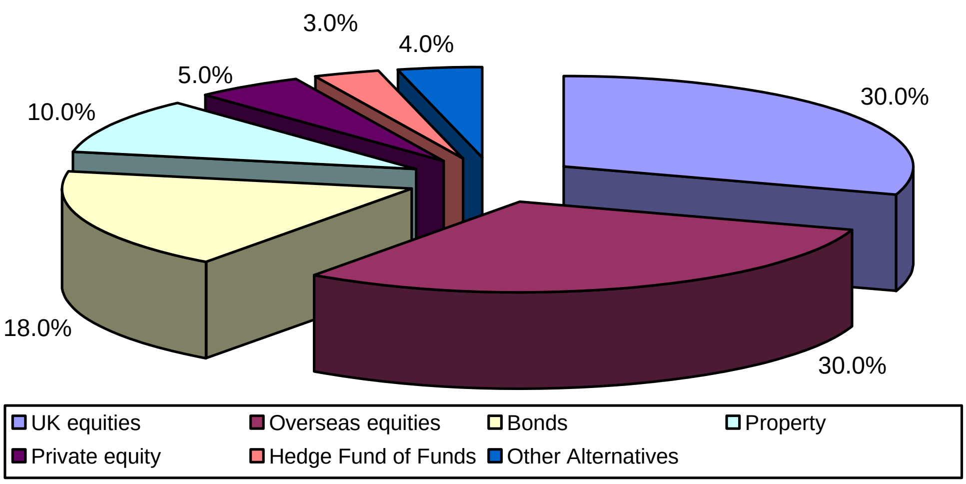
The above variation to assumptions in relation to the recovery plan can only be applied for those employers which the Administering Authority deems to be of sufficiently high covenant to support the anticipation of investment returns, based on the current investment strategy, over the entire duration of the recovery period. No such variation in the assumptions will apply in any case to any employer which does not have a funding deficit at the valuation (and therefore for which no recovery plan is applicable). Where the variation in the assumptions does apply, the resultant total contribution rate(s) implemented following the 2010 valuation will be subject to a minimum of both:

- the contribution rate(s) originally planned for 2011/12 onwards based on the 2007 actuarial valuation plus 1.5%, and
- the normal future service contribution rate for the employer concerned.

Appendix E

Summary of assets

Based on the information supplied, the market value of the assets of the Fund (excluding those additional voluntary contribution funds (AVCs) which are separately invested) was £3,962 million on the valuation date. The target distribution of assets by asset class as per the Fund's Statement of Investment Principles was as follows:-



The details of the assets at the valuation date and the financial transactions during the inter-valuation period (as summarised in Appendix F) have been obtained from the audited accounts for the Scheme.

Appendix F

Summary of income and expenditure

INCOME	**Year ending 31 March**			
	2008	**2009**	**2010**	**Total**
	£000s	£000s	£000s	£000s
Fund at beginning of year	3,688,846	3,669,667	2,933,938	3,688,846
Contributions to Fund:				
Employees	49,295	55,047	56,724	161,066
Employers	128,360	138,505	151,695	418,560
Transfer Values received	17,626	16,467	26,697	60,790
Investment income	91,961	80,377	71,431	243,769
Change in market value of investments	-131,691	-815,904	934,980	-12,615
TOTAL:	**3,844,397**	**3,144,159**	**4,175,465**	**4,560,416**

EXPENDITURE	**Year ending 31 March**			
	2008	**2009**	**2010**	**Total**
	£000s	£000s	£000s	£000s
Pensions for members/spouses/partners/dependants	122,916	131,625	141,347	395,888
Lump sum benefits	30,289	36,625	41,461	108,375
Refunds on withdrawal	223	19	7	249
Transfer values paid	11,423	21,518	21,787	54,728
Investment expenses	6,939	5,614	5,807	18,360
Prior year adjustment	0	11,447	0	11,447
Administration expenses	2,940	3,373	3,471	9,784
Fund at end of year	3,669,667	2,933,938	3,961,585	3,961,585
TOTAL:	**3,844,397**	**3,144,159**	**4,175,465**	**4,560,416**

Appendix G

Experience analysis of the membership of the Fund for the period 1 April 2007 to 31 March 2010

The analysis below compares the actual experience over the 3 year period with the assumptions used for the 2010 valuation.

Ill Health Retirements

	Actual	Expected	%
Males	131	96	136
Females	228	145	157
Total	359	241	149

In considering the above it should be noted that the introduction of the 2008 scheme included substantial changes to the eligibility criteria for ill health retirement and so the experience over the period is not expected to be representative of that going forward. The ill heath assumptions for this 2010 valuation are in accordance with the analysis and advice reported separately to the Administering Authority, based on observed experience across all Mercer LGPS clients.

1. Withdrawals

	Actual	Expected	%
Males	3,967	1,302	305
Females	14,142	4,144	341
Total	18,109	5,446	333

Note that actual withdrawals include members moving to another LGPS Fund, bulk transfers and also transfers under the special transfer club terms.

2. Pensioner Deaths

a. Based on amounts of pension payable

	Actual (£000s)	Expected (£000s)	%
Males	6,822	6,285	109
Females	4,580	4,270	107
Total	11,402	10,555	108

b. Based on number of pensions in payment

	Actual	Expected	%
Males	1,444	1,146	126
Females	1,748	1,564	112
Total	3,192	2,710	118

Appendix H

Rates and Adjustments Certificate issued in accordance with Regulation 36 of the Administration Regulations

Name of Fund	Lancashire County Pension Fund

I hereby certify that, in my opinion, the common rate of employers' contributions payable in each year of the period of three years beginning 1 April 2011 should be at the rate of 12.5 per cent of Pensionable Pay.

I hereby certify that, in my opinion, the amount of the employers' contributions payable in each year of the period of three years beginning with 1 April 2011, as set out above, should be individually adjusted as set out in the attached schedule.

Contributions will be payable monthly in arrears with each payment normally being due by the 19th of the following month. Pensionable Pay is pay as determined under the LGPS regulations for the calculation of employee contributions.

For employers where no allowance for non ill-health early retirement costs is included in the valuation 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. Additional contributions may be paid if requested by the employer concerned.

The 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 against a third party.

Regulation 36(8)

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.

For four employers I have shown on the attached Schedule the allowance made for non-ill health early retirements over the period of three years beginning 1 April 2011 taken into account when setting this employer's contribution rate.

No allowance for non-ill health early retirements has been made in determining the results of the valuation for other employers, on the basis that the costs arising will be met by additional contributions.

Signature ________________________________

Name John Livesey

Qualification Fellow of the Institute of Actuaries

Date of signing 31 March 2011

Appendix I

Schedule to the Rates and Adjustment Certificate dated 31 March 2011

	2011/12		2012/13		2013/14		Non-ill health early retirement allowance included for the 3 years 2011/14
Employers	Individual Adjustment	Total Contribution Rate (% of pay)	Individual Adjustment	Total Contribution Rate (% of pay)	Individual Adjustment	Total Contribution Rate (% of pay)	Amount £
ABM Catering Ltd	3.5%	16.0%	3.5%	16.0%	3.5%	16.0%	
Accrington & Rossendale College	7.1%	19.6%	7.1%	19.6%	7.1%	19.6%	
Accrington Academy	-1.8%	10.7%	-1.8%	10.7%	-1.8%	10.7%	
Alternative Futures	1.7%	14.2%	1.7%	14.2%	1.7%	14.2%	
Andron (City of Preston High)	-1.2%	11.3%	-1.2%	11.3%	-1.2%	11.3%	
Andron (Glenburn Sports College)	0.5%	13.0%	0.5%	13.0%	0.5%	13.0%	
Andron (Kennington)	0.0%	12.5%	0.0%	12.5%	0.0%	12.5%	
Andron (Ribblesdale High)	-0.3%	12.2%	-0.3%	12.2%	-0.3%	12.2%	
Arnold Schools Ltd	5.0%	17.5%	6.2%	18.7%	7.4%	19.9%	
Beaufort Avenue Day Care Centre	14.0%	26.5%	17.7%	30.2%	21.3%	33.8%	
Blackburn College	2.9%	15.4%	2.9%	15.4%	2.9%	15.4%	
Blackburn St Mary's College	1.7%	14.2%	1.7%	14.2%	1.7%	14.2%	

Employers	2011/12 Individual Adjustment	2011/12 Total Contribution Rate (% of pay)	2012/13 Individual Adjustment	2012/13 Total Contribution Rate (% of pay)	2013/14 Individual Adjustment	2013/14 Total Contribution Rate (% of pay)	Non-ill health early retirement allowance included for the 3 years 2011/14 Amount £
Blackburn with Darwen Borough Council	3.1%	15.6%	3.6%	16.1%	4.1%	16.6%	
Blackpool & The Fylde College	5.0%	17.5%	5.0%	17.5%	5.0%	17.5%	£246,000
Blackpool Airport Ltd (from July 2004)	20.5%	33.0%	24.5%	37.0%	27.8%	40.3%	
Blackpool Borough Council	3.9%	16.4%	4.4%	16.9%	4.9%	17.4%	£697,600
Blackpool Borough Transport Ltd	-12.5%	0.0%	-12.5%	0.0%	-12.5%	0.0%	
Blackpool Coastal Housing	-0.5%	12.0%	-0.5%	12.0%	-0.5%	12.0%	
Blackpool Sixth Form College	-0.5%	12.0%	-0.5%	12.0%	-0.5%	12.0%	
Blackpool Zoo (Grant Leisure Ltd)	5.5%	18.0%	7.1%	19.6%	8.8%	21.3%	
Blackpool, Fylde & Wyre Society for Blind	29.5%	42.0%	32.5%	45.0%	35.5%	48.0%	
Bootstrap Enterprise Ltd	0.2%	12.7%	0.2%	12.7%	0.2%	12.7%	
Bulloughs (Highfield)	-2.0%	10.5%	-2.0%	10.5%	-2.0%	10.5%	
Bulloughs (St Augustines)	1.9%	14.4%	1.9%	14.4%	1.9%	14.4%	
Bulloughs (St Marys)	4.0%	16.5%	4.0%	16.5%	4.0%	16.5%	
Bulloughs (Whalley Primary)	2.3%	14.8%	2.3%	14.8%	2.3%	14.8%	
Burnley Borough Council	12.5%	25.0%	12.5%	25.0%	12.5%	25.0%	
Burnley College	2.3%	14.8%	2.3%	14.8%	2.3%	14.8%	
Calico Housing Ltd	6.8%	19.3%	6.8%	19.3%	6.8%	19.3%	
CAPITA	12.2%	24.7%	14.1%	26.6%	16.0%	28.5%	
Capita (Rossendale BC)	3.1%	15.6%	4.6%	17.1%	6.0%	18.5%	
Cardinal Newman College	3.3%	15.8%	3.3%	15.8%	3.3%	15.8%	
Caritas Care Ltd (was Catholic Caring Services)	6.2%	18.7%	6.2%	18.7%	6.2%	18.7%	
Catterall Parish Council	2.3%	14.8%	2.3%	14.8%	2.3%	14.8%	
Chorley Borough Council	6.8%	19.3%	7.3%	19.8%	7.8%	20.3%	
Chorley Community Housing	1.6%	14.1%	1.6%	14.1%	1.6%	14.1%	
Church Road Methodist Day Centre	6.7%	19.2%	7.0%	19.5%	7.3%	19.8%	
Commission for Education & Formation	8.0%	20.5%	8.0%	20.5%	8.0%	20.5%	
Community Council of Lancashire	8.3%	20.8%	8.3%	20.8%	8.3%	20.8%	
Community Gateway Association Ltd	1.7%	14.2%	2.4%	14.9%	3.0%	15.5%	
Connaught Environmental (Blackpool BC)	-3.9%	8.6%	-3.9%	8.6%	-3.9%	8.6%	
Connaught Environmental (Blackpool Coastal Housing)	0.5%	13.0%	0.5%	13.0%	0.5%	13.0%	

Employers	2011/12 Individual Adjustment	2011/12 Total Contribution Rate (% of pay)	2012/13 Individual Adjustment	2012/13 Total Contribution Rate (% of pay)	2013/14 Individual Adjustment	2013/14 Total Contribution Rate (% of pay)	Non-ill health early retirement allowance included for the 3 years 2011/14 Amount £
Consultant Caterers Ltd	2.5%	15.0%	2.5%	15.0%	2.5%	15.0%	
Contour Housing Association	4.1%	16.6%	4.1%	16.6%	4.1%	16.6%	
Creative Support Ltd	1.6%	14.1%	1.6%	14.1%	1.6%	14.1%	
CX Ltd	-0.6%	11.9%	-0.6%	11.9%	-0.6%	11.9%	
Danfo (UK) Ltd	172.2%	184.7%	172.2%	184.7%	172.2%	184.7%	
Darwen Aldridge Community Academy	-1.2%	11.3%	-1.2%	11.3%	-1.2%	11.3%	
E ON UK Plc	6.2%	18.7%	6.2%	18.7%	6.2%	18.7%	
Edge Hill University College	1.5%	14.0%	2.0%	14.5%	2.5%	15.0%	
Enterprise Managed Services Ltd	1.1%	13.6%	2.4%	14.9%	3.6%	16.1%	
Eric Wright Commercial Ltd	5.4%	17.9%	5.4%	17.9%	5.4%	17.9%	
Fulwood Academy	-1.3%	11.2%	-1.3%	11.2%	-1.3%	11.2%	
Fylde Borough Council	7.0%	19.5%	8.3%	20.8%	9.5%	22.0%	
Fylde Coast YMCA (Fylde)	-2.0%	10.5%	-2.0%	10.5%	-2.0%	10.5%	
Fylde Community Link	4.3%	16.8%	4.3%	16.8%	4.3%	16.8%	
Galloways Society for the Blind	32.2%	44.7%	32.2%	44.7%	32.2%	44.7%	
Garstang Town Council	-1.3%	11.2%	-1.3%	11.2%	-1.3%	11.2%	
Housing Pendle Ltd	1.8%	14.3%	1.8%	14.3%	1.8%	14.3%	
Hyndburn Borough Council	12.3%	24.8%	12.3%	24.8%	12.3%	24.8%	
Hyndburn Homes Ltd	1.4%	13.9%	1.4%	13.9%	1.4%	13.9%	
I Care	-1.6%	10.9%	-1.6%	10.9%	-1.6%	10.9%	
Kirkham Grammar School	4.1%	16.6%	4.6%	17.1%	5.1%	17.6%	
Kirkland Parish Council	2.5%	15.0%	2.5%	15.0%	2.5%	15.0%	
Lancashire & Blackpool Tourist Board	1.1%	13.6%	1.1%	13.6%	1.1%	13.6%	
Lancashire County Branch Unison	8.0%	20.5%	8.0%	20.5%	8.0%	20.5%	
Lancashire County Council	5.8%	18.3%	6.2%	18.7%	6.6%	19.1%	
Lancashire Fire & Rescue Service	5.0%	17.5%	5.0%	17.5%	5.0%	17.5%	£199,000
Lancashire Police Authority	2.3%	14.8%	2.8%	15.3%	3.3%	15.8%	£450,500
Lancashire Probation Committee	6.6%	19.1%	6.6%	19.1%	6.6%	19.1%	
Lancaster & Morecambe College	4.1%	16.6%	4.1%	16.6%	4.1%	16.6%	
Lancaster City Council	8.1%	20.6%	8.1%	20.6%	8.1%	20.6%	
Lancaster University	1.9%	14.4%	2.2%	14.7%	2.6%	15.1%	
Leisure in Hyndburn	3.3%	15.8%	4.5%	17.0%	5.7%	18.2%	

Employers	2011/12 Individual Adjustment	2011/12 Total Contribution Rate (% of pay)	2012/13 Individual Adjustment	2012/13 Total Contribution Rate (% of pay)	2013/14 Individual Adjustment	2013/14 Total Contribution Rate (% of pay)	Non-ill health early retirement allowance included for the 3 years 2011/14 Amount £
Liberata	6.0%	18.5%	6.0%	18.5%	6.0%	18.5%	
Liberata UK Ltd (Chorley)	8.9%	21.4%	8.9%	21.4%	8.9%	21.4%	
Lytham Schools Foundation	2.2%	14.7%	2.2%	14.7%	2.2%	14.7%	
Mellor's (formerly Wyre)	1.7%	14.2%	1.7%	14.2%	1.7%	14.2%	
Mellor's Catering (Cardinal Newman)	5.0%	17.5%	5.0%	17.5%	5.0%	17.5%	
Myerscough College	0.8%	13.3%	1.0%	13.5%	1.1%	13.6%	
Nelson and Colne College	3.3%	15.8%	3.3%	15.8%	3.3%	15.8%	
New Fylde Housing	42.3%	54.8%	42.3%	54.8%	42.3%	54.8%	
New Progress Housing	3.9%	16.4%	3.9%	16.4%	3.9%	16.4%	
NHS PCT Blackburn	1.6%	14.1%	1.6%	14.1%	1.6%	14.1%	
NIC Services Group Ltd	2.5%	15.0%	2.5%	15.0%	2.5%	15.0%	
North Western & North Wales Sea Fisheries Committee	13.4%	25.9%	13.4%	25.9%	13.4%	25.9%	
Northgate Managed Services	0.1%	12.6%	0.1%	12.6%	0.1%	12.6%	
NSL Ltd (Lancaster)	4.5%	17.0%	4.5%	17.0%	4.5%	17.0%	
NSL Ltd (Wyre BC)	0.6%	13.1%	0.6%	13.1%	0.6%	13.1%	
Ormerod Home Trust Ltd	11.7%	24.2%	13.7%	26.2%	15.5%	28.0%	
Our Lady Queen of Peace (Bullough Contract Services)	3.5%	16.0%	3.5%	16.0%	3.5%	16.0%	
Pendle Borough Council	12.1%	24.6%	14.1%	26.6%	16.2%	28.7%	
Pendle Leisure Trust Ltd	1.2%	13.7%	1.2%	13.7%	1.2%	13.7%	
Penwortham Town Council	1.5%	14.0%	1.5%	14.0%	1.5%	14.0%	
Pilling Parish Council	4.8%	17.3%	4.8%	17.3%	4.8%	17.3%	
Preston Care and Repair	6.0%	18.5%	6.0%	18.5%	6.0%	18.5%	
Preston City Council	5.6%	18.1%	6.1%	18.6%	6.6%	19.1%	
Preston College	2.7%	15.2%	3.0%	15.5%	3.3%	15.8%	
Preston Council for Voluntary Services	9.4%	21.9%	9.4%	21.9%	9.4%	21.9%	
Progress Care Housing	3.9%	16.4%	3.9%	16.4%	3.9%	16.4%	
Progress Housing Group Ltd	3.9%	16.4%	3.9%	16.4%	3.9%	16.4%	
Progress Recruitments	2.9%	15.4%	2.9%	15.4%	2.9%	15.4%	
Queen Elizabeth's Grammar School	8.3%	20.8%	9.3%	21.8%	10.3%	22.8%	
Ribble Valley Borough Council	3.6%	16.1%	4.1%	16.6%	4.6%	17.1%	

Employers	2011/12 Individual Adjustment	2011/12 Total Contribution Rate (% of pay)	2012/13 Individual Adjustment	2012/13 Total Contribution Rate (% of pay)	2013/14 Individual Adjustment	2013/14 Total Contribution Rate (% of pay)	Non-ill health early retirement allowance included for the 3 years 2011/14 Amount £
Ribble Valley Homes	1.8%	14.3%	1.8%	14.3%	1.8%	14.3%	
Rossendale Borough Council	13.8%	26.3%	15.3%	27.8%	16.8%	29.3%	
Rossendale Leisure Trust	0.2%	12.7%	1.2%	13.7%	2.1%	14.6%	
Rossendale Transport Ltd	10.7%	23.2%	19.3%	31.8%	27.8%	40.3%	
Runshaw College	2.6%	15.1%	2.9%	15.4%	3.2%	15.7%	
Singposts MARC Ltd	-12.5%	0.0%	-12.5%	0.0%	-12.5%	0.0%	
Solar Facilities (Bishop Raws)	-12.5%	0.0%	-12.5%	0.0%	-12.5%	0.0%	
Solar Facilities (Ripley)	8.5%	21.0%	8.5%	21.0%	8.5%	21.0%	
Solar Facilities (Seven Stars)	3.4%	15.9%	3.4%	15.9%	3.4%	15.9%	
Solar Facilities (St Peters)	-3.0%	9.5%	-3.0%	9.5%	-3.0%	9.5%	
Solar Facilities (Tarelton)	1.4%	13.9%	1.4%	13.9%	1.4%	13.9%	
South Ribble Borough Council	6.8%	19.3%	7.8%	20.3%	8.8%	21.3%	
South Ribble Community Leisure Ltd	10.4%	22.9%	10.4%	22.9%	10.4%	22.9%	
St Anne's on Sea Town Council	-1.4%	11.1%	-1.4%	11.1%	-1.4%	11.1%	
Surestart Hyndburn	-2.0%	10.5%	-1.0%	11.5%	-0.1%	12.4%	
Twin Valley Homes Ltd	3.8%	16.3%	3.8%	16.3%	3.8%	16.3%	
University of Central Lancashire	1.6%	14.1%	1.6%	14.1%	1.6%	14.1%	
University of Cumbria (was St Martins College)	1.5%	14.0%	1.5%	14.0%	1.5%	14.0%	
Vita Lend Lease BSF ICT	0.2%	12.7%	0.2%	12.7%	0.2%	12.7%	
Vita Lend Lease Ltd	1.3%	13.8%	1.3%	13.8%	1.3%	13.8%	
West Lancashire Borough Council	7.5%	20.0%	7.5%	20.0%	7.5%	20.0%	
West Lancashire Community Leisure Ltd	-0.5%	12.0%	-0.5%	12.0%	-0.5%	12.0%	
Whitworth Town Council	3.6%	16.1%	3.6%	16.1%	3.6%	16.1%	
Wyre Borough Council	12.6%	25.1%	12.6%	25.1%	12.6%	25.1%	
Wyre Housing Association	57.8%	70.3%	57.8%	70.3%	57.8%	70.3%	

Other interested bodies with no pensionable employees

Former Employers	**Proportion of Pension Increases to be Recharged %**
Alzheimer's Society	See notes
Barnoldswick Town Council	See notes
Blackpool & Fylde Mind Association	See notes
Blackpool & Fylde Society for the Deaf	100
Blackpool Town Centre Forum Ltd	See notes
Bulloughs (St Albans)	See notes
Burnley & Pendle Development Association	100
Burton Manor Residential College	100
Carden Croft Ltd	See notes
Community Alliance (Burnley & Padiham) Ltd	See notes
CSB Contract Services	See notes
Elm House Management Committee	See notes
Ex Department of Transport	100
Ex National Health Service	100
Ex National Water Council	100
Fylde Coast Development Association	100
Lancashire South East Probation Committee	100
Lancashire Valuation Tribunal	See notes
New Directions	See notes
Preston Vision Ltd	See notes
Salmesbury & Cuerdale Parish Council	See notes
Skelmersdale College	See notes
Spastics Society	100

Note:

Members of the Fund employed by Skelmersdale College have transferred to membership of the Tyne and Wear Fund, and so a bulk transfer payment will be required. Any residual funding shortfall in the LCPF after the transfer payment should then be recovered from the College.

For the remaining employers listed as "see notes" above further calculations are required in connection with them ceasing to participate in the Fund. Further details for these employers will be notified in due course.

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