

Lancashire County Pension Fund

Annual Report 2015/16

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Friargate student accommodation – Preston



A. Management structure

Administering Authority

Lancashire County Council

Lancashire County Council Pension Fund Committee

M Barron

L Beavers

D Borrow

G Dowding

K Ellard (Chair)

J Oakes

M Otter

M Parkinson (Deputy Chair)

C Pritchard

A Schofield

K Sedgewick

D Westley

D Whipp

B Yates

Co-opted Blackburn with Darwen Borough Council representative

R Whittle

Co-opted Blackpool Council representative

M Smith

Co-opted Lancashire Leaders' Group representative

P Rankin

E Pope

Co-opted Trade Union representative

P Crewe

J Tattersall

Co-opted HE/FE sector representative

A Milloy

Custodian

Northern Trust

Independent Investment Advisors

E Lambert

A Devitt

Director of Lancashire County Pension Fund (to 31/3/16)

G Graham

Head of Pension Fund

Abigail Leech

Director of Financial Resources

N Kisson CPFA

Actuary

Mercer

Auditor

Grant Thornton

Property Solicitors

Pinsent Masons

DWF

Independent Property Valuer

Cushman & Wakefield

Corporate Governance Advisor

PIRC

Performance Measurement

Northern Trust

AVC Providers

Prudential
Equitable Life

Legal Advisors (other than property)

In-House
MacFarlanes
Eversheds
Clifford Chance
Allen and Overy
Taylor Wessing
Addleshaw Goddard

Tax Advisors

KPMG

Bankers

National Westminster

Fund Managers

AGF Investments
Arclight Capital Partners
Ares Management

Babson Capital Management
Baillie Gifford
Bluebay Asset Management

Capital Dynamics
Christofferson, Robb & Company

EQT

Guild Investments Ltd
Gatefold Hayes LP
Global Infrastructure Partners

Hayfin Capital Management
Heylo Housing Trust
Highbridge Capital Management
Highstar Capital
HSBC Global Asset Management

I Squared Capital
Icon Investments
Investec Asset Management

Kames Capital
King Street Capital Management

Knight Frank Investors
Kreos Capital

Madrileña Red de Gas
M&G Investments
MFG Investments
MFS Investment Management
Monarch Alternative Capital
Morgan Stanley Investment Management
Muzinich & Co

Natixis Global Asset Management
Neuberger Berman

Pacific Investment Management Company
Permira Debt Managers
Pictet Asset Management
Prima Capital Advisors

Robeco Asset Management

SL Capital Partners LLP
Stonepeak Infrastructure Partners

THL Credit

Venn Partners

Westmill Solar Co-operative
White Oak Global Advisors

B. Foreword by County Councillor Kevin Ellard, Chair of the Pension Fund Committee

As ever it has been a very busy year for Lancashire County Pension Fund. The world in which we operate does not stand still, and consequently neither can we.

Over the last 12 months the Fund has concluded the first pooling arrangement within the Local Government Pension Scheme in the Local Pensions Partnership. However, our approach to pooling has always been about the holistic management of the Fund rather than just creating a bigger pot of investment assets and shortly after the end of the financial year all the staff who carry out the investment and administration functions of the fund transferred to the new Partnership. They continue to be based in Preston and continue to focus on making sure that the Lancashire County Pension Fund and the other funds that they are now dealing with are the best run within the Local Government Pension Scheme. As a result of these changes we have a new working

arrangement with some of the key staff within the Fund including George Graham the Director of the Fund and Mike Jensen the Chief Investment Officer. Both these individuals have played a key part within the Fund and will continue to do so in the partnership arrangements.

While the creation of the partnership with the London Pension Fund Authority has been the largest single issue facing the Fund in the last 12 months we have also made sure that we have kept a clear focus on the business of investing the Fund and ensuring that pensions are paid accurately and on time.

In terms of investment the markets have seen a topsy turvy year, however the Fund's investment strategy is designed to minimise the impact on value of the large swings that can be caused by market movements. This year that strategy has paid off and the Fund's performance was

according to independent experts State Street the best in the Local Government Pension Scheme. We also completed two major infrastructure investments during the year, one acquiring 50% of EDF's Portuguese wind energy business and the other acquiring 12.5% of the Madrid Gas Distribution Network where we are partners with EDF, PGGM one of the largest Dutch pension funds and a Chinese sovereign wealth fund. These assets increase the Fund's infrastructure investment to 9.4% of the Fund and provide a long term stable income generating investment ideally suited to help the Fund meet its liabilities going forward. The success of this strategy has again been recognised with a number of awards which are detailed elsewhere in this annual report.

The Fund has also continued to expand its local property holdings in Lancashire and I am particularly pleased with the announcement shortly after the end of the

financial year that the Fund will redevelop the Park Hotel building in Preston as a hotel. Where we can, as in this case, achieve the appropriate return from a local investment then there is no reason why we should not pursue it and help achieve the wider social benefits for our area that such investment will bring.

We have continued to work through our approach to responsible investment looking to be a good owner of good assets. This is an area where participating in the Partnership will allow us to devote more resource to this important area. Reassuringly the various campaigns against poor corporate behaviour which have been raised with us over the last year have all been in relation to companies in which the Fund has no investment, or are in relation to broader issues where we are already working with other LGPS funds to influence corporate behaviour. We have also completed the investment programme

to put solar panels on the Fund's various properties, thus reducing the environmental impact of the portfolio and providing added benefits to our tenants.

On the administration side the team has continued to deal with the ever increasing number of both members and employers and record levels of retirements while maintaining very high levels of performance. Of particular note is the fact that because of the high level of co-operation between employers and the Fund in relation to managing and providing data we were able to issue 99% of active members' annual benefit statements on time. This was unusual in the Local Government Pension Scheme and reflects well on the effective planning undertaken for the introduction of LGPS 2014 and the strong relationship between the Fund and its employers. A considerable amount of work reviewing various fund policies has also been necessary following the

introduction of LGPS 2014 and in the run up to the valuation and this has kept the Pension Fund Committee as well as the team busy.

2016 is valuation year and all expectations are that this valuation will be as challenging as the last one in terms of the ability to balance the various objectives and interests within the process. No doubt this will form a key part of next year's foreword.



County Councillor Kevin Ellard
Chair of the Pension Fund Committee

C. Governance of the Fund

Lancashire County Pension Fund Governance Policy Statement

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

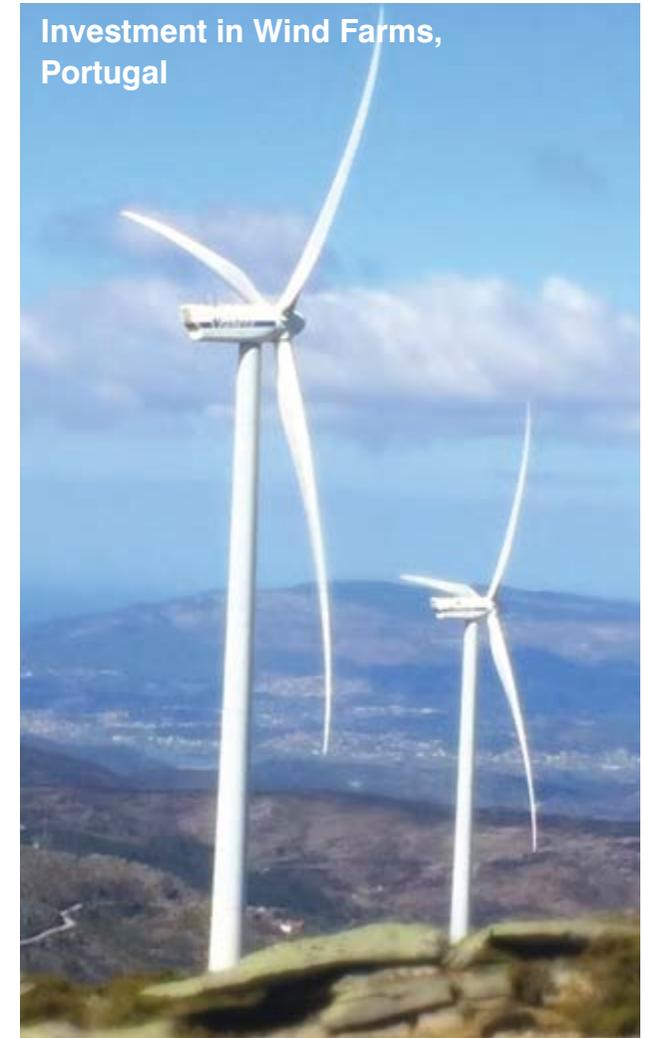
Under regulation 55 of the LGPS Regulations 2013, all Local Government Pension Scheme (LGPS) Funds in England and Wales are required to publish a Governance Policy Statement setting out whether the authority delegates its functions, or part of its functions to a committee, a sub-committee or an officer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

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

the Lancashire County Pension Fund.

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

The Fund's Governance Compliance Statement is shown on the following page:



Lancashire County Pension Fund Governance Compliance Statement:

Principle		Full Compliance
<p>A. Structure</p>	<p>(a) the Management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing Council</p>	<p>✓</p>
	<p>(b) that representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee(1)</p>	<p>Partial See note 1</p>
	<p>(c) that where a secondary committee or panel has been established, the structure ensures effective communication across both levels.</p>	<p>✓</p>
	<p>(d) that where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.</p>	<p>✓</p>
<p>B. Representation</p>	<p>(a) that all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. (1)</p>	
	<p>These include: employing authorities (including non-scheme employers, e.g. admitted bodies) (ii) scheme members (including deferred and pensioner scheme members) (iii) independent professional observers (2) (iv) expert advisors (on an ad hoc basis)</p>	<p>Partial (see notes 1& 2)</p>

Reasons for Partial Compliance

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

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

C. Selection and Role of Lay Members

(a) that committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee. ✓

(It is the role of the administering authority to make places available for lay members and for the groups to nominate the representatives. The lay members are not there to represent their own local, political or private interest but owe a duty of care to their beneficiaries and are required to act in their best interests at all times.)

D. Voting

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

E. Training/ Facility Time/ Expenses

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

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

F.

Meetings – frequency

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

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

D. Administration of the Fund

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

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

Pension administration services are provided to Lancashire County Pension Fund by Lancashire County Councils award winning pensions administration service; Your Pension Service (YPS).

Review of the Year

Over the year Your Pension Service has achieved an overall performance level of 99% against the standards and targets set out within a Service Level Agreement.

In July 2015 Your Pension Service was re-accredited with the Government's Customer Service Excellence Award. This award focuses on developing customer insight, understanding scheme members' experience and delivering a first class service. The Service has held this award since 2008. More work is being undertaken to develop further customer insight, to better understand the customers experience and to make improvements.

Membership and employers

The Scheme is administered on behalf of over 300 organisations including local authorities, further and higher education colleges, voluntary and charitable organisations and private contractors undertaking a local authority function following outsourcing to the private sector.

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

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

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

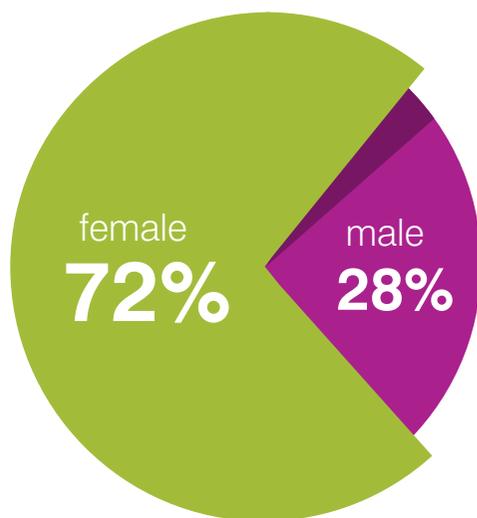
During the period 38 employers applied to join the scheme (2 parish councils, 15 academies and 21 contractors).

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

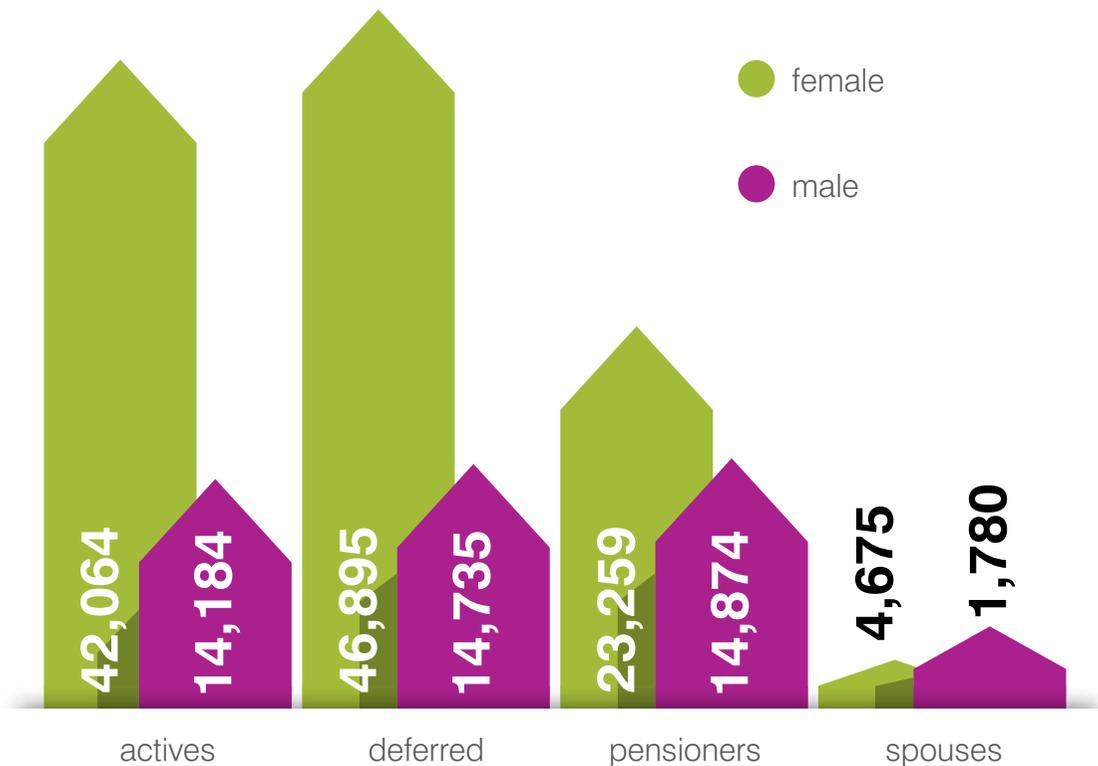
LGPS membership

At 31 March 2016	Active scheme members	Deferred pensioners	Pensions in payment	Total
Scheduled bodies	51,939	57,362	41,359	150,660
Admitted bodies	4,390	4,268	3,148	11,806
Total	56,329	61,630	44,507	162,466

At 31 March 2015	Active scheme members	Deferred pensioners	Pensions in payment	Total
Scheduled bodies	49,357	51,496	40,340	141,193
Admitted bodies	4,822	4,317	2,871	12,010
Total	54,179	55,813	43,211	153,203

Total membership as at 31 March 2016**Members aged from 16 to 103 years**Average pension in payment **£5,056.82**Average spouse's pension **£2,789.18**

Member profile as at 31 March 2016

**Performance**

Lancashire County Council's Pension Fund Committee receives regular reports on the administration of the Fund ensuring that best practice standards are satisfied and met and to satisfy itself and justify to all stakeholders, including employers that the Fund is being run on an efficient and effective basis. A Service Level Agreement (SLA) exists between the Pension Fund and the service provider. The SLA contains specific service level standards and corresponding service level targets and an Annual Administration Report is presented to the Pension Fund Committee.

YPS continues to exceed SLA targets and consistently exceeds its key performance indicator;

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

Overall achievement against SLA targets over the year was 99%.

Over the year online benefit statements were produced for active and deferred Scheme members. This was achieved in line with a new and challenging regulatory deadline of 31 August. Annual newsletters are also posted online alongside statements.

Customer service

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

This year the Team hosted the first annual Fund Members Meeting at the Guildhall in Preston on 11 November 2015 with over 250 members in attendance. The agenda included delivery of the Fund Annual Report.

A dedicated telephone helpdesk is the first point of contact for pension scheme members and employers. Over the year 96% of calls were successfully answered against a target of 90%.

Legislative changes

2015/16 has been another year of significant change in the world of pension's law.

At the 2014 Budget, the Chancellor announced huge changes allowing people with defined contribution pension savings greater freedom and choice as to how and when they may access those savings. The changes, in the main, took effect from April 2015. The LGPS gives 'defined benefit' savings rather than 'defined contribution' savings' so the changes did not directly impact on our members. However, the changes had a number of indirect impacts. To give one example, generally speaking, a member must now receive financial advice before they can transfer out their LGPS

benefits to a defined contribution scheme. The new LGPS CARE scheme was introduced in April 2014 and further changes were introduced in April 2015, as part of which a local pension board for each fund was set up and the Pensions Regulator began its new role of overseeing public sector pension schemes.

During the first few months of operating the new CARE scheme rules, LGPS funds had found that various parts were not working well in practice or needed further clarification. To address these issues, Government made The Local Government Pension Scheme (Amendment) Regulations 2015. The changes came into force on 11 April 2015, but in the main had effect back to April 2014.

Government also announced further changes to pension tax relief. In particular, they have reduced the Lifetime Allowance from £1.25 million to £1 million and the Annual Allowance for high earners. Though

these changes came into force in April 2016, there were some transitional changes to the Annual Allowance rules impacting on the 2015/16 year.

Service developments

Since 1 April 2014 employers have been submitting monthly files to Your Pension Service, which replace many of the forms that they used to complete, and enable YPS to accurately post and reconcile contributions and pensionable pay to individual member records.

YPS use an internally designed system to do this which has helped to ensure that active member data is accurate and up to date, and that every member receives their correct pension pot entitlement. This system has also led to the successful production of online annual benefit statements within the new statutory deadline of 31 August.

It is also important to have up to date and

accurate data in order to properly assess the liabilities of the Fund. Work is ongoing to ensure the continued submission of monthly data files from employing organisations in readiness for the 2016 actuarial valuation.

Online Services

My Pension Online is an online facility that was originally developed in 2012. Through 'My Pension Online' members can view their details and also securely update any changes in contact details. As well as this, members can run various pension estimates assisting with planning for retirement. Pensioners can view their payslips and P60's online.

Members can also view their annual benefit statement via My Pension Online. Other benefits of the system include: allowing members to view their nominated beneficiaries; access to a host of forms and guides and also means that Your Pension Service can communicate with registered

members via email. Currently over 45,000 members are registered online.

Appeals

Fund Members who disagree with decisions taken by their employer or administering authority may appeal using the Internal Dispute Resolution Procedure (IDRP) under the LGPS rules. The IDRP is a formal appeal procedure which contains two stages. The first stage allows the person to ask the body who originally made the decision to review it, i.e. either the employer or the administering authority. The second stage allows the person, if they are not satisfied with the outcome at the first stage, to ask the Appeals Officer at the administering authority to review the disagreement.

Over the year 5 appeals have been received, 2 have been upheld and 3 cases were ongoing as at 31 March 2016. The majority of appeals relate to ill health.

Charges

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

Other information

For further information relating to the administration of the scheme please refer to the Communication Policy Statement and the Pensions Administration Strategy Statement.

Your Pension Service can be contacted at:

PO Box 100

County Hall

Preston

PR1 0LD

Telephone: 0300 123 6717

E-mail:

AskPensions@localpensionspartnership.org.uk

www.yourpensionservice.org.uk

Investment in Westmill Solar Power Station, Oxfordshire



E. Knowledge and Skills Framework

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

CIPFA Pensions Finance Knowledge and Skills Framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) first published a Code of Practice on Public Sector Pensions Finance Knowledge and Skills in October 2011 in response to recommendations by Lord Hutton within the final report of the Independent Public Service Pensions Commission. The Code was revised in 2013 to reflect the provisions of the Public Service Pensions Act 2013 and remains a definitive guide to expected standards. The Code of Practice works in conjunction with detailed Knowledge and Skills Frameworks (KSF) also published by CIPFA which

support knowledge and skills development by all those involved in the management and oversight of public sector pension funds.

During 2015 a new KSF focussed on the knowledge requirements of Local Pension Board members has been introduced reflecting the Pensions Regulator Code of Practice No 14 which came into force in April 2015.

CIPFA has identified a syllabus of 8 core areas of knowledge across the KSFs it has published to date:

1. Pensions legislation;
2. Public sector pensions governance;
3. Pensions administration;
4. Pensions accounting and auditing standards;
5. Financial services procurement and relationship management;

6. Investment performance and risk management;
7. Financial markets and product knowledge;
8. Actuarial methods, standards and practices.

Training approach

Since its adoption of the CIPFA Code of Practice in February 2012 the Pension Fund Committee has reviewed the Fund's training approach at regular intervals. During 2015/16 the Committee approved a refreshed training policy for the Fund aimed at ensuring the Fund is overseen by individuals who:

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

The new Policy recognises that the competency and performance of senior officers is assessed under the County Council's Performance Development Review (PDR) process and continuing professional development (CPD) frameworks which uphold the required standards. The new Training Policy therefore focusses on the needs of Pension Fund Committee and Lancashire Pension Board members, supporting them to attain levels of knowledge and understanding which underpin robust decision-making and effective oversight.

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

build skills and knowledge through a range of methods and approaches including:

- in-house training from officers and/or external advisors
- external training events by recognised bodies
- attendance at external seminars and conferences
- practical support and guidance through recommended reading and targeted information
- key documents/learning materials made accessible via an online virtual reading room
- access to on-line training and assessment modules via the Pensions Regulators Trustee Toolkit.

Committee and Board members are personally responsible for identifying gaps in their knowledge which could prevent them performing their duties effectively.

They are expected to undertake self-directed learning to complement the training provided and to seek additional support and advice from fund officers as required.

Details of training provided internally and attended externally by members during 2015/16 are given below:

Date	Subject	Training provider	Venue	Number of attendees
05/06/2015	Top 5 Pension Fund Discretions (Pensions Administration)	Internal – Your Pensions Service	Winckley House, Preston	20
18/06/2015	Initial training for Pension Board Members (Governance)	Hymans Robertson	County Hall, Preston	9
24/09/2015	Pension Fund Basics (Pensions Administration)	Internal – Your Pensions Service	County Hall, Preston	12
25/09/2015	Introduction to the Local Government Pension Scheme (Governance, Legislation)	CIPFA Pensions Network	Northern Trust Offices	2
30/09/2015	2016 Fund Valuation (Actuarial Methods)	Mercers	County Hall, Preston	14
01/10/2015	CIPFA Pensions Network Seminar	CIPFA	Midland Hotel, Manchester	1
14/10/2015 – 16/10/2015	NAPF Annual Conference	NAPF	Manchester	3
16/10/2015	LGPS Investment Pooling Event	Local Govt. Assoc.	LGA House, London	1
20/10/2015 – 22/10/2015	13th Annual Local Govt. Pension Investment Forum	IBC	Guoman Tower, London.	4
29/10/2015	Pensions Reform (Pension Legislation)	Internal – Your Pensions Service	County Hall, Preston	16
03/11/2015	NAPF Local Authority Forum	NAPF	Cheapside House, London	1
10/11/2015	Meeting the Financial Challenge of Local Govt. Pensions	LGA	Local Government House	2

Date	Subject	Training provider	Venue	Number of attendees
19/11/2015	Risk and Valuation Part 1 (Risk, Actuarial Methods)	Internal – Your Pensions Service	County Hall, Preston	20
27/11/2015	A Direct Investment – Vasco (procurement & relationships, risk management)	Internal – LCPF Investment Team	County Hall, Preston	16
02/12/2015 – 04/12/2015	LAPFF Annual Conference	LAPFF	Highcliff Marriot, Bournemouth	2
27/01/2016	CIPFA Pensions Summit	CIPFA	Canary Wharf, London	1
28/01/2016	Risk and Valuation Part 2 (Risk, Actuarial Methods)	Internal – Your Pensions Service	County Hall, Preston	16
04/02/2016	LAPF Strategic Investment Forum 2016	LAPF	Andaz Hotel, London	1
23/02/2016	Understanding Investment Performance Reporting	Internal – LCPF Investment Team	County Hall, Preston	14
03/03/2016	Local Govt. Chronicle Investment Seminar	LGC	Carden Park, Chester	1
17/03/2016	Local Authority Pension Investment Strategies and Current Issues “Reviewing Investments & Funding at a Time of Change”	SPS Conferences	Le Meridian Hotel, London	1

F. Investment Policy and Performance

Performance

In the year to 31 March 2016, The Fund delivered 4.36% return on assets, outperforming the Lancashire Plan Benchmark of 3.59% and placing Lancashire's investment performance as the best amongst all of the Local Authority Pension Scheme members. The value of the Fund's assets at 31 March 2016 was £6,036.2m, up from £5,830.7m at 1 March 2015.

Whilst it is pleasing to be able to report strong performance once again, the Fund invests its assets to meet its own liabilities over the medium to long-term time frame and therefore performance should be judged against those objectives and over a corresponding period. Annual returns can be volatile, as seen in 2008/09 (fund down 20%) and 2009/10 (fund up 35%); short term returns do not necessarily indicate the underlying health of the Fund.

Investment types

In line with the investment strategy adopted

by the Pension Fund Committee in 2013 and more detailed sub-strategies adopted since then, the Fund's investments are divided into four principal sub groups as follows:

Equities

The Fund holds both public and private equity investments. Public equity investments are managed by two unitised investment funds and five active managers who operate with differing and complementary styles of investment selection. The remit of six of these seven pools is unconstrained, high conviction investment in global equities. The final manager has a remit to invest in emerging market equities.

The difficult investment conditions of 2015-16 presented the first real test of the investment team's portfolio construction strategy and it was pleasing to see that the diversification that had been deliberately incorporated provided the outcomes expected, with Lancashire's equity portfolio

significantly outperforming a volatile market.

Private equity investments are held through a variety of closed-ended limited partnerships, which are invested over a wide range of inception dates and managed by a diverse collection of different managers.

Property

The Fund dedicates a large portion of its investment portfolio to directly owned UK commercial properties managed by Knight Frank. An allocation to local investment opportunities has been adopted, with early investments in this area including the construction of a high-standard student accommodation block in Preston, the construction of a local shopping centre, and the restoration of an iconic Victorian hotel. The Fund also has allocations to a European real estate investment fund managed by M&G, a healthcare property fund managed by Kames, and is a limited partner in a residential development project

in the South East commuter belt managed by Invesco.

Infrastructure

During 2015-16, The Fund increased its infrastructure allocation to 12.5%. The Fund has allocations to a number of different global infrastructure funds, and also invests directly in global renewable energy infrastructure projects through its majority-owned infrastructure partnership, Red Rose Infrastructure LLP.

2015-16 saw the development of some major international investment

collaborations, which facilitated investments in Portuguese wind farm energy generation and Spanish gas distribution. Lancashire's strategic partners in these transactions have included EDF Invest of France, Ginkgo Tree (a state-controlled Chinese investment fund), and PGGM, the leading Dutch pension manager.

Credit strategies

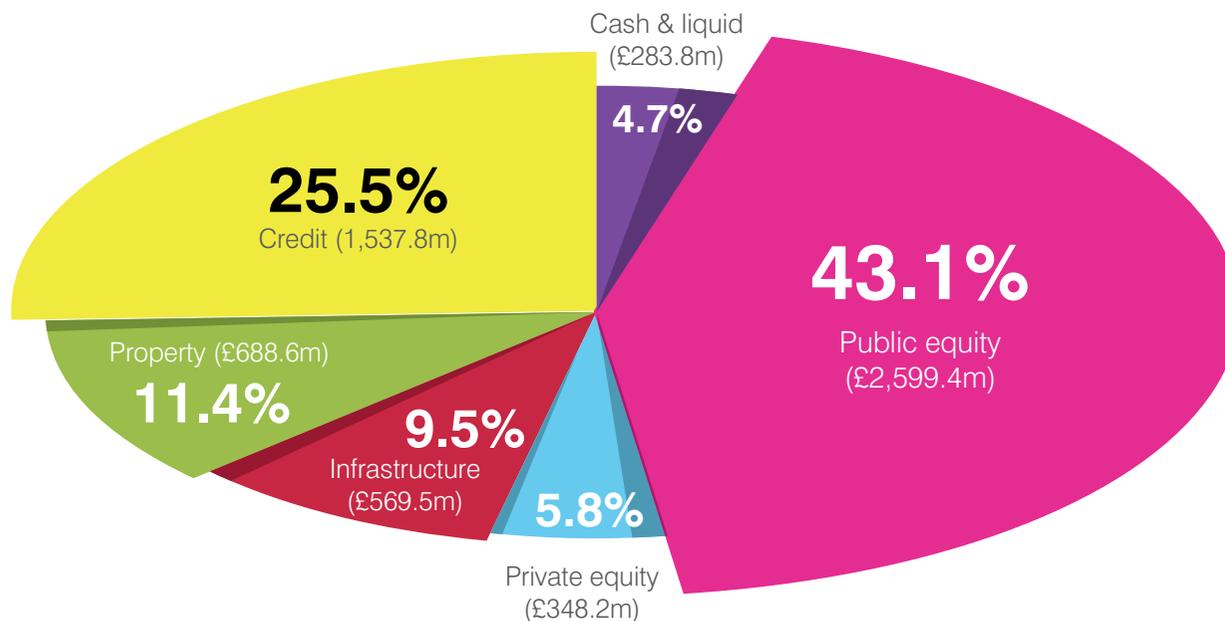
The Fund has an internally managed portfolio, which is split into four broad categories of credit investment: emerging markets sovereign debt, non-investment

grade secured lending, cyclical credit opportunities, and debt secured on real assets. These investments include both direct loans made by the Fund and a variety of different externally managed funds. During 2015-16, the Fund entered into several new investments in credit strategies, including seeding of a North-West direct lending fund which focuses on lending to SMEs.

The investment team was recognised for its leadership in the field, being awarded 'Best Use of Private Debt' by the Alternative Investment Institute.



Allocation as at 31 March 2016 (£6,027.3m)



Future Investments

Implementation of the investment strategy is ongoing and 2015-16 saw further investment commitments which will be spent over coming years.

Commitments made since the investment strategy was adopted in 2013 have started to deliver investment returns, and the results of the substantial changes to that strategy are starting to have a stronger influence on investment performance.

Performance Monitoring

Performance is measured against a number of specific benchmarks with individual managers being given performance targets which are linked to the expected market returns for the assets they manage. Details of these can be found in the Statement of Investment Principles. The performance of investment managers is reviewed on a regular basis by the Investment Management Team and the Investment Panel. Any recommendations

arising from those reviews are considered by the Investment Committee.

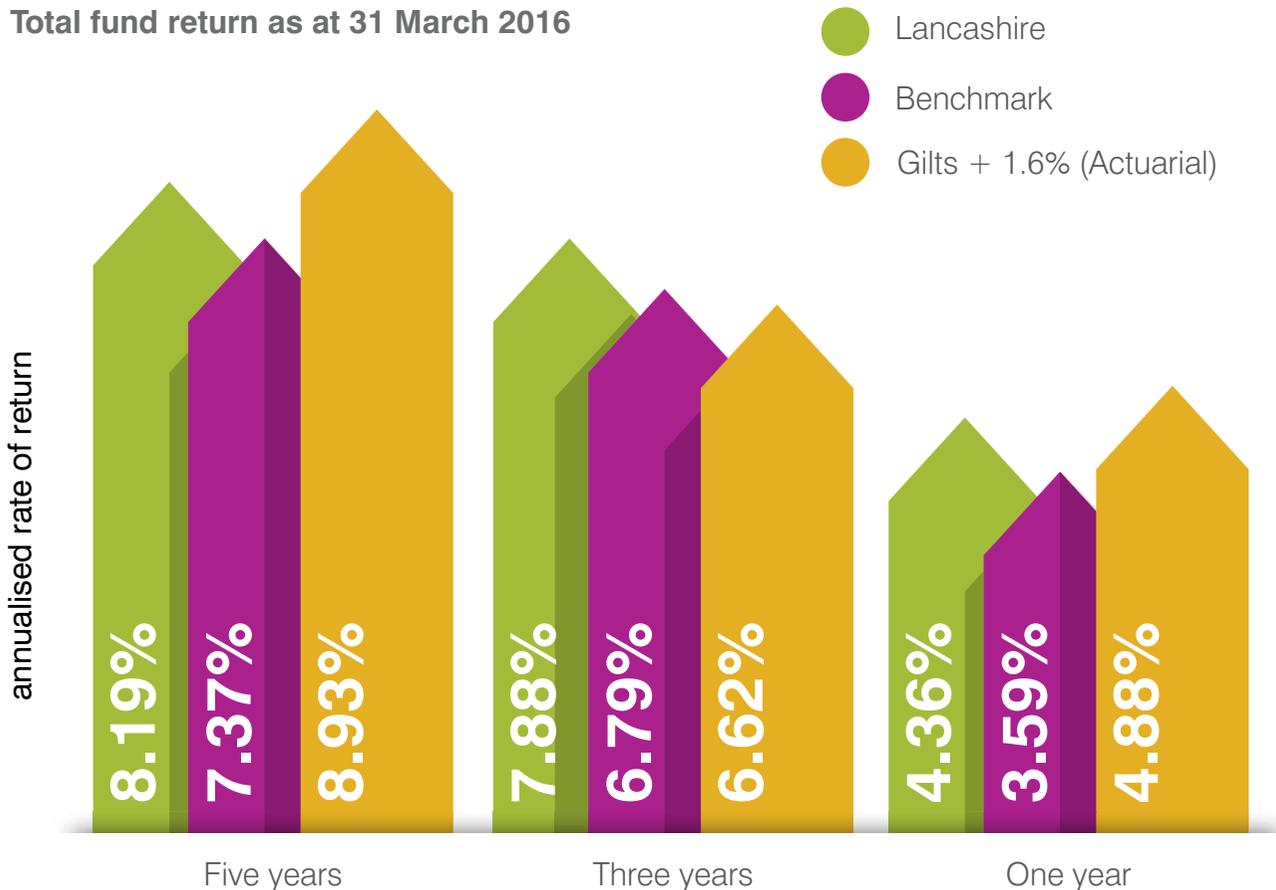
The Fund subscribes to the annual independent State Street (formerly WM) Survey of UK Local Authority Pension Funds, which compares and contrasts the Fund with other local authority pension funds. It is important to point out that the Fund's absolute performance versus that of other local authority funds may be misleading, as these third-party funds will certainly have different investment strategies designed to meet their own bespoke liability profile.

Nonetheless, it is pleasing to report that the average local authority fund performance during the last year according to the State Street Survey was 0.2%, whereas the Fund's performance at 4.36% placed it first out of all participating funds.

The Fund's primary objective, to have assets available to meet pension liabilities as they fall due, requires the Fund to consistently match or outperform the actuarial assumption of investment returns, being UK gilts+1.6%.

The chart below shows the total return of the Fund compared to the overall Fund-specific benchmark and the actuarial Fund return assumption of gilts+1.6% measured overleaf 1, 3, and 5 years to 31 March 2016.

Total fund return as at 31 March 2016



In the year to 31 March 2016, the total fund return amounted to 4.36% against a benchmark return of 3.59%. The gilts +1.6% actuarial return assumption for the same period was 4.88%.

The more important five-year performance of the Fund shows annualised returns for the Fund of 8.19% per annum versus the benchmark return of 7.37% and the actuarial measure of 8.93%. Readers should note that the five-year figures do not yet reflect the full impact of the 'new' investment strategy, which was put in place in the three year period from 2013-14 through to 2014-15.

Currency Effects

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

superior investment characteristics of the new strategy.

Over the course of the year, Sterling weakened slightly against the Dollar from a rate of \$1.48 at 31 March 2015 to a rate of \$1.44 on 31 March 2016, thereby causing appreciation in the Sterling valuation of Dollar denominated assets of 2.8%. In

the same period, Sterling also weakened against the Euro from €1.38 at 31 March 2015 to €1.26 on 31 March 2016, thereby increasing the value of Euro denominated assets by 8.7%.

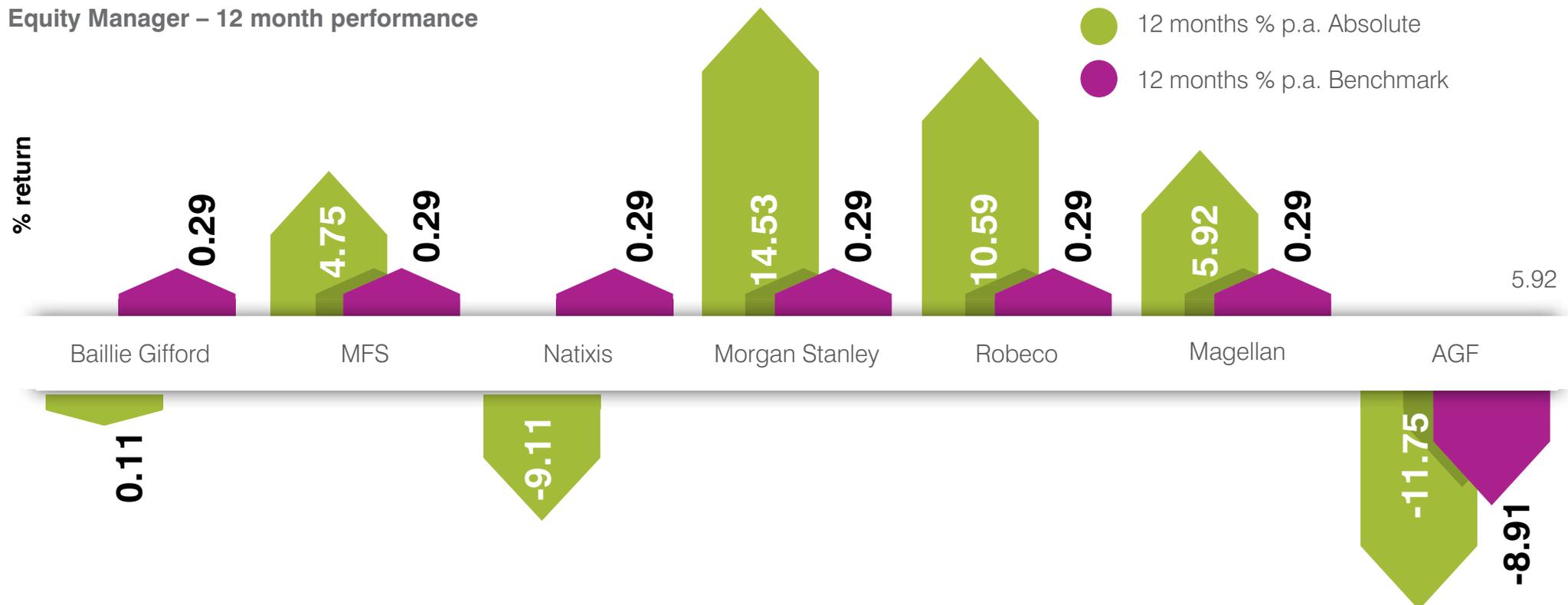
Despite these factors – which can make performance data hard to interpret – underlying investment performance

remains strong, with local currency investment returns in line with, or ahead of, expectations.

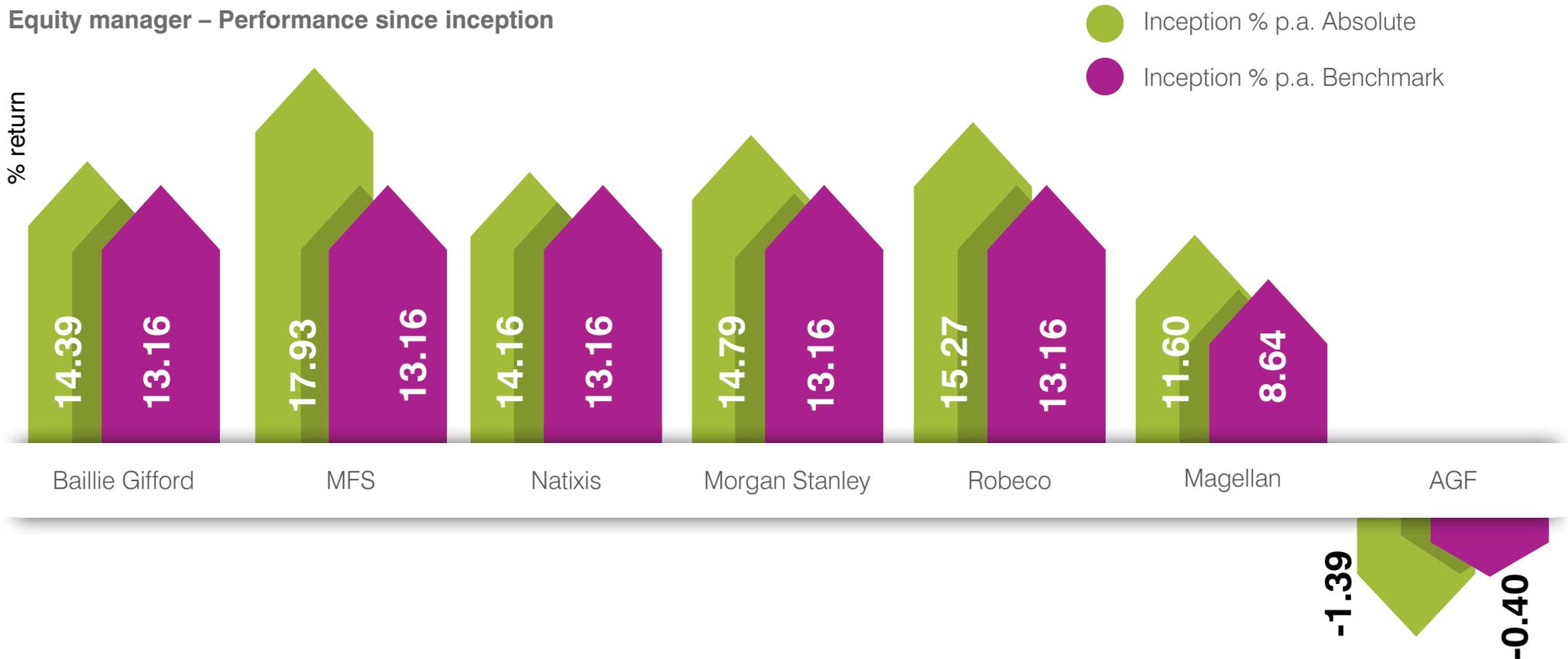
Listed Equities

The performance of active equity managers is shown in the following charts:

Equity Manager – 12 month performance



Equity manager – Performance since inception



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

As part of an overall equity portfolio strategy, Robeco and Morgan Stanley were installed as defensive managers. As expected in a weaker market, they have significantly exceeded their benchmark over the past 12 months. Baillie Gifford, NGAM, MFS, and Magellan were appointed with a growth bias and their out-

performance against the benchmark since inception reflects this. The Fund is very pleased with the managers' performance.

AGF focus entirely on emerging market equities and have performed slightly behind benchmark in a period of extreme volatility. We would expect a high

conviction manager who does not seek to track the index to be able to produce excess performance versus the benchmark over time, especially in such a diverse universe as emerging market equities.

The period over which performance is being measured for all of these managers,

however, is not yet significant enough to draw any solid conclusions.

The largest ten direct equity holdings of the Fund as at 31 March 2016 were:

Equity	Market value as at 31 March 2016 £m	Percentage of net assets of the Fund %
Visa Inc	43.5	0.72%
Reckitt Benckiser Group Plc	40.7	0.68%
Accenture Plc	35.9	0.60%
Nestle SA	35.5	0.59%
British American Tobacco Plc	27.4	0.45%
Microsoft Corporation	27.2	0.45%
Walt Disney Corporation	26.9	0.45%
Alphabet Inc (Google)	26.5	0.44%
Amazon.Com Inc	26.1	0.43%
SAP SE	25.6	0.42%
Total	315.3	5.23%



Cape Byron, investment in Biomass Power Stations, Condong, News South Wales, Australia

Private equity and real assets

Consistent with last year’s strong performance, private equity investments surpassed the benchmark once again during this period.

Conversely, the performance of property was not so strong against benchmark during the period. This reflects the initial transaction and stamp duty costs of the push to increase the portfolio size and

the lag in valuation uplift likely to occur in relation to property development activity. The high quality of the commercial real estate portfolio can perhaps be expected to perform worse still relative to a broad benchmark during real estate boom periods, while providing a much more robust portfolio in a downturn. In the long term, real estate investment performance marginally exceeds the benchmark return.

Infrastructure investments, in contrast with the previous 12 month period, generated returns on investment much lower than the benchmark. This is in part due to significant initial investment costs associated with the growth in the portfolio and can also be attributed to some short-term foreign exchange differences. The Fund secured some significant new investments in 2015-16, including the acquisition of a significant stake in EDF Energie Nouvelle’s portfolio

One year performance by asset class to 31 March 2016

- Lancashire
- Benchmark



of Portuguese windfarms and acquiring part ownership of Madrid's gas distribution network.

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

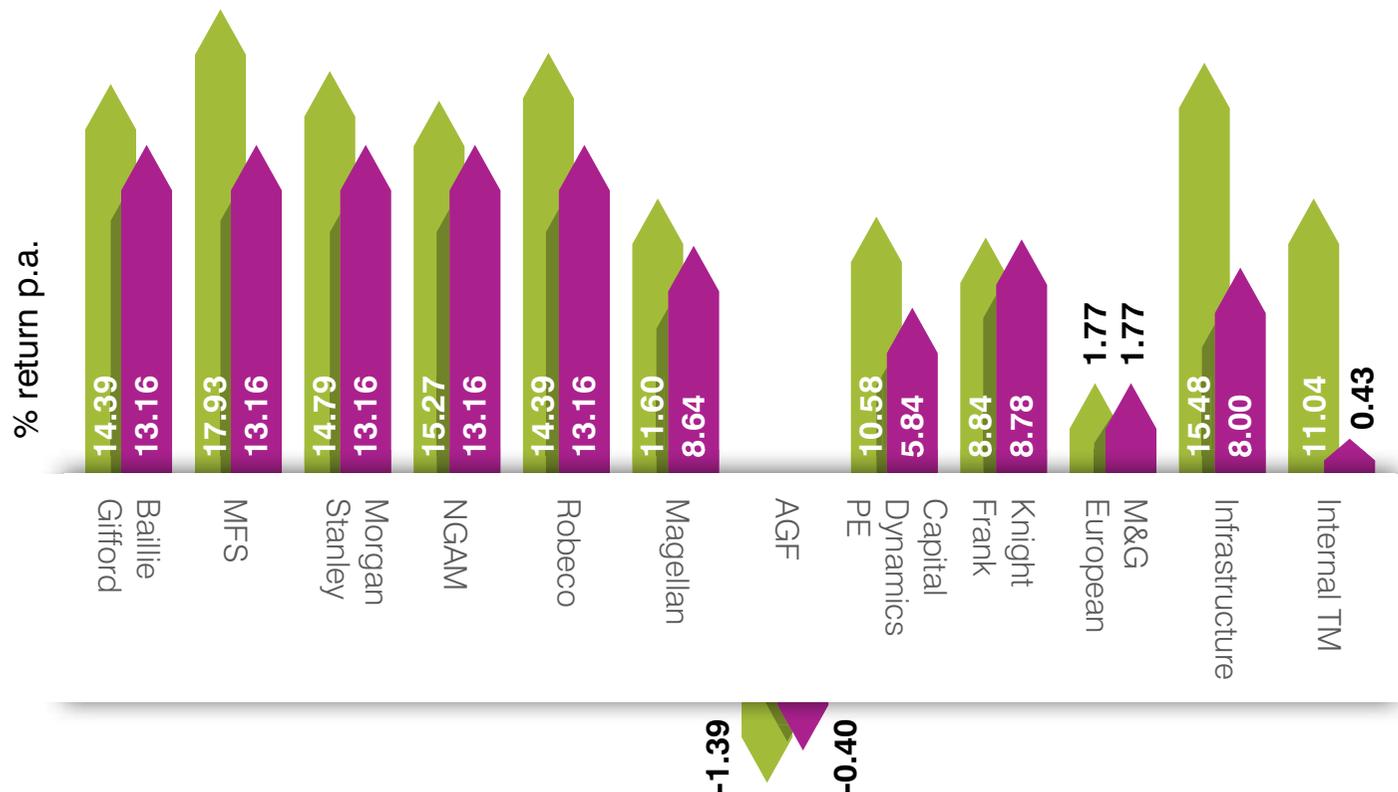
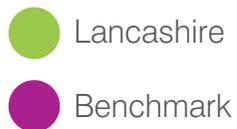
the strongly positive yields in these asset classes.

Private Equity investments provide alternative opportunities to generate returns linked to movements in stock markets. The higher level of engagement by managers in the investee companies gives an expectation of better long term returns, so this return expectation has to be balanced with the higher risk profile and

the lack of liquidity of these investments, which typically have to be held from 7-10 years before gains can be realised.

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

Manager performance since inception as at 31 March 2016



in global infrastructure, notably in the renewable energy sector. The ability to invest directly minimises fee costs and has enabled the Fund to negotiate favourable investment terms which have delivered excellent performance since inception. Real Estate is an important portion of the Fund's investment portfolio because of

both the diversification benefits that real estate investments bring and the rental income generated that is used to fund member benefits without the need to liquidate other investments. This role will become increasingly important as the gap between contributions and member benefits will inevitably grow as the fund

matures with time.

Property investments accounted for 11.4% of the LCPF's total assets under management as at 31 March 2016. The largest ten direct property holdings of the Fund were:

Property	Sector	Market value as at March 2016
		£m
Helmont House, Cardiff	Multi-let commercial	35.6
1-3 Dufferin St, London	Offices	31.3
Princes Mead Shopping Centre, Farnborough	Shopping Centre	28.6
St Edmondsbury Retail Park, Bury St Edmunds	Retail / Warehouse	21.8
1 & 2 Woodbridge Meadows, Guildford	Multi-let commercial	20.0
Weir Road, Wimbledon	Industrial / Warehouse	19.8
Unit H, Tuscany Park, Wakefield	Industrial / Warehouse	18.9
Benson House, Leeds	Offices	18.2
Oxonian Park, Oxford	Industrial / Warehouse	17.9
Tuscany Park, Wakefield	Industrial / Warehouse	17.5
Total		229.6

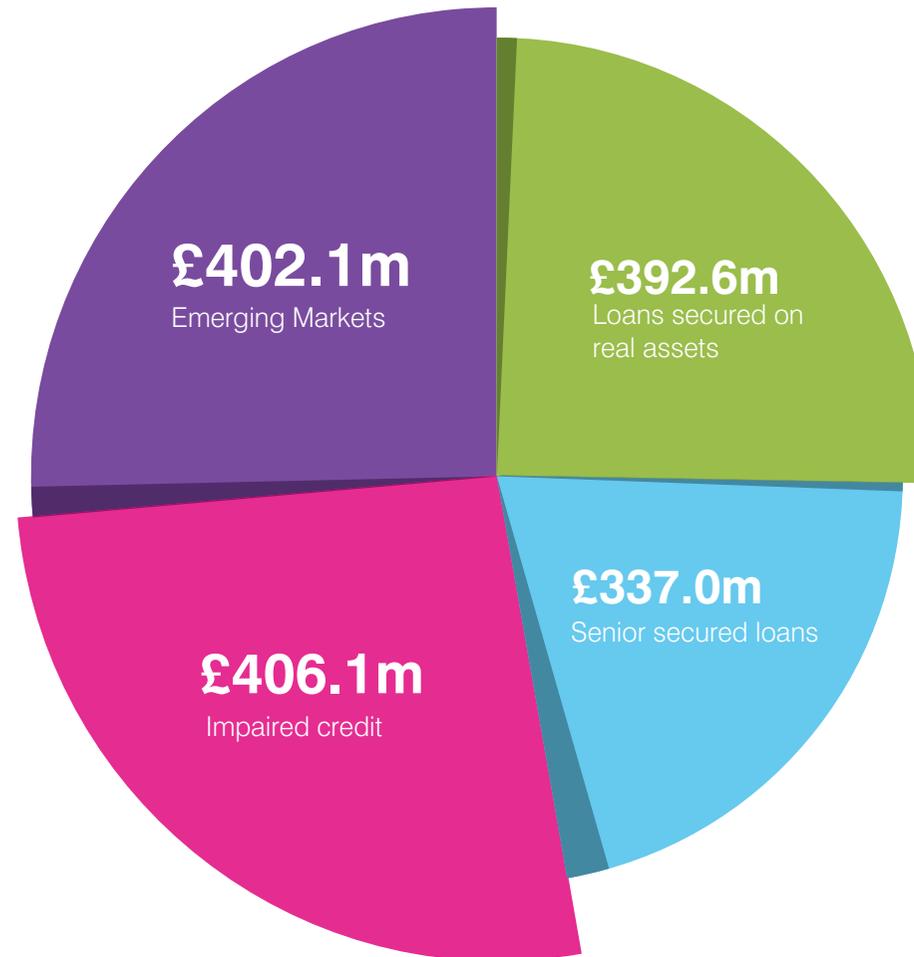
This year, the Fund has extended its property development activity as a means of acquiring investment assets at competitive prices and focused a part of its property investment allocation on local investment in the County of Lancashire. At 31 March 2016 the Fund had two projects under construction in the private-rented and student accommodation sectors with a gross development value of £50m. Several other North-West based property projects are also being actively considered.

Credit strategies

Credit strategies follow four themes. Investments in emerging market debt amounted to £402.1m (6.7% of the Fund), £337m (5.5%) was invested in non-investment grade secured lending, £406.1m (6.8%) in cyclical credit opportunities and £392.6m (6.5%) in debt secured on real assets.

Target levels of investment are approximately £450m in each category and further commitments were made during 2015-16. Investment levels will approach targets over the coming years as those commitments are drawn down.

Lancashire County Pension Fund



Emerging markets sovereign debt

Returns suffered from a number of different effects, notably ongoing crises in a number of jurisdictions, continuing depression in global economic demand growth, and a large currency devaluation by the Chinese economy.

Since inception, the Fund’s investments in

emerging markets debt have achieved a small positive return of 0.55%. Emerging markets started the 2016 calendar year well, with the JPM GBI Emerging Markets Global Diversified Index rising at a rate equivalent to 13.84% per annum over the three months to 31 March 2016, with the Fund’s emerging market investments rising 10.24% over the same period.

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

Emerging markets local currency debt



Senior secured loans

Investments in non-investment grade secured debt (i.e. lending to smaller companies) recorded a return of 6.20% during the period versus a benchmark of 5.05%. These investments deliver regular

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

The Fund added further investments to this

credit category during the year, and was recognised by the prestigious Alternative Investment Forum with an award for Best Use of Private Debt.

Senior secured loans



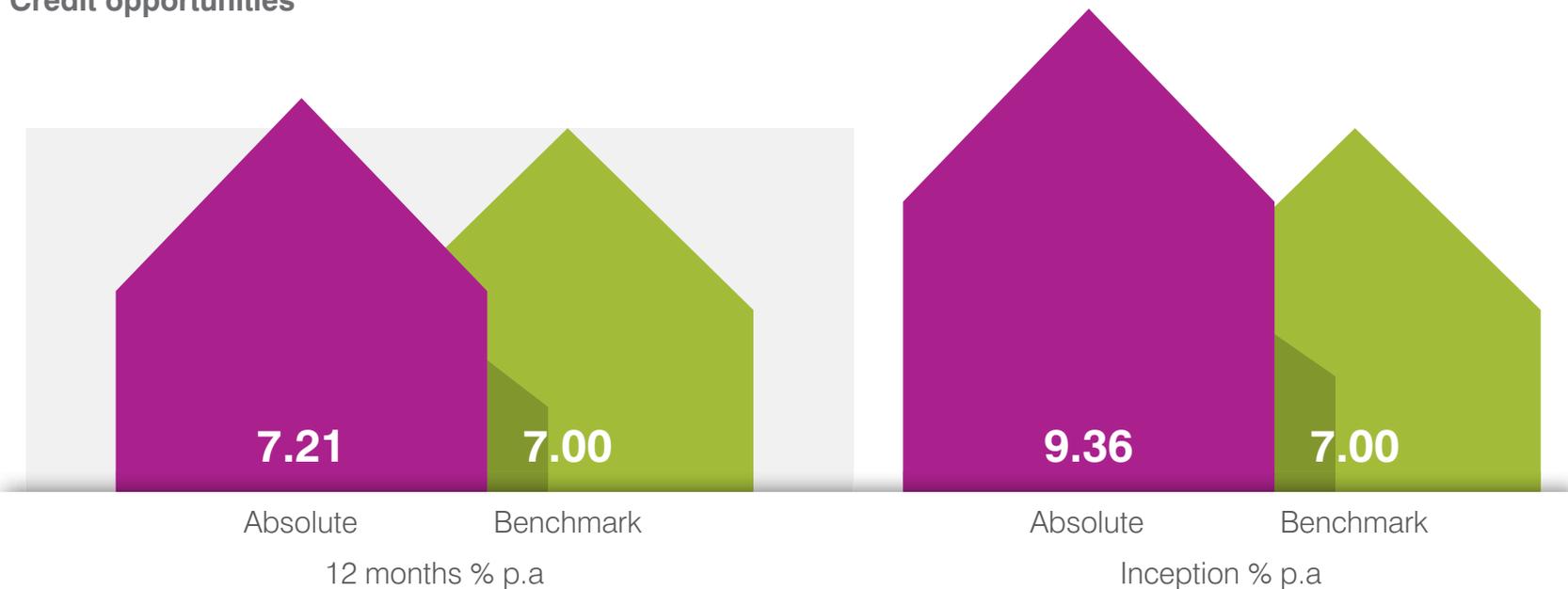
Credit opportunities

Investments in cyclical credit opportunities delivered 7.21% during the year versus a benchmark of 7.00%. These investments seek to take advantage of specific opportunities where ‘technical’ factors mean that assets can be acquired at a discount to their long-term economic value.

Generating returns in this credit category requires manager skill in identifying investment opportunities and in managing investments to achieve maximum value. The investments may be illiquid, meaning they have to be held to maturity in order to realise gains. They provide a diversification benefit and the expectation of excess

returns over the medium term. However, valuations require a degree of manager judgement, so return figures should be treated with caution until the portfolio is mature and has a significant track record of realising mark-to-market gains.

Credit opportunities



Loans secured on real assets

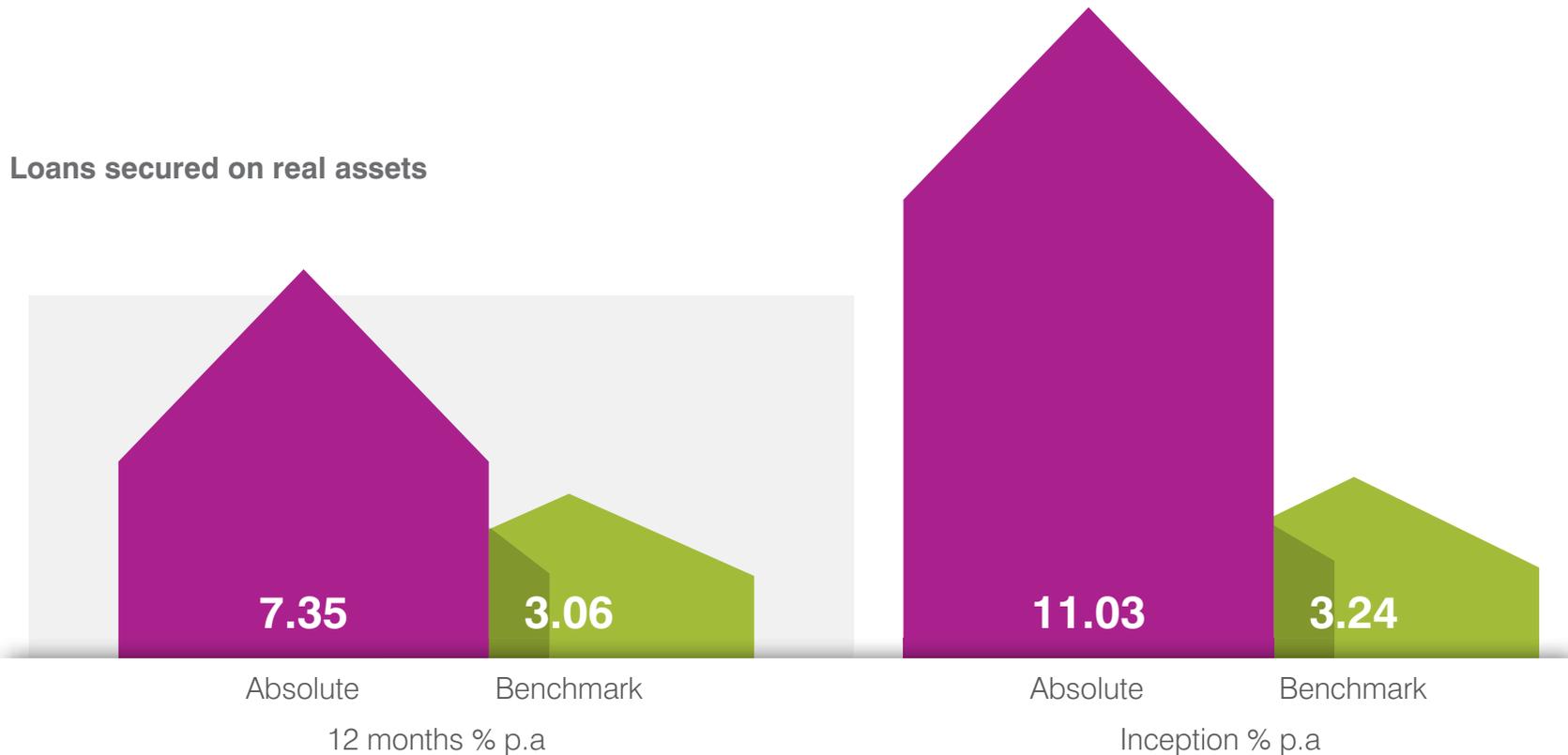
These showed significant returns during the period: 7.35% versus a benchmark of 3.06%. The current environment provides an excellent backdrop for good quality deals to be done with higher returns than

might be expected in the longer-term.

These investments are typically long-dated in nature and provide a very low-risk profile, being secured, typically, on real estate. Properly underwritten and managed, there

is a very low expectation of loss. While generating lower expectations of long-term return, these investments should provide a very good match for the long-term needs of LCPF to generate income and protect the value of the portfolio.

Loans secured on real assets



Trend

The Fund’s investment strategy focuses on reducing reliance on assets such as listed equities in favour of asset classes such as infrastructure and floating rate credit, and to deliver increased diversification, for example through increased allocations to real estate and other alternative asset types.

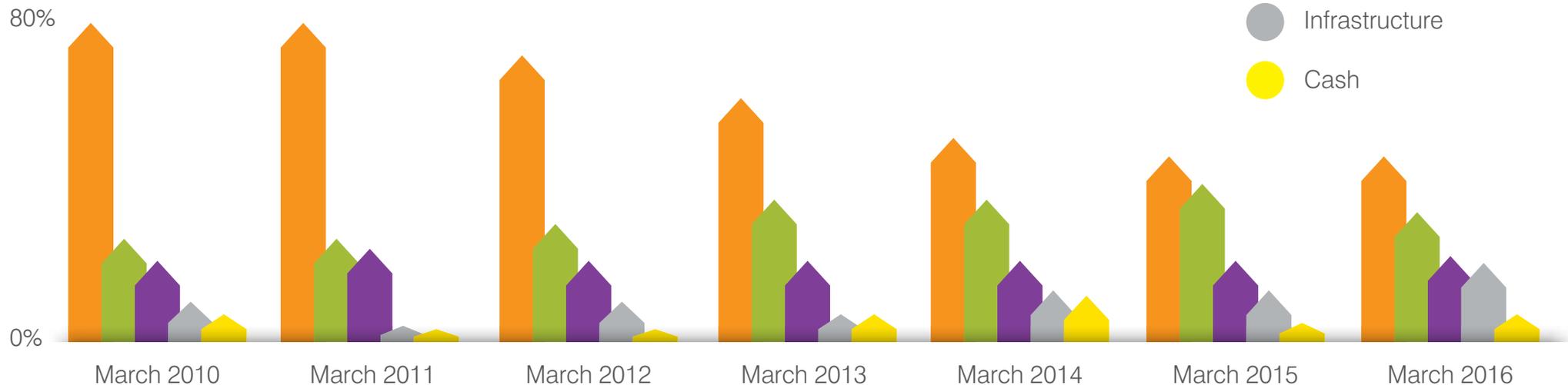
This move towards a diverse range of asset classes has resulted in equity accounting

for 49% of the Fund at 31 March 2016, compared with 77% at 31 March 2010. During the same period, infrastructure investments have increased from 5.6% to 9.5% and are likely to grow further, in line with the Fund’s raised aspiration level of 12.5%.

At 31 March 2016, equity holdings were towards the middle of their 40%-60% target range, with assets under management of 48.9%. Property remained at the bottom

of its 10-20% target range at 11.4%, and credit, infrastructure and cash, at a total of 39.7% were at the top of the 20-40% target range. The Fund had higher levels of cash than would be the strategic level, due to the impact of transitioning between different asset classes.

Fund allocations summary since 31 March 2010



- Equities
- Property
- Credit strategies
- Infrastructure
- Cash

Future Commitments

As at 31 March 2016, the Fund had committed to invest a further £323.3m in infrastructure investments, £342m in private equity funds, £33.7m in property developments, and £497.2m in various credit strategies. These commitments will be met from the holdings of cash and cash equivalents that the Fund holds together with distributions from the maturity of existing investments as well as from continuing to rebalance positions in other asset classes.

Cashflow

During 2015-16, cash inflows during the year consisted of £343.2m and cash outflows were £303.6m, representing a net cash inflow of £39.6m (compared with an outflow of £42.2m in the previous year). Benefits payable amounted to £245.8m and were partially offset by net investment income of £99.1m (including £13.1m accrued dividends); contributions of £238.6m and transfers in of £5.5m.

Currently, investment income more than covers any shortfall in contributions received versus benefits paid. As outlined

above, the Fund continues to shift its asset allocation towards income generating assets to ensure that this remains the case in the medium term.

Governance

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

- The County Council's Pension Fund Committee takes major policy decisions and monitors overall performance. The Pension Fund Committee comprises fourteen County Councillors and seven voting co-optees representing other interested organisations;
- The Investment Panel ("the Panel") provides expert professional advice to the Pension Fund Committee in relation to investment strategy. The Panel supports the Head of Fund with the specialist advice required by the Pension Fund Committee. The Investment Panel consists of two independent external investment advisors and the Head of Fund.
- The Investment Management Team of

fund employees undertake day-to-day investment fund selection, monitoring and due-diligence;

- Finally, external investment managers (or managers of unitised investments held by the Fund) fix precise weightings and select the individual investments within their particular remit;

A more detailed description of the responsibilities of the Committee, its Sub-Committees and the Panel is found in the Governance Policy Statement.

Social, Environmental, and Ethical Considerations

The Fund takes an active stance on corporate governance issues. It uses Pensions Investment Research Consultants ("PIRC") to vote on its behalf at shareholder meetings. PIRC advises on Socially Responsible Investment issues and issues voting guidance and commentary for shareholder meetings. PIRC is instructed to vote the Fund's shares in accordance with its guidelines unless an Investment Manager requests a different vote for investment management

reasons. In the latter case, the Director of the Fund will decide how best to cast the vote in the long-term financial interest of the Fund.

The Fund is a member of the Local Authority Pension Fund Forum ("LAPFF"), which is a group of like-minded local authority pension funds that meet to discuss and act / engage in respect of Socially Responsible Investment and Corporate Governance issues.

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. PIRC has been acting as the LCPF's proxy since 2011 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 Director 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 2015-16.

Policy on Risk

The consideration of investment risk forms as a part of the Pension Fund's overall risk register is presented to Pension Fund Committee on a bi-annual basis. The key risks and associated mitigations are replicated in the Funding Strategy Statement.

The overriding objective of the 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. Operational risk is minimised by having custody of the Fund's financial assets provided by a regulated, external, third party, professional custodian. The Fund's

Global Custodian is Northern Trust. All public market investments are held in nominee accounts of Northern Trust.

All private market investments, including interests in private equity, property, and other pooled funds are held directly in the name of Lancashire County Council as administering authority of the Lancashire County Pension Fund. Northern Trust provides detailed investment accounting and reconciliation services for all private market investments.

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

Compliance with Myners Principles

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

G. Accounts of the Fund

Responsibilities for the statement of accounts

The responsibilities of the administering authority

The administering authority is required:

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

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

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

In preparing this statement of accounts, the Director of Financial Resources to the Pension Fund has:

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

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

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

The Statement of Accounts relate to the financial year ended 31 March 2016 and include the Fund Account and the Statement of Net Assets which are prepared in accordance with standard accounting practice as outlined in the notes to the accounts of the Pension Fund.

Neil Kissock
Director of Financial Resources
26 September 2016

Annual Governance Statement 2015/16

Introduction

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

At 31 March 2016 the Lancashire County Pension Fund provides a means of pension saving and retirement security for 162,466 members across 261 organisations with active members and a range of other organisations with only deferred or pensioner members. The Fund is one of the largest funds within the LGPS. While the Fund is technically not a separate legal entity it does have its own specific governance arrangements and controls which sit within Lancashire

County Council's overall governance framework. Given both the scale of the Pension Fund and the very different nature of its operations from those of Lancashire County Council more generally it is appropriate to conduct a separate annual review of the governance arrangements of the Pension Fund and this statement sets out that review.

The Pension Fund's Responsibilities

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

In discharging this overall responsibility the Pension Fund is responsible for putting in place proper arrangements for the

governance of its affairs and facilitating the effective exercise of its functions including arrangements for the management of risk.

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

In addition the operation of the Fund is subject to Lancashire County Council's Code of Corporate Governance. In 2015 the Council adopted a new code of corporate governance which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' and set out a number of actions against that Code for 2015/16. It was also agreed that the Code would, going forward, be reviewed on an annual basis.

This statement sets out both how the Pension Fund has complied with its

own Governance Policy Statement and Lancashire County Council's Code of Corporate Governance and also meets the requirements of the Accounts and Audit (England) Regulations which require all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot, particularly in the

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

This statement reports on the annual review of the governance framework by officers which confirms that the framework has been in place within the Pension Fund for the year ended 31 March 2016.

The Fund's Governance Framework

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

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

The Fund has an established planning process focussed around the triennial actuarial review and the various teams providing services to the Fund produce annual service plans within the County Council's overall business planning framework.

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

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

The Pension Fund Committee meets regularly and considers the various plans and strategies developed in order to meet

the strategic objectives of the Fund and to monitor progress on the delivery of the strategic objectives.

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

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

The Pension Fund Committee has approved a strategic plan for the Fund setting out specific objectives in relation to the 4 dimensions of the running of a pension fund. These are reflected in the tasks included in the various team service plans for the year progress against which is measured through the County Council's overall performance management framework, which includes processes for

monitoring and managing both individual and team performance.

Reports on the performance of the Investment Strategy (and consequently the results achieved by the Investment Management Team) are reported to each meeting of the Pension Fund Committee. This reporting focuses not just on the performance of investments but on the scale of the Fund's liabilities. Asset allocation strategies are as efficient as possible in providing the best returns (net of fees) for the appropriate amount of risk and an appropriate level of fees.

A six monthly report on the performance of the administration service is presented to the Pension Fund Committee each year and made available to all Fund members and stakeholders. This report shows, amongst other things, performance against target for a range of industry standard process targets.

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

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

Clear job descriptions exist for all staff involved in the management of the Fund and the delivery of services to Fund members and employers, and together with appropriate guidance documents and constitutional documents such as the Governance Policy Statement provide the basis on which the management of the Fund is undertaken within a defined framework of procedural governance. Matters reserved for the Pension Fund Committee and Senior officers are defined in the Governance Policy Statement and

more widely (for example in relation to staffing matters) in the County Council's Constitution.

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

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

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

The interaction between the Pension Fund Committee and the Investment Panel, including levels of delegation, has been reviewed and revised to better meet the

needs of the Fund in terms of effective delivery of the Investment Strategy, and this is reflected in specific reporting arrangements in relation to investment activity.

The development of a more liability aware investment strategy and changes in the arrangements for data collection from fund employers will increase the amount and quality of information available to support decision making and therefore serve to strengthen the decision making process.

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

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

of detailed materials appropriate to specific activities.

The management of risk is central to the Fund's activities and efforts have been made to formalise the Fund's risk register as well as increase awareness of risk in various contexts including:

- Investment decision making
- Project Management and Delivery
- Data Quality
- Fund Employer Risks

Fulfilling the core functions of an Audit Committee.

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

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

The key area of compliance from an

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

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

The Fund's investments are managed in line with the relevant regulations with independent assurance in relation to compliance provided both by the Fund's custodian and an Investment Compliance Team which is managerially independently from the Investment Management Team.

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

Officer providing advice on the impact of legislative changes when necessary.

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

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

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

The Fund participates in the National Fraud Initiative, previously managed by the Audit Commission and actively investigates

all data matches found as a result of this process. The results of this work are reported to the Pension Fund Committee. More generally Lancashire County Council's procedures for investigating allegations of fraud and corruption apply equally to the Fund.

Whistle blowing and receiving and investigating complaints from the public

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

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

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

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

Professional Development relevant to their role.

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

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

- Newsletters for active, deferred and pensioner members;
- Campaign materials focussed around scheme changes;
- Workshops, conferences and guidance materials provided to employers
- The Fund's website, which contains an increasing transactional capability.
- An annual "brief" for Finance Directors of employer organisations providing information on the performance of

the Fund and an update on specific issues of interest, such as the triennial valuation.

- The publication of committee papers, minutes and various annual reports and policy documents on the internet.

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

The Fund is bound by Lancashire County Council's partnership protocol, which highlights the need for such arrangements to reflect good practice in terms of governance. The Fund itself has a limited number of "partnerships", which are largely in the form of jointly procured contracts for the provision of services for which suitable governance arrangements are in place. However, for all arrangements where there is a relationship between the Fund and another organisation the Fund

seeks to spell out clearly the expectations and requirements on each party, whether in contractual form where appropriate or through a form of “service level agreement” where a contract is not appropriate.

The Fund seeks to comply with the principles set out in CIPFA’s Statement “The Role of the Chief Finance Officer in Local Government”, and the arrangements within Lancashire County Council comply with the principles of this statement. The Fund, however, is not a local authority in its own right and therefore the applicability of some elements of the statement within the context of the Fund is limited. Following a restructure of the County Council’s management the responsibility for fulfilling the County Council’s functions as administering authority have passed to the Director of the Lancashire County Pension Fund. These functions were transferred to the Head of Fund on 24 March 2016. This was as a result of establishing the Local Pensions Partnership and the Director

of the Fund transferring into this new arrangement.

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

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

Review of Effectiveness

The Pension Fund Committee is responsible for conducting, at least

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

The key planned activities of the Fund during 2015/16 were:

- A decision on whether to proceed with the development of a formalised collaborative arrangement with the London Pensions Fund Authority that could require fundamental changes to the Fund’s Governance arrangements.
- A review of the Fund’s governance arrangements in the light of both the proposed formal collaboration and

the creation of the new Local Pension Board.

- The further review of the Fund's policies and discretions in the light of LGPS 2014.
- The development of new routes for engagement with both fund employers and fund members across a wider range of issues.
- The formalisation of employer risk assessment activity within the Fund's overall governance arrangements.

The Committee has overseen each of these processes and has continued the Governance arrangements of its predecessor which delegate executive authority to officers in appropriate circumstances with effective accountability and scrutiny arrangements. This process has embedded the arrangements agreed by the previous Pension Fund Committee which are set out in the Governance Policy Statement. In particular the Committee has reviewed and approved the arrangements for the pooling of assets and sharing of

services with the London Pensions Fund Authority.

The Investment Panel ensures that appropriate due diligence is undertaken on new investments and ensures that they comply with the LGPS Investment Regulations. The Panel is chaired by the Treasurer and includes the Fund's two Independent Investment Advisors. The Panel continues to operate under delegated authority from the Pension Fund Committee.

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

The Fund's Internal Audit Service is provided by the County Council's Internal

Audit Service and the Head of Internal Audit who is managerially accountable to the Director of Legal and Democratic Services. The Head of Internal Audit provides both a separate annual audit plan and annual report to the Pension Fund Committee, which are subject to approval by the Committee. The work of Internal Audit is carried out:

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

The Head of Internal Audit's Annual Report for 2015/16 indicates that she is able to provide substantial assurance over the controls operated by the Fund.

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

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

Actions Planned for 2016/17

The following specific actions are proposed for completion during 2016/17.

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

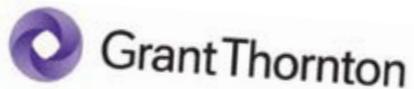


County Councillor Kevin Ellard
Chair of the Pension Fund Committee



Abigail Leech
Head of Fund
Lancashire County Pension Fund

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



INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF LANCASHIRE COUNTY COUNCIL ON THE PENSION FUND FINANCIAL STATEMENTS INCLUDED IN THE LANCASHIRE COUNTY PENSION FUND ANNUAL REPORT

The accompanying pension fund financial statements of Lancashire County Pension Fund for the year ended 31 March 2016 which comprise the fund account, the net assets statement and the related notes are derived from the audited pension fund financial statements for the year ended 31 March 2016 included in Lancashire County Council's ('the authority') Statement of Accounts. We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 28 September 2016.

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

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

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

Under the Local Government Pension Scheme Regulations 2013 the Director of Financial Resources is responsible for the preparation of the pension fund financial statements, which must include the fund account, the net asset statement and supporting notes and disclosures prepared in accordance with proper practices. Proper practices for the pension fund financial statements in both the Authority Statement of Accounts and the pension fund annual report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Auditor's responsibility

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

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

Opinion

In our opinion, the pension fund financial statements in the pension fund annual report derived from the audited pension fund financial statements in the Authority Statement of Accounts for the year ended 31 March 2016 are consistent, in all material respects, with those financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Karen Murray
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
4 Hardman Square, Spinningfields, Manchester M3 3EB

28 September 2016

Churchill Square, Blackburn



Lancashire County Pension Fund Fund account

	Note	2015/16 £m	2014/15 £m
Dealing with members, employers and others directly involved in the Fund			
Contributions	6	238.6	238.0
Transfers in from other pension funds	7	5.5	4.8
		244.1	242.8
Benefits	8	(245.8)	(240.2)
Payments to and on account of leavers	9	(12.5)	(100.1)
Management expenses	10	(45.3)	(35.4)
		(303.6)	(375.7)
Net withdrawals from dealings with members		(59.5)	(132.9)
Returns on investments			
Investment income	11	99.1	90.7
Profit and losses on disposal of investments and changes in the market value of investments	14	165.9	684.7
Net return on investments		265.0	775.4
Net increase in the net assets available for benefits during the year		205.5	642.5

Lancashire County Pension Fund
Net assets statement as at 31 March 2016

	Note	31/03/16 £m	31/03/15 £m
Investment assets	14	6,108.0	6,383.1
Cash deposits	14	210.3	60.0
		6,318.3	6,443.1
Investment liabilities	14	(291.0)	(629.6)
Current assets	20	27.7	28.1
Current liabilities	21	(18.8)	(10.9)
Net assets of the Fund available to fund benefits at the period end		6,036.2	5,830.7

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 as at 31 March 2016 and its income and expenditure for the year then ended.

Neil Kissock
 Director of Financial Resources

County Councillor Terry Brown
 Chair of the Audit and Governance Committee

Notes to the financial statements

1. Pension Fund operations and membership

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

The published accounts show that in 2015/16 cash inflows during the year consisted of £343.2 million and cash outflows were £303.6 million, representing a net cash inflow of £39.6 million (compared with an outflow of £42.2 million in the previous year). Benefits payable amounted to £245.8 million and were partially offset by net investment income of £99.1 million (including £13.1 million accrued dividends); contributions of £238.6 million and transfers in of £5.5 million.

The following description of the Fund is a summary only. For more detail, reference should be made to the Lancashire County Pension Fund Annual Report 2015/16 and the underlying statutory powers underpinning the scheme, namely the Public Service Pensions Act 2013 and the Local Government Pension Scheme (LGPS) regulations.

1.1 General

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

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended)

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

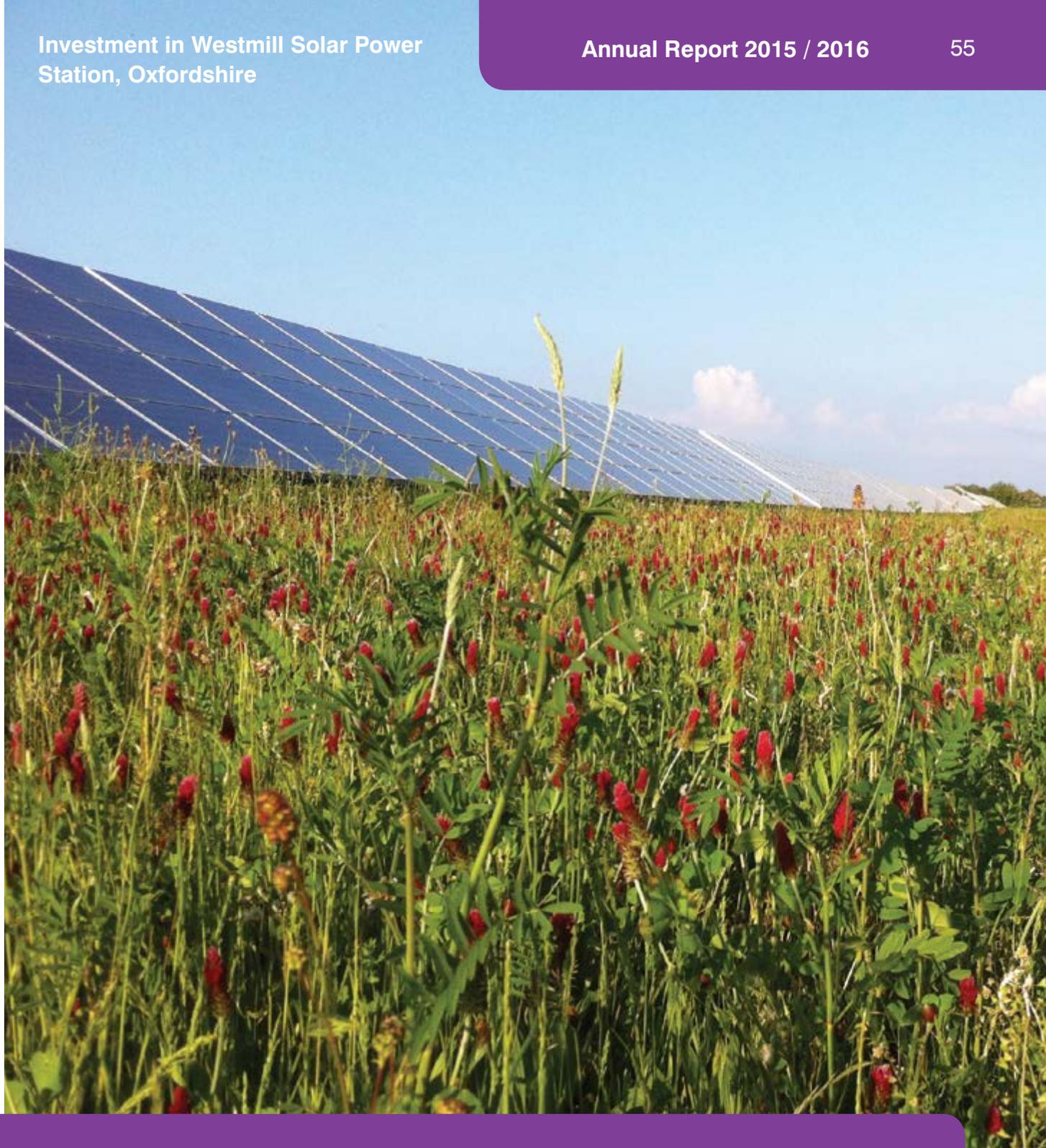
The Fund is overseen by the Lancashire Pension Fund Committee, which is a committee of Lancashire County Council.

The investments of the Pension Fund are managed by both external and in-house 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.

On 8 April 2016 Lancashire County Council entered into a Joint Venture with the London Pensions Fund Authority for the pooling of the executive functions of the two organisations together with the investment assets of the two funds.

The staff involved in the operation of the two funds transferred to the new organisation, the Local Pensions Partnership (LPP) on 8 April 2016 and the investment operations within the company received regulatory approval from the Financial Conduct Authority on 11 April.



LPP will operate the two pension funds under legal agreements with the administering authorities in line with the strategies and policies agreed by the relevant governing bodies, in the case of the Lancashire County Pension Fund the Pension Fund Committee.

1.2 Membership

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

Organisations participating in the Lancashire County Pension Fund include:

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

organisation. Admitted bodies include voluntary, charitable and similar bodies or private contractors undertaking a local authority function following outsourcing to the private sector.

There are 369 employer organisations (2014/15: 320 employer organisations) within Lancashire County Pension Fund including the county council itself, of which 261 have active members (2014/15: 218) as detailed below:

Lancashire County Pension Fund	31/03/16	31/03/15
Total number of employers	369	320
Number of employers with active members	261	218
Number of active scheme members:		
County Council	27,106	27,405
Other employers	29,223	26,774
Total	56,329	54,179
Number of pensioners:		
County Council	22,414	21,765
Other employers	22,093	21,446
Total	44,507	43,211
Number of deferred pensioners:		
County Council	33,253	29,148
Other employers	28,377	26,665
Total	61,630	55,813
Total membership	162,466	153,203

1.3 Funding

Benefits are funded by contributions and investment earnings. Employee contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.0% of pensionable pay for the financial year ending 31 March 2016. Employee

contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The last valuation relevant to the year ended 31 March 2016 was done at 31 March 2013. Currently employer contributions range from 3.0% to 25.8% of pensionable pay.

1.4 Benefits

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

	Service pre 1 April 2008	Service post 31 March 2008	Service post 1 April 2014
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary	Each year worked is worth 1/49th x the pensionable pay for that year (or 1/98th of pensionable pay if member opts for the 50/50 section of the scheme)
Lump sum	Automatic lump sum of 3 x salary. In addition, part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up	No automatic lump sum. Part of the annual pension can be exchanged for a one-off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up

2. Basis of preparation

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in United Kingdom 2015/16 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 25 of these accounts.

3. Accounting policies

3.1 Fund Account – revenue recognition

3.1.1 Contribution income

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

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

Employers' augmentation contributions and pension strain contributions are accounted for in the period in which the

liability arises. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

3.1.2 Transfers to and from other schemes

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

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

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

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

3.1.3 Investment income

3.1.3.1 Interest income

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

3.1.3.2 Dividend income

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

3.1.3.3 Distribution from pooled funds

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

3.1.3.4 Property-related income

Property-related income consists primarily of rental income.

Rental income from operating leases on properties owned by the Fund is recognised on a straight line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

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

3.1.3.5 Movement in the net market value of investments

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

3.2 Fund account – expense items

3.2.1 Benefits payable

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

3.2.2 Taxation

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

exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

3.2.3 Management expenses

The code does not require any breakdown of pension fund administrative expenses. However, in the interests of greater transparency, the Fund discloses its management expenses in accordance with the CIPFA guidance “Accounting for Local Government Pension Scheme Management Costs”. Management expenses have now been broken down across the following three categories:

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

3.2.4 Administrative expenses

Administration expenses consist of the following:

- Expenses related to LGPS members and pensioners. These include all

activities the pension scheme must perform to administer entitlements and provide members with scheme and benefit entitlement information.

Examples of this include pension allocations, benefit estimates, payment of benefits, processing of the transfer of assets, commutation, communications with members and pensioners, and annual benefit statements;

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

All administrative expenses are accounted for on an accruals basis. All staff costs of the pension’s administration team are charged directly to the Fund. Management, accommodation, finance and other overheads are apportioned in accordance with council policy.

3.2.5 Oversight and governance expenses

Oversight and governance expenses include the following costs:

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

- Non-custodian accountancy and banking services; and
- Internal and external audit.

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

3.2.6 Investment management expenses

Investment management expenses are defined as any expenses incurred in relation to the management of pension fund assets and financial instruments entered into in relation to the management of fund assets. This includes expenses directly invoiced by investment managers and any fees payable to fund managers which are deducted from fund assets.

All investment management expenses are accounted for on an accruals basis.

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 has negotiated performance related fees with a number of managers.

Where an investment manager's fee note has not been received by the net assets statement date, an estimate based upon the market value of their mandate as at the end of the year is used for the inclusion in the fund account. In 2015/16, £4.7m of fees is based on such estimates (2014/15: £2.3m).

The costs of the council's in-house fund management team are charged direct to the Fund and a proportion of the council's costs representing management time spent by officers on investment management are also charged to the Fund.

3.3 Net assets statement

3.3.1 Financial assets

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

The values of investments as shown in the net assets statement have been determined as follows:

3.3.2 Market-quoted investments

The value of an investment for which there is a readily available market price is determined by bid market price ruling on the final day of the accounting period.

3.3.3 Fixed interest securities

Fixed interest securities are recorded at net market value based on their current yields.

3.3.4 Unquoted investments

The fair value of investments for which market quotations are not readily available is determined as follows:

Valuations of delisted securities are based on the last sale price prior to delisting, or where subject to liquidation, the amount the Fund expects to receive on wind-up, less estimated realisation costs.

Where securities are subject to takeover offer, the valuation is based on the consideration offered, less realisation costs.

Directly held investments include investments in limited partnerships, shares in unlisted companies, trusts and bonds. Other unquoted securities typically include pooled investments in property,

infrastructure, debt securities and private equity. The valuation of these pools or directly held securities is undertaken by the investment manager or responsible entity and advised as a unit or security price. The valuation standards followed in these valuations adhere to industry guidelines or to standards set by the constituent documents of the pool or the management agreement.

Investments in unquoted property and infrastructure pooled funds are valued at the net asset value or a single price advised by the fund manager.

Investments in private equity funds and unquoted listed partnerships are valued based on the fund's share of the net assets in the private equity fund or limited partnership using the latest financial statements published by the respective fund managers in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2012.

3.3.5 Limited partnerships

Fair value is based on the net asset value ascertained from periodic valuations provided by those controlling the partnership.

3.3.6 Pooled investment vehicles

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the Fund, net of applicable withholding tax.

3.3.7 Freehold and leasehold properties

The properties were valued at open market value at 31 March 2016 by Simon Smith MRICS of independent valuers Cushman and Wakefield LLP in accordance with the Royal Institute of Chartered Surveyors' Valuation Standards (9th Edition). The valuer's opinion of market value and existing use value was primarily

derived using comparable recent market transactions on arms-length terms.

3.3.8 Acquisition costs of investments

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

3.3.9 Valuation of investments

Investments are shown at their fair value as at 31 March 2016. The fair value is the current bid price for quoted securities and unitised securities.

3.3.10 Foreign currency transactions

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

3.3.11 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.

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

3.3.12 Loans and receivables

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

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

3.3.13 Cash and cash equivalents

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

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

3.3.14 Financial liabilities

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

3.3.15 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 or loss.

3.3.16 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 assets statement (note 25).

3.3.17 Additional voluntary contributions

Lancashire County Pension Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of

which are invested separately from those of the Pension Fund. The AVC providers to the Pension Fund are Equitable Life and Prudential. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the Pension Fund accounts in accordance with section 4(2) (b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (note 19).

3.3.18 Securities lending

Investments lent under securities lending arrangements continue to be recognised in the net assets 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 profit and loss' or 'available for sale' as appropriate. Collateral is marked to market, and adjusted daily. As the Fund has an obligation to return the collateral to the borrowers, collateral is excluded from the fund valuation.

4. Critical judgements in applying accounting policies

4.1 Unquoted private equity and infrastructure investments

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

4.2 Pension Fund liability

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

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

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the net assets statement date and the amounts reported for the revenues and expenses during the year. Estimates and assumptions are made

taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that actual outcomes could be materially different from the assumptions and estimates.

The items in the Pension Fund's net assets statement at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Item	Uncertainties	Impact if actual results differ from assumptions
Private equity and infrastructure investments.	Private equity and infrastructure investments are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines 2012 or equivalent. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	The market value of private equity and infrastructure investments in the financial statements totals £917.7 m. There is a risk that these investments might be under or overstated in the accounts.
Long-term credit investments.	Long-term credit investments are valued as the Fund's percentage share of the independently audited Net Asset Value of each individual strategy as provided by the relevant manager. In some cases the underlying investments will comprise level three assets whose valuations involve a degree of management judgement.	The market value of long-term credit investments in the financial statements totals £1,454.2m. There is a risk that these investments might be under or overstated in the accounts.

Item	Uncertainties	Impact if actual results differ from assumptions
Bonds secured on affordable housing assets.	The bonds are held at the best estimate of market value. The value is based on long term expectations of interest rates, inflation and credit spreads in the housing association sector. Exact market benchmarks for these estimates may not be easily observable.	The market value of housing authority bonds totals £83.6m in the financial statements. There is a risk that this may be under or overstated.
Indirect property valuations.	Indirect properties are valued at the current open market value as defined by the RICS Appraisal and Valuation Standards. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Indirect property investments in the financial statements total £80.5m. There is a risk that these investments may be under or overstated in the accounts.
Actuarial present value of retirement benefits.	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Mercers) is engaged to provide the authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.25% reduction in the discount rate assumption would increase the value of the liabilities by approximately £380m. A 0.5% increase in assumed earnings inflation would increase the value of the liabilities by approximately £200m and a 1 year increase in assumed life expectancy would increase the liabilities by approximately £165m.

6. Contributions receivable

By category	2015/16 £m	2014/15 £m
Employers	183.8	183.2
Members	54.8	54.8
Total	238.6	238.0

By authority	2015/16 £m	2014/15 £m
County council	104.2	102.1
Scheduled bodies	113.2	115.4
Admitted bodies	21.2	20.5
Total	238.6	238.0

By type	2015/16 £m	2014/15 £m
Employee's normal contributions	54.8	54.8
Employer's normal contributions	122.5	124.4
Employer's deficit recovery contributions	49.0	47.3
Employer's augmentation contributions	12.3	11.5
Total	238.6	238.0

Augmentation contributions comprise additional pension benefits awarded to scheme members in line with the general conditions of employment. Within the employee contributions figure for 2015/16, £0.4m is voluntary and additional regular contributions (2014/15: £0.4m).

7. Transfers in from other Pension Funds

	2015/16	2014/15
	£m	£m
Individual transfers in from other schemes	5.5	4.8
Total	5.5	4.8

8. Benefits payable

By category	2015/16	2014/15
	£m	£m
Pensions	200.2	192.0
Lump sum retirement benefits	40.5	41.7
Lump sum death benefits	5.1	6.5
Total	245.8	240.2

By authority	2015/16	2014/15
	£m	£m
County council	107.2	106.3
Scheduled bodies	120.4	118.5
Admitted bodies	18.2	15.4
Total	245.8	240.2

9. Payments to and on account of leavers

	2015/16	2014/15
	£m	£m
Refunds to members leaving service	0.7	0.2
Individual transfers	11.2	10.3
Group transfers	0.6	89.6
Total	12.5	100.1

10. Management expenses

	2015/16	2014/15
	£m	£m
Administrative costs	4.1	3.5
Investment management expenses	32.5	29.4
Oversight and governance costs	8.7	2.5
Total	45.3	35.4

Oversight and governance costs rose during the year due to legal and advisory costs arising from the implementation of infrastructure opportunities in line with the Funds investment strategy as well costs associated with the Funds partnership with the LPFA for the pooling of the executive and investment assets of the two organisations.

Included in the oversight and governance costs are the external audit fees. For 15/16 and 14/15 these are £34,169.

10.1. Investment management expenses

	2015/16	2014/15
	£m	£m
Transaction costs	1.5	1.8
Management fees	27.9	26.4
Performance related fees	2.9	1.0
Custody fees	0.2	0.2
Total	32.5	29.4

The analysis of costs of managing the Fund has been prepared in accordance with CIPFA guidance. In addition to these costs, indirect costs are incurred through the bid-offer spread on investments sales and purchases. These are reflected in the cost of investment acquisitions and in the proceeds from the sales of investments.

11. Investment income

	2015/16	2014/15
	£m	£m
Fixed interest securities	3.3	2.9
Equity dividends	41.6	40.6
Index linked securities	1.1	0.0
Pooled investment vehicles	22.3	15.0
Net rents from properties	29.2	24.3
Interest on cash deposits	0.5	0.5
Other	1.1	7.4
Total	99.1	90.7

12. Property income

	2015/16	2014/15
	£m	£m
Rental income	32.3	29.7
Direct operating expenses	(3.1)	(5.4)
Net Income	29.2	24.3

13. Stock lending

Northern Trust the Fund's custodian, are authorised to release stock to a third party under stock lending arrangements up to the statutory limits for this activity. Stock lending income generated in 2015/16 was £1.5m (2014/15: £2.2m).

Securities on loan at 31 March 2016 were £76.2m (2015: £86m) and are included in the net assets statement to reflect the scheme's continuing economic interest in the securities. This consisted of £76.2m of equities (2015: £86m equities).

Collateral is marked to market, and adjusted daily. Additional collateral of between 2% and 5% is requested as an additional measure of industry standard practice to mitigate risk. As the Fund has an obligation to return the collateral to the borrowers, collateral is excluded from the fund valuation. The collateral is non cash and totalled £81.6m of bonds (2015: £92m of equities).

Investment in Wind Farms, Portugal



14. Reconciliation of movements in investments and derivatives

	Market value as at 1 April 2015	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Market value as at 31 March 2016
	£m	£m	£m	£m	£m
Fixed interest securities	148.8	103.2	(126.8)	(2.1)	123.1
Equities	2,000.7	377.7	(347.6)	39.1	2,069.9
Index linked securities	317.9	865.0	(1,115.5)	(3.7)	63.7
Pooled investment vehicles	2,740.2	950.4	(842.7)	87.7	2,935.6
Direct property	531.4	84.4	(52.6)	44.9	608.1
	5,739.0	2,380.7	(2,485.2)	165.9	5,800.4
Derivative contracts:					
Forward currency contracts asset value	632.4				294.5
Cash deposits	60.0				210.3
Investment accruals	11.7				13.1
Investment assets	6,443.1				6,318.3
Forward currency contracts liability value	(629.6)				(291.0)
Portfolio value	5,813.5				6,027.3

	Market value as at 1 April 2014	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Change in market value	Market value as at 31 March 2015
	£m	£m	£m	£m	£m
Fixed interest securities	233.0	328.1	(411.6)	(0.7)	148.8
Equities	1,921.1	356.8	(611.0)	333.8	2,000.7
Index linked securities	0.0	1,133.4	(873.3)	57.8	317.9
Pooled investment vehicles	2,238.9	761.1	(503.0)	243.2	2,740.2
Direct property	450.5	59.7	(29.4)	50.6	531.4
	4,843.5	2,639.1	(2,428.3)	684.7	5,739.0
Derivative contracts:					
Forward currency contracts asset value	21.4				632.4
Cash deposits	315.5				60.0
Investment accruals	12.4				11.7
Investment assets	5,192.8				6,443.1
Forward currency contracts liability value	(21.3)				(629.6)
Portfolio value	5,171.5				5,813.5

Investments analysed by fund manager

		31/03/16		31/03/15	
		£m	%	£m	%
Public equity					
External managers	Baillie Gifford	733.3	12.1%	734.1	12.6%
	MFS	350.1	5.8%	334.2	5.7%
	Morgan Stanley	324.6	5.4%	283.5	4.9%
	NGAM	209.7	3.5%	230.8	4.0%
	Robeco	496.0	8.2%	448.5	7.7%
UCITS funds	AGF	234.5	3.9%	266.9	4.6%
	MFG (Magellan)	251.2	4.2%	238.1	4.1%
		2,599.4	43.1%	2,536.1	43.6%
Private equity					
External managers	Capital Dynamics	336.5	5.6%	269.9	4.7%
Direct	Standard Life	11.7	0.2%	7.6	0.1%
		348.2	5.8%	277.5	4.8%
Long-term credit investments					
Senior secured loans	Ares Institutional	56.0	0.9%	123.2	2.1%
	Babson	74.5	1.2%	72.8	1.3%
	Hayfin	73.0	1.2%	44.2	0.8%
	Highbridge	0.0	0.0%	57.1	1.0%
	Kreos	4.9	0.1%	0.0	0.0%
	Muzinich Private Debt Fund	5.9	0.1%	0.0	0.0%
	Permira Credit Solutions	47.3	0.8%	0.0	0.0%
	THL	57.0	0.9%	55.8	1.0%
	White Oak	18.4	0.3%	0.0	0.0%

		31/03/16		31/03/15	
		£m	%	£m	%
Long-term credit investments					
Loans secured on real assets	Heylo Housing	83.6	1.4%	42.6	0.7%
	Prima	214.6	3.5%	153.5	2.6%
	Venn Commercial Real Estate	83.0	1.4%	0.0	0.0%
	Westmill	11.4	0.2%	11.7	0.2%
Emerging market debt	Bluebay	125.0	2.1%	128.8	2.2%
	HSBC	60.0	1.0%	58.2	1.0%
	Investec	83.1	1.4%	83.5	1.4%
	Pictet	134.0	2.2%	129.6	2.2%
Credit opportunities	CRC – Christofferson Robb & Co	89.2	1.5%	34.4	0.6%
	EQT	53.0	0.9%	44.3	0.8%
	MFO King Street	109.9	1.8%	54.8	1.0%
	Monarch	52.4	0.9%	53.8	0.9%
	Neuberger Berman	54.0	0.9%	58.8	1.0%
	Pimco Bravo	47.6	0.8%	28.9	0.5%
		1,537.8	25.5%	1,236.0	21.3%
Liquid credit (cash and bonds)					
External managers	Babson	0.0	0.0%	226.9	3.9%
	ING	0.0	0.0%	181.9	3.1%
	In-house	283.8	4.7%	457.0	7.9%
		283.8	4.7%	865.8	14.9%

		31/03/16		31/03/15	
		£m	%	£m	%
Infrastructure					
Direct	Arclight Energy	62.6	1.0%	35.9	0.6%
	Capital Dynamics Cape Byron	66.4	1.1%	65.6	1.1%
	Capital Dynamics Clean Energy	31.7	0.5%	32.9	0.6%
	Capital Dynamics Red Rose	76.0	1.3%	92.8	1.6%
	Capital Dynamics US Solar	0.7	0.0%	0.0	0.0%
	EQT Infrastructure	9.6	0.2%	13.1	0.2%
	Global Infrastructure Partners	34.3	0.6%	15.9	0.3%
	Guild Investments Ltd	70.4	1.1%	0.0	0.0%
	Highstar Capital	35.2	0.6%	33.4	0.6%
	Icon Infrastructure	34.0	0.6%	29.8	0.5%
	ISQ Global Infrastructure	7.5	0.1%	4.3	0.1%
	Madrilena Red de Gas (MRG)	135.9	2.3%	0.0	0.0%
	Stonepeak Infrastructure	5.2	0.1%	0.0	0.0%
		569.5	9.5%	323.7	5.6%
Property					
Direct	Knight Frank	608.1	10.1%	531.4	9.1%
Indirect	Gatefold Hayes	30.4	0.5%	12.9	0.2%
	Kames Target	14.0	0.2%	0.0	0.0%
	M&G Europe fund	36.1	0.6%	30.1	0.5%
		688.6	11.4%	574.4	9.8%
Portfolio Value		6,027.3	100.0%	5,813.5	100.0%

Fixed interest securities	31/03/16	31/03/15
	£m	£m
UK corporate bonds quoted	85.3	94.2
Overseas corporate bonds quoted	37.8	54.6
	123.1	148.8
Equities		
UK quoted	191.3	212.3
Overseas quoted	1,878.6	1,788.4
	2,069.9	2,000.7
Index linked securities		
UK quoted	63.7	317.9
	63.7	317.9

Pooled investment vehicles	31/03/16	31/03/15
UK managed funds:	£m	£m
Fixed income funds	60.0	58.2
Venture capital	369.4	278.5
Property funds	44.5	12.9
Overseas managed funds:		
Equity funds	485.7	505.0
Fixed income funds	1,097.3	1,443.8
Cash funds	0.6	0.5
Property funds	36.1	30.1
Venture capital	842.0	411.2
	2,935.6	2,740.2
Properties		
UK – freehold	515.7	460.6
UK – long leasehold	92.4	70.8
	608.1	531.4

Property holdings

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

	31/03/16	31/03/15
Property holdings	£m	£m
Balance as at start of the year	531.4	450.5
Additions:		
Purchases	75.5	57.3
Construction	8.9	2.4
Disposals	(52.6)	(26.1)
Net gain/loss on fair value	44.9	47.3
Balance as at the end of the year	608.1	531.4

Operating leases

The Fund leases out property under operating leases.

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

	2015/16	*2014/15
	£m	£m
Leases expiring in the following year	29.5	28.6
Leases expiring in two to five years	87.0	98.2
Leases expiring after five years	87.6	105.8
Total	204.1	232.6

Wates House, Leatherhead



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

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

*Figures for 2014/15 have been restated due to more detailed information becoming available to the Fund.

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge liabilities or hedge exposures to reduce risk in the Fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement agreed between the Fund and the various investment managers.

Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the Fund's quoted equity portfolio is in overseas stock markets. To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place which is managed by the global custodian and the Fund's internal managers.

Derivative contracts (forward currency positions)

Settlements	Currency bought*	Local value m	Currency sold*	Local value m	Asset value £m	Liability value £m
Up to one month	GBP	286.0	USD	(405.6)	286.0	(282.2)
Up to one month	JPY	35.5	USD	(0.3)	0.2	(0.2)
One to six months	USD	11.2	CHF	(10.9)	7.7	(8.0)
One to six months	USD	0.8	AUD	(1.1)	0.6	(0.6)
Open forward currency contracts at 31 March 2016					294.5	(291.0)
Net forward currency contracts at 31 March 2016						3.5
Prior year comparative					£m	£m
Open forward currency contracts at 31 March 2015					632.4	(629.6)
Net forward currency contracts at 31 March 2015						2.8

*Currencies are referred to above using International Standards Organisation codes. GBP – British Pound, USD – US Dollar, CHF – Swiss Franc, AUD – Australian Dollar, JPY – Japanese Yen

Cash deposits	31/03/16	31/03/15
	£m	£m
Sterling	114.9	35.0
Foreign currency	95.4	25.0
	210.3	60.0

15. Financial instruments classification

The accounting policy on financial instruments 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.

Direct property, although included in the total market value of net assets, is excluded from the table since this is categorised as investment property under IAS40 rather than as a financial instrument.

31/03/16	Fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost
	£m	£m	£m
Financial assets			
Fixed interest securities	123.1	-	-
Equities	2,069.9	-	-
Index linked securities	63.7	-	-
Pooled investment vehicles	2,935.6	-	-
Derivative contracts	294.5	-	-
Cash deposits	-	210.3	-
Investment accruals	13.1	-	-
Debtors	-	27.7	-
Total financial assets	5,499.9	238.0	-
Financial liabilities			
Derivative contracts	291.0	-	-
Creditors	-	-	18.8
Total financial liabilities	291.0	-	18.8

31/03/15	Fair value through profit or loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m
Financial assets			
Fixed interest securities	148.8	-	-
Equities	2,000.7	-	-
Index linked securities	317.9	-	-
Pooled investment vehicles	2,740.2	-	-
Derivative contracts	632.4	-	-
Cash deposits	-	60.0	-
Investment accruals	11.7	-	-
Debtors	-	28.1	-
Total financial assets	5,851.7	88.1	-
Financial liabilities			
Derivative contracts	629.6	-	-
Creditors	-	-	10.9
Total financial liabilities	629.6	-	10.9

16. Net gains and losses on financial instruments

The net gain on financial assets at fair value through profit and loss is £121.0m (2014/15: £634.1m)

17. Financial instruments – valuation

17.1 Valuation of financial instruments carried at fair value

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

17.1.1 Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Examples include quoted equity investments, unit trusts, UK pooled fixed income funds, overseas pooled fixed income funds, UK and overseas quoted fixed interest securities. Listed investments are shown at bid prices. The bid value of

the investment is based on the bid market quotation of the relevant stock exchange.

17.1.2 Level 2

Level 2 investments are those where quoted market prices are not available, for example where an instrument is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Such instruments include bonds secured on affordable housing assets. The technique for valuing these assets is independently verified.

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

17.1.3 Level 3

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

The values of the investment in private equity and infrastructure are based on valuations provided to the private equity and infrastructure funds in which Lancashire County Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation

Guidelines or equivalent, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually mainly, and at the end of December. Cash flow adjustments are used to roll forward the valuations to 31 March as appropriate.

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

The following table provides an analysis of the financial assets and liabilities (excluding direct property and cash) of the Pension Fund grouped into level 1 to 3 based on the level of which the fair value is observable. Loans and receivables are excluded from this table as they are held at amortised cost.

31/03/16	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Financial assets at fair value through profit and loss	3,341.1	245.6	1,913.2	5,499.9
Total financial assets	3,341.1	245.6	1,913.2	5,499.9
Financial liabilities				
Financial liabilities at fair value through profit and loss	291.0	-	-	291.0
Total financial liabilities	291.0			291.0
31/03/15				
31/03/15	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Financial assets at fair value through profit and loss	4,047.9	368.8	1,420.5	5,837.2
Total financial assets	4,047.9	368.8	1,420.5	5,837.2
Financial liabilities				
Financial liabilities at fair value through profit and loss	629.6	-	-	629.6
Total financial liabilities	629.6			629.6

18. Nature and extent of risks arising from financial instruments

18.1 Risk and risk management

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

Responsibility for the Fund's risk management strategy rests with the Pension Fund Committee. Risk management policies are established to

identify and analyse the risks faced by the Fund's operations. Policies are reviewed regularly to reflect change in activity and in market conditions.

18.2 Market risk

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

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

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

monitoring of market conditions and benchmarking analysis.

18.3 Other price risk

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

The Fund is exposed to share and derivatives price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

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

18.3.1 Other price risk – sensitivity analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation

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

with the Fund's investment advisors, the Fund has determined that the following movements in market price risks are reasonably possible for the 2015/16 reporting period.

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 also shown):



Asset type	31/03/16	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total bonds (including index linked)	1,233.0	6.4%	1,311.9	1,154.1
Total equities	2,902.9	9.6%	3,181.6	2,624.2
Alternatives	975.7	6.4%	1,038.1	913.3
Total property	688.8	2.4%	705.3	672.3
Total assets available to pay benefits	5,800.4		6,236.9	5,363.9

Asset type	31/03/15	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
Investment portfolio assets:				
Total bonds (including index linked)	1,968.6	6.0%	2,086.7	1,850.5
Total equities	2,871.7	9.6%	3,147.4	2,596.0
Alternatives	324.3	9.6%	355.4	293.2
Total property	574.4	2.1%	586.4	562.3
Total assets available to pay benefits	5,739.0		6,175.9	5,302.0

18.4 Interest Rate Risk

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

The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors. The Fund's direct exposure to interest rate movements as at 31 March 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset Type	31/03/16 £m	31/03/15 £m
Cash and cash equivalents	210.3	60.0
Fixed interest securities	1,280.3	1,650.8
Total	1,490.6	1,710.8

18.4.1 Interest rate risk – sensitivity analysis

The Fund has recognised that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. A 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 (1BPS = 0.01%). The Fund's investment advisor has advised that long-term average rates are expected to move less than 110 basis point for one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates:

Asset type	Change in year in net assets available to pay benefits		
	31/03/16	+100BPS	-100BPS
	£m	£m	£m
Cash and cash equivalents	210.3	2.1	(2.1)
Fixed interest securities	1,280.3	12.8	(12.8)
Total change in assets available	1,490.6	14.9	(14.9)

Asset type	Change in year in net assets available to pay benefits		
	31/03/15	+100BPS	-100BPS
	£m	£m	£m
Cash and cash equivalents	60.0	0.6	(0.6)
Fixed interest securities	1,650.8	16.5	(16.5)
Total change in assets available	1,710.8	17.1	(17.1)

18.5 Currency risk

Currency risk represents the risk that the fair value cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other

than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

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 2016 and as at the previous year end:

Currency exposure – asset type	31/03/16	31/03/15
	£m	£m
Overseas bonds (including index linked)	850.9	1,498.3
Overseas equities	2,622.9	2,513.8
Overseas alternatives	868.0	191.4
Overseas property	36.1	30.1
Total overseas assets	4,377.9	4,233.6

18.5.1 Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movement to be 6.1% (as measured by one standard deviation).

A 6.1% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant (2015: 6.2%).

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

Currency exposure – asset type	Change in year in net assets available to pay benefits		
	31/03/16 £m	+6.1% £m	-6.1% £m
Overseas bonds (including index linked)	850.9	902.8	799.0
Overseas equities	2,622.9	2,782.9	2,462.9
Overseas alternatives	868.0	920.9	815.0
Overseas property	36.1	38.3	33.9
Total change in assets available	4,377.9	4,644.9	4,110.8

Currency exposure – asset type	Change in year in net assets available to pay benefits		
	31/03/15	+6.2%	-6.2%
	£m	£m	£m
Overseas bonds (including index linked)	1,498.3	1,591.2	1,405.4
Overseas equities	2,513.8	2,669.6	2,357.9
Overseas alternatives	191.4	203.3	179.5
Overseas property	30.1	32.0	28.2
Total change in assets available	4,233.6	4,496.1	3,971.0

18.6 Credit risk

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

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives

positions, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimise the credit risk that may occur through the failure to settle a transaction in a timely manner.

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

policies held by the exchanges to cover defaulting counterparties.

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

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

The Fund's cash holding under its treasury management arrangements at 31 March 2016 was £210.3m (2015: £60m) This was held with the following institutions:

Summary	Rating	31/03/16	31/03/15
Bank deposit accounts		£m	£m
Northern Trust	A+	154.8	30.8
Svenska Handelsbanken	AA-	55.4	30.0
Bank current accounts			
Natwest account	BBB-	0.1	(0.8)
Total		210.3	60.0

18.7 Liquidity risks

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

The Fund has immediate access to its cash holdings.

Management prepares periodic cash flow forecasts to understand and manage the timing of the Fund's cash flow. The appropriate strategic level of cash balances

to be held forms part of the Funds investment strategy.

All financial liabilities at 31 March 2016 are due within one year.

19. Additional voluntary contributions (AVC's)

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 below. (This summary has not been subject to Audit and the Pension Fund relies on the individual contributors to check deductions made on their behalf are accurately reflected in the statements provided by the AVC providers). The

figures relate to the financial year 1 April 2015 to 31 March 2016 for Prudential and 1 September 2014 to 31 August 2015 for Equitable Life and are not included in the Pension Fund accounts in accordance with Regulations 5(2)(c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998.

	Equitable Life £m	Prudential £m	Total £m
Value at start of the year	1.0	21.1	22.1
Income (incl. contributions, bonuses, interest & transfers in)	0.0	4.8	4.8
Expenditure (incl. benefits, transfers out & change in market value)	(0.2)	(3.9)	(4.1)
Value at the end of the year	0.8	22.0	22.8

20. Current assets

	31/03/16	31/03/15
	£m	£m
Contributions due – employers	13.9	14.4
Contributions due – members	4.6	4.6
Debtors – bodies external to general government	9.2	9.1
	27.7	28.1

Analysis of debtors	31/03/16	31/03/15
	£m	£m
Other local authorities	14.9	15.6
Other entities and individuals	12.8	12.5
	27.7	28.1

21. Current liabilities

	31/03/16	31/03/15
	£m	£m
Unpaid benefits	1.1	0.1
Accrued expenses	17.7	10.8
	18.8	10.9

Analysis of creditors	31/03/16	31/03/15
	£m	£m
Other local authorities	2.1	4.2
Other entities and individuals	16.7	6.7
Total	18.8	10.9

22. Contractual Commitments

The commitments relating to outstanding call payments due to unquoted limited partnership funds held in the venture capital and infrastructure part of the portfolio totalled £665.3m. The amounts 'called' by these funds are irregular in both size and timing and commitments to these partnerships are drawn down over a number of years. The term of an individual investment can be up to 10 years. Realisation of these investments in the form of distributions normally occurs towards the end of the investment period,

when portfolio companies have built value and can be liquidated.

Commitments to outstanding call payments due to certain credit strategies stood at £497.2m. The majority of these amounts are expected to be called over the coming two years and relate to various different investments including direct lending and distressed credit opportunities which are expected to begin repaying capital after 5 years. In order to maintain a steady level of investment in the long term, the Fund will enter into further commitments to fund this type of strategy over the coming years.

The commitments on direct property development contracts relating to properties under construction held in the direct property part of the portfolio totalled £19.9m at 31 March 2016. These amounts are expected to be drawn down over the next 12 months based on valuation certificates.

The commitment on indirect property of £13.8m at 31 March 2016. These amounts are expected to be drawn down over the next few months.

23. Related party transactions

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

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

23.1 Lancashire County Council

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

The council incurred costs of £4.2m (2014/15: £4.5m) in relation to the administration of the Fund. This includes a proportion of relevant officers' salaries in respect of time allocated to pension and investment issues. The council was subsequently reimbursed by the Fund for these expenses. The council is also the single largest employer of the members of the Pension Fund and contributed £81.4m to the fund in 2015/16 (2014/15: £79.5m). All monies owing to and due from the Fund were paid in year.

23.2 Employers within the Fund

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme Regulations (LGPS). Contributions for the year are shown in note 6 and in respect of March 2016 payroll, are included within the debtors figure in note 20.

23.3 Pension Fund Committee, Pensions Board and Senior Officers.

The Pension Fund Committee, Pensions Board members and senior officers of the Pension Fund were asked to complete a related party declaration for 2015/16 regarding membership of, and transactions with such persons or their related parties and as such the following related party transactions have been declared:

George Graham, Director of the Lancashire Pension Fund acts in an un-remunerated Chair capacity on Guild Investments Ltd, which is used as a vehicle for holding infrastructure investments (£70.4m).

George Graham was appointed as Executive Director of the Local Pensions Partnership Ltd and Local Pensions Partnership (Administration) Ltd prior to the staff transfer on the 8 April 2016.

Mike Jensen, Chief Investment Officer acts in an un-remunerated director capacity

on Guild Investments Ltd, which is used as a vehicle for holding infrastructure investments (£70.4m).

Mike Jensen was appointed as an Executive Director of the Local Pensions Partnership (Investments) Ltd prior to the staff transfer on the 8 April 2016.

Richard Tomlinson, Investment Manager acts in an un-remunerated director capacity on Guild Investments Ltd, which is used as a vehicle for holding infrastructure investments (£70.4m).

Trevor Castledine, Deputy Chief Investment Officer acts in an un-remunerated non-executive director capacity of Heylo Housing Ltd in which the Fund has an interest (£83.6m).

Damon Lawrenson was appointed as interim Director of Financial Resources from March 2015 until March 2016. Payments totalling £7,764.54 excluding VAT were made to the company DDL Consultancy Limited in 2015/16 of which

Damon was a director. The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work.

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

23.4 Key management personnel

Paragraph 3.9.4.3 of the Code exempts local authorities from key management personnel disclosure requirements of IAS24, on the basis that the disclosure requirements for officer remuneration and members' allowances detailed in section 3.4 of the code (which are derived from the requirements of Regulation 7 (2)-(4) of the Accounts and Audit (England) Regulations 2011 and Regulation 7A of the Accounts and Audit (Wales) Regulations 2005) satisfy the key management disclosure requirements of paragraph 16 of IAS24. This applies in equal measure to the accounts of the Lancashire County Pension Fund.

The Fund does not employ any staff directly. Lancashire County Council employs the staff involved in providing the duties of the administering authority for the Fund. Disclosures of the remuneration awarded to key management personnel is therefore included in the officers' remuneration disclosure in the notes to the Lancashire County Council Statement of Accounts 2015/16.

In the interests of transparency the Fund has incorporated disclosure of the remuneration awarded to senior officers employed by Lancashire County Council who have responsibility for the management of the Fund to the extent that they have power to direct or control the major activities of the Fund (in particular activities involving the expenditure of money) whether solely or collectively with other persons.

The remuneration as charged to Lancashire County Pension Fund for senior officers of Lancashire County Council who have significant management responsibilities for Lancashire County Pension Fund.

2015/16	Employment period	Salary £	Pension contributions £	Total including pension contributions £
*Director of Lancashire Pension Fund	01/04/15 – 31/03/16	86,199	10,800	96,999
**Head of Fund	01/12/15 – 31/03/16	16,316	2,167	18,483
***Director of Financial Resources (Section 151 officer)	29/02/16 – 31/03/16	401	25	426
Chief Investment Officer	01/04/15 – 31/03/16	120,150	13,230	133,380

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

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

***The Director of Financial Resources was appointed on 29 February 2016. This position was previously held by an interim consultant. Payments totalling £7,764.54 excluding VAT were made to the company DDL Consultancy Limited in 2015/16. The remuneration amount has been apportioned to the Fund on the basis of time spent on Fund work.

Senior Officers (unless stated above) took up their new posts after a council wide management restructure commencing on 1 April 2015 and therefore no comparison has been done for the prior year.

24. Funding arrangements

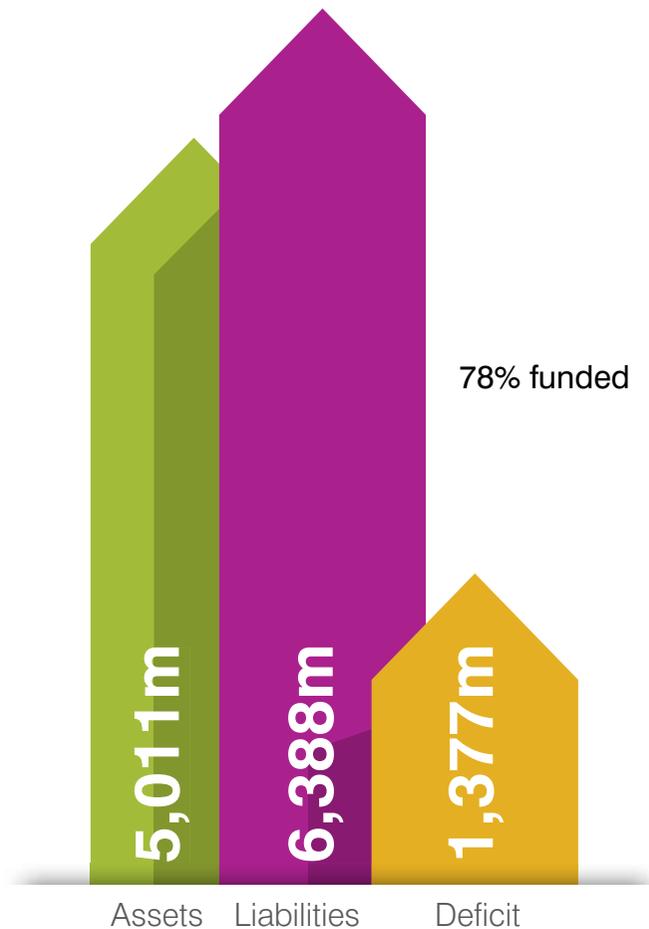
Accounts for the year ended 31 March 2016 – Statement by the Consulting Actuary.

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

An actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2013 to determine the contribution rates with effect from 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £5,011 million represented 78% of the Fund's past service liabilities of £6,388 million (the "Funding Target") at the valuation date. The deficit at the valuation date was therefore £1,377 million.

Lancashire Fund



The valuation also showed that a common rate of contribution of 13.1% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient in the long term, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 82% with a resulting deficit of £1,088 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £65m per annum increasing at 4.1% per annum (equivalent to 7.6% of projected

Pensionable Pay at the valuation date) for 19 years if all assumptions are borne out in practice. Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified

contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the

implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the Funding Target and the 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)	4.8% per annum	5.6% per annum
Rate of pay increases (long term)*	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 3 year period.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of that valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

25. Actuarial present value of promised retirement benefits

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

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2016 (the 31 March 2015 assumptions are included for comparison):

	31 March 2015	31 March 2016
Rate of return on investments (discount rate)	3.3% per annum	3.6% per annum
Rate of pay increases *	3.5% per annum	3.5% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% per annum	2.0% per annum

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

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields rose, resulting in a higher discount rate being used for IAS26 purposes at the year-end than at the beginning of the year (3.6% p.a. versus 3.3% p.a.). There was no change in the expected long-term rate of CPI inflation during the year, resulting in the same assumption for pension increases at the year-end as at the beginning of the year (2.0% p.a).

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2015 was estimated as £8,370m. The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to decrease the liabilities by approximately £570m. Adding interest over the year increases the liabilities by approximately £276m, and allowing for net benefits accrued/paid over the period increases the liabilities by approximately £30m (including any increase in liabilities

arising as a result of early retirements/augmentations).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is £8,106m.

John Livesey

Fellow of the Institute and Faculty of Actuaries
Mercer Limited
May 2016

26. Events after the net assets statement date

On 8 April 2016 Lancashire County Council entered into a Joint Venture with the London Pensions Fund Authority for the pooling of the executive functions of the two organisations together with the investment assets of the two funds.

The staff involved in the operation of the two funds transferred to the new organisation, the Local Pensions Partnership (LPP) on 8 April 2016 and the investment operations within the company received regulatory approval from the Financial Conduct Authority on 11 April 2016.

LPP will operate the two pension funds under legal agreements with the administering authorities in line with the strategies and policies agreed by the relevant governing bodies, in the case of the Lancashire County Pension Fund the Pension Fund Committee.

H. Lancashire Local Pension Board Annual Report – 2015/16

The Lancashire County Pension Fund's Local Pension Board was set up as a result of the 2013 Pensions Act, which obliged all public sector pension schemes to set up representative local pension boards by 1 April 2015. The formal remit of all local pension boards, including this one, is first to secure compliance with all regulations and legislation, and secondly to ensure the effective and efficient governance and administration of the scheme. A further factor behind the establishment of local pension boards was the perceived need for Members and Employers to have some voice within the management of public sector pension schemes.

I was appointed as Independent Chair following a public procurement exercise conducted jointly with the London Pensions Fund Authority (LPFA). Four Board

members representing Employers were appointed and four representing Scheme Members, two Active, one Deferred, and one Pensioner, were then chosen through a public election process from a total of 15 candidates with a turnout of over 10,000, or 9% of the membership. The Chair holds office for two years with a two year extension by mutual agreement, members for a term of four years, and no member may serve more than two terms.

Under the Government's legislation, Local Pension Boards have no executive power. We can scrutinise compliance with regulations and call Officers or the Lancashire Pension Fund Committee to account, but we are not a decision-making body. We also have a duty to report material breaches to The Pensions Regulator, and as such the Board has

adopted a policy and procedure to enable us to do so if necessary. As we only meet a limited number of times a year, we have chosen to perform as much of the scrutinising function as possible outside meetings. We can then focus our discussions on offering robust challenge to the Pension Fund Committee's decision-making processes and providing Member and Employers perspectives which might not otherwise be available. The Board has met four times in the year under review, (2015/16) and communicates via email between meetings.

Attendance record of each Board Member for the four meetings held in 2015/16.

Board Member	Representing	8 July 2015	19 October 2015	18 January 2016	11 April 2016
William Bourne	Independent Chair	√	√	√	√
Steve Browne	Employers	√	√	Apologies	√
Carl Gibson	Employers	√	√	√	√
Kathryn Haigh	Active Members	√	√	√	√
John Hall	Deferred Members	√	√	Apologies	√
Robert Harvey	Retired Members	√	√	√	√
County Councillor Tony Martin	Employers	√	√	√	√
Yvonne Moulton	Active Members	√	√	√	√
Steve Thompson	Employers	√	√	Apologies	√

Information about the Board, including membership, is publicly available on the Lancashire County Pension Fund website.

Agenda and minutes of Board meetings can be viewed on the County Council's website.

Training is also required under the Pensions Act 2013, and is covered by the Fund's Training Policy, which has been

refreshed in 2016. An initial session was held to brief members on the activities of the Pension Fund and their role and members are invited to, and have attended, Training Workshops together with members of the Pension Fund Committee. Members are encouraged to attend useful seminars and conferences which will help them to increase their knowledge levels, and have been invited to the regular briefing sessions on the formation, together with the LPFA,

of the Local Pensions Partnership (LPP). Internally, a virtual reading room has been set up so that Board members can easily access a wide range of material.

Board Members attendance at internal and external events during 2015/16.

Board Member	Internal Events Attended	External Events Attended
William Bourne	2	14
Steve Browne	5	Nil
Carl Gibson	2	Nil
Kathryn Haigh	7	2
John Hall	6	1
Robert Harvey	12	4
County Councillor Tony Martin	5	Nil
Yvonne Moulton	7	1
Steve Thompson	5	Nil

The Board receives the same operational and financial monitoring reports as those which are considered by the Pension Fund Committee. Board members are expected to have read these between meetings. While some time at meetings is spent on reviewing reports received and discussing matters arising, we prefer to focus our time at meetings on more detailed discussion

on specific topics. The Board has on occasion commissioned specific reports from Officers to cover matters of concern.

During the year the Board has reviewed and commented among others on the 2014/15 Annual Report, Pension Administration Strategy and Quality of Service Reports, Administering Authorities

Discretions, the Communications Policy, the Member Tracing Policy, and the Governance Review associated with the establishment of LPP. It has also scrutinised compliance with The Pension Regulator's Code of Practice 14, which covers public sector pension schemes and was issued in April 2015.

The creation of LPP has inevitably featured largely in our discussions over the year, as it is one of the more important changes in the Fund in recent years. As a Board, we have been supportive of the creation of LPP, but have provided robust challenge to the Pension Fund Committee throughout the process, particularly in the area of governance and compliance. We will continue to do so as LPP finds its feet over the next few years in order to ensure that Members and Employers do benefit from its creation.

We have also spent some time discussing how to improve communications between the Fund and its Members and Employers in both directions. As a result, some changes have been made to the forms which the Fund uses to make them easier to use. In the light of The Pensions Regulator's standards for data quality, we have also looked at practical ways to

encourage both Members and Employers to provide accurate and timely data.

The Board has an annual budget of £50,000 funded by the Lancashire County Pension Fund, which is used primarily to defray the cost of Members' attendance at training events or conferences, travelling expenses and reimbursement to employers. During the 2015/16 year, the costs of the Board were £20,639.33.

After the first twelve months of the Local Pension Board's activities, we need to look back and ask whether it is adding value to the Lancashire County Pension Fund's operations, and whether it will continue to do so in the future. It is still early days, but I believe that it is already fulfilling two important functions: offering challenge to the Pension Fund Committee; and providing valuable Members' and Employers' perspectives

to those managing the Fund which they might otherwise struggle to obtain. We have on a number of occasions made recommendations or suggestions which have been acted on. We are able to do this because we have a fully engaged and experienced Board membership, and also because we have the full support and commitment of the Officers who run the Lancashire County Pension Fund. As Chair, I would like to pay tribute to all members of the Board, who give up their time on an unpaid basis to wrestle with the complex and evolving subject of the regulations and guidance covering the LGPS Scheme generally and to play their part in making this Fund run ever more efficiently.

William Bourne

Chair, Lancashire Local Pension Board
July 2016

I. Actuarial Valuation

An actuarial valuation of the Fund is carried out every three years by the Fund's actuary Mercer. The most recent valuation carried out was at 31 March 2013 which determines contribution rates effective from 1 April 2014 to 31 March 2017.

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 is the same as the

maximum period of years adopted at the 2010 valuation in accordance with the then published FSS. Where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put into place which requires additional contributions to correct the shortfall.

The valuation (effective from 1 April 2014) revealed a funding level of 78% and an average employer's contribution rate of 13.1% plus a deficit contribution of £81m per annum increasing at 4.1% per annum for 19 years. Since 31 March 2013 there have been significant changes in the financial market position. In particular there has been an increase in gilt yields, which underpin the assessment of the past service liability values and therefore the long term funding target. Considering changes in the major financial factors only, as at 31 August 2013 the impact of market changes has meant the funding level has increased to approximately 82% (from 78% at 31 March).

An extract from the certified Actuarial Valuation produced by Mercer as at 31 March 2013, detailing the breakdown of the 78% funding level is as follows:

	£m	
	31 March 2013	31 March 2010
Total assets	5,011	3,962
Liabilities:		
Active members	2,440	2,221
Deferred pensioners	1,088	614
Pensioners	2,860	2,120
Total liabilities	6,388	4,955
Past service surplus / (shortfall)	(1,377)	(993)
Funding level	78%	80%

Rates and Adjustments Certificate issued in accordance with Regulation 36 of the Administration Regulations

Name of fund

Lancashire County Pension Fund

The employer contributions for 2014/2015 are based on the 2013 valuation and the recommended employer contributions for the period 1 April 2014 to 31 March 2017 are set out in the Schedule to the Rates and Adjustments of this report.

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

Primary Contribution Requirements

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 2014 should be at the rate of 13.1 per cent of Pensionable Pay (including those in respect of members of the LGPS under the 50:50 option).

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 2014, as set out above, should be individually adjusted as set out in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) unless otherwise noted in a separate agreement with an individual employer, and the contributions in the attached schedule take account of any such agreements.

Further Adjustments

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

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

The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of

any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

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

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

Regulation 36(8)

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

Signature



Name	John Livesey
Qualification	Fellow of the Institute and Faculty of Actuaries
Date of signing	31 March 2014

Schedule to the Rates and Adjustment Certificate dated 31 March 2014

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
Academy at Worden	1.4% plus £12,100	14.5% plus £12,100	1.4% plus £12,600	14.5% plus £12,600	1.4% plus £13,100	14.5% plus £13,100
Accrington & Rossendale College	0.0% plus £254,200	13.1% plus £254,200	0.0% plus £285,700	13.1% plus £285,700	0.0% plus £317,600	13.1% plus £317,600
Accrington Academy	-2.6%	10.5%	-2.6%	10.5%	-2.6%	10.5%
Albany Academy	2.2% plus £21,800	15.3% plus £21,800	2.2% plus £22,700	15.3% plus £22,700	2.2% plus £23,600	15.3% plus £23,600
All Saints C.E. Primary School (Academy)	-2.5% plus £13,700	10.6% plus £13,700	-2.5% plus £14,300	10.6% plus £14,300	-2.5% plus £14,900	10.6% plus £14,900
Alternative Futures Group Ltd	-9.3%	3.8%	-9.3%	3.8%	-9.3%	3.8%
Andron	0.8%	13.9%	0.8%	13.9%	0.8%	13.9%
Andron (Kennington Primary School)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Andron (Ribblesdale High School)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Arnold Schools Ltd	6.5% plus £22,900	19.6% plus £22,900	6.5% plus £23,800	19.6% plus £23,800	6.5% plus £24,800	19.6% plus £24,800
Bacup Rawtenstall GS (Academy)	0.6% plus £20,500	13.7% plus £20,500	0.6% plus £21,300	13.7% plus £21,300	0.6% plus £22,200	13.7% plus £22,200
Balfour Beatty (Blakewater/Crosshill)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Balfour Beatty (Pleckgate School)	0.5%	13.6%	0.5%	13.6%	0.5%	13.6%
Balfour Beatty Ltd (Darwen Vale)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
Balfour Beatty Ltd (Witton Park Cleaning)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Belthorn Primary Academy	4.3% plus £3,700	17.4% plus £3,700	4.3% plus £5,600	17.4% plus £5,600	4.3% plus £7,500	17.4% plus £7,500
Bishop Rawstorne High Academy	1.9% plus £19,100	15.0% plus £19,100	1.9% plus £23,500	15.0% plus £23,500	1.9% plus £27,900	15.0% plus £27,900
Blackburn College	-1.0% plus £215,200	12.1% plus £215,200	-1.0% plus £225,200	12.1% plus £225,200	-1.0% plus £235,500	12.1% plus £235,500
Blackburn St Mary's	-0.1% plus £19,500	13.0% plus £19,500	-0.1% plus £23,400	13.0% plus £23,400	-0.1% plus £27,400	13.0% plus £27,400
Blackburn With Darwen Borough Council	-0.7% plus £4,403,900	12.4% plus £4,403,900	-0.7% plus £4,584,500	12.4% plus £4,584,500	-0.7% plus £4,772,500	12.4% plus £4,772,500
Blackpool & The Fylde College	-0.8% plus £358,400	12.3% plus £358,400	-0.8% plus £373,100	12.3% plus £373,100	-0.8% plus £388,400	12.3% plus £388,400
Blackpool Airport (post 07/04)	6.7% plus £9,000	19.8% plus £9,000	6.7% plus £13,200	19.8% plus £13,200	6.7% plus £17,500	19.8% plus £17,500
Blackpool Borough Council – excluding schools	-0.8% plus £2,667,000	12.3% plus £2,667,000	-0.8% plus £2,926,000	12.3% plus £2,926,000	-0.8% plus £3,190,000	12.3% plus £3,190,000
Blackpool Borough Council – schools	5.0%	18.1%	5.9%	19.0%	6.8%	19.9%
Blackpool Coastal Housing	-1.5%	11.6%	-1.5%	11.6%	-1.5%	11.6%
Blackpool Fylde Wyre Society for the Blind	7.5% plus £97,300*	20.6% plus £97,300*	7.5%	20.6%	7.5%	20.6%
Blackpool Borough Council – excluding schools	-0.8% plus £2,667,000	12.3% plus £2,667,000	-0.8% plus £2,926,000	12.3% plus £2,926,000	-0.8% plus £3,190,000	12.3% plus £3,190,000
Blackpool Borough Council – schools	5.0%	18.1%	5.9%	19.0%	6.8%	19.9%

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
Blackpool Coastal Housing	-1.5%	11.6%	-1.5%	11.6%	-1.5%	11.6%
Blackpool Fylde Wyre Society for the Blind	7.5% plus £97,300*	20.6% plus £97,300*	7.5%	20.6%	7.5%	20.6%
Blackpool MAT (Anchorsholme Academy)	-0.8% plus £27,500	12.3% plus £27,500	-0.8% plus £28,600	12.3% plus £28,600	-0.8% plus £29,800	12.3% plus £29,800
Blackpool MAT (Devonshire Academy)	-0.8% plus £29,600	12.3% plus £29,600	-0.8% plus £30,800	12.3% plus £30,800	-0.8% plus £32,100	12.3% plus £32,100
Blackpool MAT (Park Academy)	-0.8% plus £33,800	12.3% plus £33,800	-0.8% plus £35,200	12.3% plus £35,200	-0.8% plus £36,600	12.3% plus £36,600
Blackpool Sixth Form College	-3.2% plus £4,800	9.9% plus £4,800	-3.2% plus £5,000	9.9% plus £5,000	-3.2% plus £5,200	9.9% plus £5,200
Blackpool Transport Services Ltd	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Blackpool Zoo (Grant Leisure)	5.6%	18.7%	5.6%	18.7%	5.6%	18.7%
Bootstrap Enterprises Ltd	-7.8%	5.3%	-7.8%	5.3%	-7.8%	5.3%
Bowland High Academy Trust	2.8% plus £16,500	15.9% plus £16,500	2.8% plus £22,200	15.9% plus £22,200	2.8% plus £27,900	15.9% plus £27,900
Bulloughs (Our Lady)	4.4%	17.5%	4.4%	17.5%	4.4%	17.5%
Bulloughs (St Augustines)	0.4%	13.5%	0.4%	13.5%	0.4%	13.5%
Bulloughs (St Mary's)	-2.9%	10.2%	-2.9%	10.2%	-2.9%	10.2%
Bulloughs (Whalley Primary)	2.4%	15.5%	3.0%	16.1%	3.7%	16.8%
Bulloughs Cleaning (Our Lady)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Burnley Borough Council	0.2% plus £1,365,500	13.3% plus £1,365,500	0.2% plus £1,421,500	13.3% plus £1,421,500	0.2% plus £1,479,800	13.3% plus £1,479,800

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
Burnley College	-0.4% plus £84,900	12.7% plus £84,900	-0.4% plus £111,200	12.7% plus £111,200	-0.4% plus £137,600	12.7% plus £137,600
Burscough Parish Council	TBC	TBC	TBC	TBC	TBC	TBC
Calico Housing Ltd	-0.8% plus £223,600	12.3% plus £223,600	-0.8% plus £232,800	12.3% plus £232,800	-0.8% plus £242,300	12.3% plus £242,300
Capita (transfer from Rossendale B.C)	5.6% plus £2,200	18.7% plus £2,200	5.6% plus £5,300	18.7% plus £5,300	5.6% plus £8,400	18.7% plus £8,400
CAPITA Business Services	5.0% plus £258,500	18.1% plus £258,500	5.0% plus £311,100	18.1% plus £311,100	5.0% plus £364,200	18.1% plus £364,200
Cardinal Newman College	0.0% plus £46,500	13.1% plus £46,500	0.0% plus £48,400	13.1% plus £48,400	0.0% plus £50,400	13.1% plus £50,400
Caritas Care Limited	1.9% plus £67,500	15.0% plus £67,500	1.9% plus £70,300	15.0% plus £70,300	1.9% plus £73,200	15.0% plus £73,200
Caterlink Limited (Pleckgate Catering)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Caterlink Ltd (Ripley St Thomas)	4.9%	18.0%	4.9%	18.0%	4.9%	18.0%
Catterall Parish Council	8.2%	21.3%	8.2%	21.3%	8.2%	21.3%
CG Cleaning (Heysham High)	0.7%	13.8%	0.7%	13.8%	0.7%	13.8%
CG Cleaning (St James the Less)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
CG Cleaning Ltd (Balladen)	4.9%	18.0%	4.9%	18.0%	4.9%	18.0%
CG Cleaning Ltd (St Patrick's)	3.5%	16.6%	3.5%	16.6%	3.5%	16.6%
Chorley Borough Council	-2.0% plus £709,600	11.1% plus £709,600	-2.0% plus £831,900	11.1% plus £831,900	-2.0% plus £955,600	11.1% plus £955,600
Chorley Community Housing Ltd	1.5%	14.6%	2.0%	15.1%	2.5%	15.6%

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
Church Road Day Care Unit	12.7% plus £3,100	25.8% plus £3,100	12.7% plus £11,900	25.8% plus £11,900	12.7% plus £20,700	25.8% plus £20,700
Clitheroe Royal Grammar School (Academy)	2.9% plus £43,100	16.0% plus £43,100	2.9% plus £51,500	16.0% plus £51,500	2.9% plus £60,000	16.0% plus £60,000
Community and Business Partnership	-0.3%	12.8%	-0.3%	12.8%	-0.3%	12.8%
Community Council of Lancs	7.7% plus £4,400	20.8% plus £4,400	7.7% plus £9,200	20.8% plus £9,200	7.7% plus £13,900	20.8% plus £13,900
Community Gateway Association Ltd	1.8% plus £16,300	14.9% plus £16,300	1.8% plus £20,600	14.9% plus £20,600	1.8% plus £24,900	14.9% plus £24,900
Consultant Caterers Ltd	4.1%	17.2%	4.1%	17.2%	4.1%	17.2%
Contour Housing Group	-6.5%	6.6%	-6.5%	6.6%	-6.5%	6.6%
Creative Support Ltd	-5.2%	7.9%	-5.2%	7.9%	-5.2%	7.9%
Creative Support Ltd (Midway)	1.1%	14.2%	1.2%	14.3%	1.3%	14.4%
CX Ltd	-1.5%	11.6%	-1.5%	11.6%	-1.5%	11.6%
Darwen Aldridge Community Academy	-1.5%	11.6%	-1.5%	11.6%	-1.5%	11.6%
Darwen Town Council	TBC	TBC	TBC	TBC	TBC	TBC
E ON UK PLC	0.0%	13.1%	0.0%	13.1%	0.0%	13.1%
Edge Hill University	-0.7% plus £660,200	12.4% plus £660,200	-0.7% plus £853,900	12.4% plus £853,900	-0.7% plus £1,049,300	12.4% plus £1,049,300
Elite Cleaning and Environment	-0.6%	12.5%	-0.6%	12.5%	-0.6%	12.5%
Enterprise Managed Services	2.8% plus £4,600	15.9% plus £4,600	2.8% plus £4,800	15.9% plus £4,800	2.8% plus £5,000	15.9% plus £5,000
Eric Wright (Highfield HS Catering)	5.6%	18.7%	5.6%	18.7%	5.6%	18.7%

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
Eric Wright (Highfield HS Site supervisors)	5.6%	18.7%	5.6%	18.7%	5.6%	18.7%
Four Seasons Health Care Group	-2.8%	10.3%	-2.8%	10.3%	-2.8%	10.3%
Fulwood Academy	-1.7%	11.4%	-1.5%	11.6%	-1.3%	11.8%
Fylde Borough Council	-0.6% plus £484,500	12.5% plus £484,500	-0.6% plus £512,900	12.5% plus £512,900	-0.6% plus £542,000	12.5% plus £542,000
Fylde Coast Academy Trust	-8.5%	4.6%	-8.5%	4.6%	-8.5%	4.6%
Fylde Coast Academy Trust MAT (Unity Academy)	-0.8% plus £55,300	12.3% plus £55,300	-0.8% plus £57,600	12.3% plus £57,600	-0.8% plus £60,000	12.3% plus £60,000
Fylde Coast YMCA	-10.1%	3.0%	-10.1%	3.0%	-10.1%	3.0%
Fylde Community Link	1.4% plus £7,400	14.5% plus £7,400	1.4% plus £8,000	14.5% plus £8,000	1.4% plus £8,500	14.5% plus £8,500
Galloways Society for Blind	5.1% plus £10,300	18.2% plus £10,300	5.1% plus £13,400	18.2% plus £13,400	5.1% plus £16,400	18.2% plus £16,400
Garstang Community Academy	2.7% plus £20,700	15.8% plus £20,700	2.7% plus £25,900	15.8% plus £25,900	2.7% plus £31,100	15.8% plus £31,100
Garstang Town Council	0.9%	14.0%	0.9%	14.0%	0.9%	14.0%
Habergham Eaves Parish Council	TBC	TBC	TBC	TBC	TBC	TBC
Hambleton Primary Academy	-1.7% plus £6,200	11.4% plus £6,200	-1.7% plus £6,500	11.4% plus £6,500	-1.7% plus £6,900	11.4% plus £6,900
Hawes Side Academy	1.7% plus £14,300	14.8% plus £14,300	1.7% plus £15,700	14.8% plus £15,700	1.7% plus £17,100	14.8% plus £17,100
Hodgson Academy	2.8% plus £28,900	15.9% plus £28,900	2.8% plus £36,500	15.9% plus £36,500	2.8% plus £44,100	15.9% plus £44,100

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
Housing Pendle Ltd	1.3% plus £3,200	14.4% plus £3,200	1.3% plus £8,700	14.4% plus £8,700	1.3% plus £14,200	14.4% plus £14,200
Hyndburn Borough Council	-0.5% plus £816,500	12.6% plus £816,500	-0.5% plus £850,000	12.6% plus £850,000	-0.5% plus £884,900	12.6% plus £884,900
Hyndburn Homes Ltd	1.1%	14.2%	1.3%	14.4%	1.5% plus £800	14.6% plus £800
I Care	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Jewson Ltd (Chorley Homes)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Kirkham Grammar School	2.5% plus £17,600	15.6% plus £17,600	2.5% plus £22,200	15.6% plus £22,200	2.5% plus £26,900	15.6% plus £26,900
Kirkland Parish Council	9.5%	22.6%	9.5%	22.6%	9.5%	22.6%
Lancashire Care Foundation Trust	TBC	TBC	TBC	TBC	TBC	TBC
Lancashire County Branch Unison	4.4% plus £1,900	17.5% plus £1,900	4.4% plus £2,000	17.5% plus £2,000	4.4% plus £2,100	17.5% plus £2,100
Lancashire County Council – excluding schools	-0.5% plus £15,353,000	12.6% plus £15,353,000	-0.5% plus £15,982,000	12.6% plus £15,982,000	-0.5% plus £16,638,000	12.6% plus £16,638,000
Lancashire County Council – schools	6.9%	20.0%	7.2%	20.3%	7.6%	20.7%
Lancashire Probation Committee	6.0%	19.1%	N/A	N/A	N/A	N/A
Lancaster & Morecambe College	-0.1% plus £129,300	13.0% plus £129,300	-0.1% plus £134,600	13.0% plus £134,600	-0.1% plus £140,100	13.0% plus £140,100
Lancaster City Council	-0.1% plus £1,015,100	13.0% plus £1,015,100	-0.1% plus £1,056,700	13.0% plus £1,056,700	-0.1% plus £1,100,000	13.0% plus £1,100,000
Lancaster Girls Grammar School (Academy)	3.3% plus £32,800	16.4% plus £32,800	3.3% plus £34,100	16.4% plus £34,100	3.3% plus £35,500	16.4% plus £35,500

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
Lancaster Royal Grammar School (Academy)	3.0% plus £49,200	16.1% plus £49,200	3.0% plus £55,500	16.1% plus £55,500	3.0% plus £61,800	16.1% plus £61,800
Lancaster University	-0.7% plus £561,900	12.4% plus £561,900	-0.7% plus £648,000	12.4% plus £648,000	-0.7% plus £735,200	12.4% plus £735,200
Lancs Fire and Rescue Service	-0.3% plus £229,500	12.8% plus £229,500	-0.3% plus £238,900	12.8% plus £238,900	-0.3% plus £248,700	12.8% plus £248,700
Lancs Sports Partners Ltd	-4.3%	8.8%	-4.3%	8.8%	-4.3%	8.8%
Lancs Workforce Development Partnership	2.5% plus £700	15.6% plus £700	2.5% plus £700	15.6% plus £700	2.5% plus £700	15.6% plus £700
Langdale Free School	-0.8% plus £1,200	12.3% plus £1,200	-0.8% plus £1,200	12.3% plus £1,200	-0.8% plus £1,200	12.3% plus £1,200
Leisure in Hyndburn	-1.3% plus £45,600	11.8% plus £45,600	-1.3% plus £50,000	11.8% plus £50,000	-1.3% plus £54,500	11.8% plus £54,500
Lend Lease construction EMEA	-0.5%	12.6%	-0.5%	12.6%	-0.5%	12.6%
Liberata UK Ltd (Chorley)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Liberata UK Ltd (Pendle)	4.8% plus £51,000	17.9% plus £51,000	4.8% plus £53,100	17.9% plus £53,100	4.8% plus £55,300	17.9% plus £55,300
Lostock Hall Academy Trust	2.6% plus £21,200	15.7% plus £21,200	2.6% plus £25,200	15.7% plus £25,200	2.6% plus £29,400	15.7% plus £29,400
Lowther Pavilions and Gardens	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Lytham Schools Foundation	3.4% plus £12,000	16.5% plus £12,000	3.4% plus £12,500	16.5% plus £12,500	3.4% plus £13,000	16.5% plus £13,000
Mack Trading Ltd	3.8%	16.9%	3.8%	16.9%	3.8%	16.9%

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
Maharishi School (Free School)	3.6%	16.7%	3.6%	16.7%	3.6%	16.7%
Marketing Lancashire Ltd	-0.2% plus £3,300	12.9% plus £3,300	-0.2% plus £5,100	12.9% plus £5,100	-0.2% plus £7,000	12.9% plus £7,000
May Gurney Fleet & Passenger Services Limited	-0.8%	12.3%	-0.8%	12.3%	-0.8%	12.3%
Mellor's (Bishop Rawstorne)	4.5%	17.6%	4.5%	17.6%	4.5%	17.6%
Mellor's (Hambleton Primary)	7.3%	20.4%	8.6%	21.7%	9.8%	22.9%
Mellor's (Worden Sports College)	-1.4%	11.7%	-1.4%	11.7%	-1.4%	11.7%
Mellors Catering (Brinscall St John)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Mellors Catering (Fulwood Academy)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Mellors Catering (Parbold)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Mellors Catering (Trinity, St Michaels)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Montgomery High School Academy	-1.7% plus £48,700	11.4% plus £48,700	-1.7% plus £50,700	11.4% plus £50,700	-1.7% plus £52,800	11.4% plus £52,800
Moorside Community PS Academy	-0.5% plus £16,200	12.6% plus £16,200	-0.5% plus £16,900	12.6% plus £16,900	-0.5% plus £17,600	12.6% plus £17,600
Morecambe Town Council	1.7%	14.8%	1.7%	14.8%	1.7%	14.8%
Myerscough College	-1.6% plus £133,400	11.5% plus £133,400	-1.6% plus £167,800	11.5% plus £167,800	-1.6% plus £202,600	11.5% plus £202,600
Nelson and Colne College	-0.6% plus £84,600	12.5% plus £84,600	-0.6% plus £88,100	12.5% plus £88,100	-0.6% plus £91,700	12.5% plus £91,700
New Fylde Housing Ltd	11.3% plus £116,900	24.4% plus £116,900	11.3% plus £121,700	24.4% plus £121,700	11.3% plus £126,700	24.4% plus £126,700

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
NIC Services Group Ltd	2.6%	15.7%	3.4%	16.5%	4.1%	17.2%
Norbreck Primary Academy	1.8% plus £14,500	14.9% plus £14,500	1.8% plus £16,300	14.9% plus £16,300	1.8% plus £18,200	14.9% plus £18,200
NSL Ltd (Lancaster)	-3.4%	9.7%	-3.4%	9.7%	-3.4%	9.7%
NW Inshore Fisheries	2.6% plus £27,000	15.7% plus £27,000	2.6% plus £28,100	15.7% plus £28,100	2.6% plus £29,300	15.7% plus £29,300
Office of the Police and Crime Commissioner	-1.6% plus £2,900,000	11.5% plus £2,900,000	-1.6% plus £2,900,000	11.5% plus £2,900,000	-1.6% plus £2,900,000	11.5% plus £2,900,000
Old Laund Booth Parish Council	TBC	TBC	TBC	TBC	TBC	TBC
Parbold Douglas C.E. Academy	2.1% plus £5,700	15.2% plus £5,700	2.1% plus £7,500	15.2% plus £7,500	2.1% plus £9,400	15.2% plus £9,400
Parklands High School Academy	1.8% plus £20,900	14.9% plus £20,900	1.8% plus £21,800	14.9% plus £21,800	1.8% plus £22,700	14.9% plus £22,700
Pendle Borough Council	-0.9% plus £1,247,800	12.2% plus £1,247,800	-0.9% plus £1,299,000	12.2% plus £1,299,000	-0.9% plus £1,352,300	12.2% plus £1,352,300
Pendle Education Trust – Colne Primet	2.3% plus £17,500	15.4% plus £17,500	2.3% plus £18,200	15.4% plus £18,200	2.3% plus £18,900	15.4% plus £18,900
Pendle Education Trust – Walter St	0.8% plus £15,800	13.9% plus £15,800	0.8% plus £16,400	13.9% plus £16,400	0.8% plus £17,100	13.9% plus £17,100
Pendle Leisure Trust Ltd	-1.3% plus £30,400	11.8% plus £30,400	-1.3% plus £31,600	11.8% plus £31,600	-1.3% plus £32,900	11.8% plus £32,900
Penwortham Priory Academy	1.7% plus £18,500	14.8% plus £18,500	1.7% plus £19,300	14.8% plus £19,300	1.7% plus £20,100	14.8% plus £20,100
Penwortham Town Council	-0.3%	12.8%	-0.3%	12.8%	-0.3%	12.8%

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
Pilling Parish Council	11.2%	24.3%	11.2%	24.3%	11.2%	24.3%
Places for People	2.8%	15.9%	2.8%	15.9%	2.8%	15.9%
Preesall Town Council	TBC	TBC	TBC	TBC	TBC	TBC
Preston Care and Repair	7.7% plus £600	20.8% plus £600	7.7% plus £600	20.8% plus £600	7.7% plus £600	20.8% plus £600
Preston City Council	-0.3% plus £1,233,600	12.8% plus £1,233,600	-0.3% plus £1,385,600	12.8% plus £1,385,600	-0.3% plus £1,540,100	12.8% plus £1,540,100
Preston College	-1.4% plus £304,000	11.7% plus £304,000	-1.4% plus £316,500	11.7% plus £316,500	-1.4% plus £329,500	11.7% plus £329,500
Preston Council for Voluntary Services	11.5%	24.6%	12.0% plus £1,000	25.1% plus £1,000	12.0% plus £2,200	25.1% plus £2,200
Progress Housing Group	2.8% plus £160,300	15.9% plus £160,300	2.8% plus £166,900	15.9% plus £166,900	2.8% plus £173,700	15.9% plus £173,700
Progress Recruitments (se) Ltd	-3.2%	9.9%	-3.2%	9.9%	-3.2%	9.9%
Queen Elizabeth's Grammar School	7.1% plus £15,600	20.2% plus £15,600	7.1% plus £23,900	20.2% plus £23,900	7.1% plus £32,300	20.2% plus £32,300
Ribble Valley Borough Council	0.9% plus £195,900	14.0% plus £195,900	0.9% plus £203,900	14.0% plus £203,900	0.9% plus £212,300	14.0% plus £212,300
Ribble Valley Homes Ltd	2.7%	15.8%	2.7%	15.8%	2.7%	15.8%
Ripley St Thomas C.E. (Academy)	2.9% plus £34,200	16.0% plus £34,200	2.9% plus £39,900	16.0% plus £39,900	2.9% plus £45,600	16.0% plus £45,600
Roseacre Primary Academy	0.3% plus £18,500	13.4% plus £18,500	0.3% plus £19,300	13.4% plus £19,300	0.3% plus £20,100	13.4% plus £20,100

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
Rosendale Borough Council	0.9% plus £955,000	14.0% plus £955,000	0.9% plus £994,200	14.0% plus £994,200	0.9% plus £1,035,000	14.0% plus £1,035,000
Rosendale Leisure Trust	1.4% plus £10,100	14.5% plus £10,100	1.4% plus £10,500	14.5% plus £10,500	1.4% plus £10,900	14.5% plus £10,900
Rosendale Transport Ltd	12.1% plus £74,600	25.2% plus £74,600	12.1% plus £110,100	25.2% plus £110,100	12.1% plus £145,700	25.2% plus £145,700
Runshaw College	-0.3% plus £140,200	12.8% plus £140,200	-0.3% plus £145,900	12.8% plus £145,900	-0.3% plus £151,900	12.8% plus £151,900
School Lettings Solutions	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Service Alliance Ltd (Altham)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Service Alliance Ltd (RCC)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
South Ribble Borough Council	-0.4% plus £1,778,200*	12.7% plus £1,778,200*	-0.4%	12.7%	-0.4%	12.7%
South Ribble Community Leisure	-1.2% plus £73,800	11.9% plus £73,800	-1.2% plus £78,300	11.9% plus £78,300	-1.2% plus £83,000	11.9% plus £83,000
South Shore Academy	-0.8% plus £48,800	12.3% plus £48,800	-0.8% plus £50,800	12.3% plus £50,800	-0.8% plus £52,900	12.3% plus £52,900
St Annes on Sea Town Council	0.0%	13.1%	0.0%	13.1%	0.0%	13.1%
St Christopher's C.E. (Academy)	0.6% plus £60,700	13.7% plus £60,700	0.6% plus £67,600	13.7% plus £67,600	0.6% plus £74,600	13.7% plus £74,600
St Michael's C.E. High (Academy)	5.7% plus £10,400	18.8% plus £10,400	5.7% plus £20,700	18.8% plus £20,700	5.7% plus £31,100	18.8% plus £31,100
St Wilfrid's C.E. Academy	0.7% plus £82,200	13.8% plus £82,200	0.7% plus £85,600	13.8% plus £85,600	0.7% plus £89,100	13.8% plus £89,100

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
Superclean	4.1%	17.2%	4.1%	17.2%	4.1%	17.2%
Sure Start Hyndburn	-0.7% plus £6,200	12.4% plus £6,200	-0.7% plus £13,400	12.4% plus £13,400	-0.7% plus £20,700	12.4% plus £20,700
Tarleton Academy	1.2% plus £22,800	14.3% plus £22,800	1.2% plus £26,700	14.3% plus £26,700	1.2% plus £30,700	14.3% plus £30,700
Tauheedul Free Schools Trust	-5.1%	8.0%	-5.1%	8.0%	-5.1%	8.0%
Tauheedul FST (Olive School Blackburn)	-0.7%	12.4%	-0.7%	12.4%	-0.7%	12.4%
Tauheedul FST (Olive School London)	-0.7%	12.4%	-0.7%	12.4%	-0.7%	12.4%
Tauheedul Islam Boys Free School	-6.5%	6.6%	-6.5%	6.6%	-6.5%	6.6%
Thames Primary Academy	-1.6% plus £25,000	11.5% plus £25,000	-1.6% plus £26,000	11.5% plus £26,000	-1.6% plus £27,100	11.5% plus £27,100
The Heights Free School	-0.7% plus £24,800	12.4% plus £24,800	-0.7% plus £25,800	12.4% plus £25,800	-0.7% plus £26,900	12.4% plus £26,900
The Lancashire Colleges Ltd	4.7%	17.8%	4.7%	17.8%	4.7%	17.8%
The Ormerod Home Trust Ltd	6.9% plus £19,100	20.0% plus £19,100	6.9% plus £26,400	20.0% plus £26,400	6.9% plus £33,800	20.0% plus £33,800
Twin Valley Homes Ltd	0.3% plus £157,600	13.4% plus £157,600	0.3% plus £164,100	13.4% plus £164,100	0.3% plus £170,800	13.4% plus £170,800
University of Central Lancashire	-1.0% plus £1,444,400	12.1% plus £1,444,400	-1.0% plus £1,503,600	12.1% plus £1,503,600	-1.0% plus £1,565,200	12.1% plus £1,565,200
University of Cumbria	-1.8% plus £884,000	11.3% plus £884,000	-1.8% plus £914,100	11.3% plus £914,100	-1.8% plus £945,400	11.3% plus £945,400

Employers	2014/15		2015/16		2016/17	
	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %	Individual adjustment %	Total contribution rate %
Vita Lend Lease (BSF ICT)	-0.6%	12.5%	-0.6%	12.5%	-0.6%	12.5%
Vita Lend Lease Ltd	3.3%	16.4%	3.3%	16.4%	3.3%	16.4%
Waterloo Primary Academy	0.5% plus £25,300	13.6% plus £25,300	0.5% plus £26,300	13.6% plus £26,300	0.5% plus £27,400	13.6% plus £27,400
Wensley Fold CE Primary Academy	-0.7% plus £13,500	12.4% plus £13,500	-0.7% plus £14,100	12.4% plus £14,100	-0.7% plus £14,700	12.4% plus £14,700
West Lancashire Borough Council	0.6% plus £841,100	13.7% plus £841,100	0.6% plus £980,500	13.7% plus £980,500	0.6% plus £1,121,700	13.7% plus £1,121,700
West Lancs Community Leisure	-0.7%	12.4%	-0.4%	12.7%	-0.1%	13.0%
Westcliff Primary School (Academy)	1.2% plus £8,500	14.3% plus £8,500	1.2% plus £10,000	14.3% plus £10,000	1.2% plus £11,500	14.3% plus £11,500
Whitworth Town Council	-1.3% plus £1,700	11.8% plus £1,700	-1.3% plus £2,000	11.8% plus £2,000	-1.3% plus £2,400	11.8% plus £2,400
Wyre Borough Council	0.6% plus £764,900	13.7% plus £764,900	0.6% plus £796,300	13.7% plus £796,300	0.6% plus £828,900	13.7% plus £828,900
Wyre Housing Association	5.2% plus £148,400	18.3% plus £148,400	5.2% plus £198,500	18.3% plus £198,500	5.2% plus £249,000	18.3% plus £249,000

Former Employers	Proportion of Pension Increases to be Recharged %
Blackpool & Fylde Society for the Deaf	100
Burnley & Pendle Development Association	100
Burton Manor Residential College	100
Ex Department of Transport	100
Ex National Health Service	100
Fylde Coast Development Association	100
Lancashire South East Probation Committee	100
Spastics Society	100

Notes:

1. The lump sum payments for Blackpool Fylde Wyre Society for the Blind and South Ribble Borough Council are payable in April 2014;

2. The percentages shown are percentages of pensionable pay and apply to all members, including those who are members under the 50:50 option under the LGPS from 1 April 2014;

3. The contributions for Liberata UK Ltd (Chorley) assume the contract will terminate in July 2014. If the contract is extended for any reason then the contributions given above will require revision;

4. The contributions for the Office of the Police and Crime Commissioner will need to be reallocated between that employer and the Office of the Chief Constable on its admission to the Fund. The allocation will be determined by the Office of the Police and Crime Commissioner and the Administering Authority acting on actuarial advice;

5. The total contributions payable by each employer each year will be subject to a minimum of zero;

6. In cases where an element of an existing Scheme Employer's deficit is transferred to a new employer on its inception, the Scheme Employer's deficit recovery

contributions shown in this certificate may be reallocated between the Scheme Employer and the new employer to reflect this, on advice from the actuary.

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

J. Contacts

www.yourpensionservice.org.uk

Benefits and other Administrative Issues

Pensions Helpdesk
Your Pension Service
PO Box 100
County Hall
Preston
PR1 0LD
Telephone: **0300 1236717**
E-mail: AskPensions@localpensionspartnership.org.uk

Pension Administration

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Head of Your Pension Service
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Pension Fund Accounts

Abigail Leech
Head of Fund
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E-mail: abigail.leech@lancashire.gov.uk

Investment Management

Local Pensions Partnership
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E-mail: info@localpensionspartnership.org.uk

K. Glossary

Accounting policies

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

Accrual

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

Active management

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

Actuarial strain

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

Actuarial valuation

An actuary formally reviews the assets and liabilities of the pension scheme and produces a report on the scheme's financial position.

Actuary

An independent consultant who advises the scheme and every three years formally reviews the assets and liabilities of the scheme and

produces a report on the scheme's financial position, known as the Actuarial Valuation.

Additional voluntary contributions (AVC's)

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

Administering authority

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

Admitted bodies

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

Alternative investments

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

Asset allocation

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

Assumed pensionable pay

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

Auditor

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

Auto enrolment

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

Benchmark

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

Bid price

The price a buyer pays for a stock.

Bonds

Certificate of debt, paying a fixed rate of interest, issued by companies, governments or government agencies.

Career average revalued earnings (CARE) scheme

The pension at retirement will relate to your average salary over your career (While paying into the pension scheme). More precisely, it is based on pensionable earnings, increased in line with inflation as measured by the consumer price index (CPI).

Cash and cash equivalents

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

Collateral

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

Conflicts of interest

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

Consumer Price Index (CPI)

CPI is an alternative measure of inflation also based on the change in the price of a fixed basket of goods and services. The difference between CPI and retail price index (RPI) is that CPI excludes some items used in RPI such as mortgage interest payments and council tax, and includes other items not used in RPI.

Corporate governance

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

Creditors

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

Credit strategies

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

Currency forward

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

Current assets and liabilities

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

Custody/Custodian

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

Debtors

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

Defined benefit

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

Emerging markets

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

Equities

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

ESG (environmental, social and corporate governance)

A set of standards for a company's operations that socially conscious investors use to screen investments. Environmental criteria looks at how a company performs as a steward of the natural environment. Social criteria examines how a company manages relationships with its employees, suppliers, customers and the communities where it operates. Governance deals with a company's leadership, executive pay, audits and internal controls and shareholder rights. ESG is the catch-all term

for the criteria used in what has become known as socially responsible investing. Socially responsible investing is among several related concepts and approaches that influence and, in some cases govern, how asset managers invest portfolios.

Financial instrument

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

Fixed interest securities

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

Funding level

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

Index-linked securities

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

Infrastructure

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

Investment management expenses

All expenses relating to managing the Fund's investments.

Investment strategy

Investors long-term distribution of assets among various asset classes taking into consideration, goals of the investor, attitude to risk and timescale.

Liabilities

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

LPP – Local pensions partnership

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

- A best-in-class, end-to-end pensions services organisation for public sector funds; LPP currently provide pensions administration services to 13 funds, including LGPS, fire and police schemes.
- An FCA-regulated structure for asset pooling.
- An organisation focused on managing assets and liabilities (risk) together in order to improve long-term fund performance, stabilise contributions and reduce deficits.

- A partnership which is open to other LGPS and public sector funds to join as owner shareholders or as investors only in LPP's pool.

Market value

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

Myners review

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

OTC

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

Pension Boards

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

Pension boards need to have an equal number of employer representatives and member

representatives. They may also have other types of members, such as independent experts. All pension board members have a duty to act in accordance with scheme regulations and other governing documents.

Pooled investment vehicles

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

Private equity

Shares in un-quoted companies.

Property

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

Related party

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

Socially responsible investment

Investments which take into consideration social and environmental factors, as well as financial factors.

Statement of investment principles

The SIP sets out details of the investment policy being followed by a pension scheme. Includes certain specific statements such as the kinds of investments held and the balance

between them, risk and expected returns, realisations of investments, socially responsible investments and corporate governance policy.

Stock lending

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

Transfer values

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

Triennial actuarial valuation

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

Venture capital

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



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Lancashire County Pension Fund

**Governance Policy Statement –
Updated May 2016**

Lancashire County Council as
administering authority of
Lancashire County Pension Fund



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Lancashire County Pension Fund

Governance Policy Statement (Updated as at May 2016)

Introduction

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

Purpose of the Governance Policy Statement

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

Governance of the Lancashire County Pension Fund

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

The Pension Fund Committee (Non-executive committee)

Composition and role:

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

General:

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

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

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

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

Investment:

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

Administration:

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

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

Funding:

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

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

21. To approve Scheme Funding Advice.

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

Procurement:

23. To approve the procurement process, tender award criteria and evaluation methodology in advance of any tender being invited for the appointment of external support, including:

- a. an external corporate governance adviser;
- b. an external Fund custodian;
- c. external performance measurement advisers;
- d. the Fund Actuary; and
- e. the Fund's AVC Provider.

Training:

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

Local Pensions Partnership Ltd (LPPL):

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

Incorporation or winding up of subsidiaries:

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

Merger/acquisition of any business undertaking:

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

Financial and Business:

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

Shares, shareholder loans and constitutional:

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

Control, management, directors and employees:

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

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

Contract with related parties

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

Investment Panel

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

The Panel will:

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

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

The membership of the panel comprises:

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

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

They may secure specialist advice within allocated budgets.

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

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

Matters reserved to Full Council

Administration

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

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

Local Pensions Partnership Ltd (LPPL):

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

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

Dilution on Shareholding/Issue of Shares and Share Options

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

Creation of any Holdco of LPPL

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

Change of Company status

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

Matters reserved to the Employment Committee

Local Pensions Partnership Ltd (LPPL):

Approval of LPPL's Remuneration Policy

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

Changes to Directors' Remuneration Policy

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

Proposed redundancies of any Group employees

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

Proposed re-location of any LPPL employees

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

Chief Executive

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

Pension Fund - Scheme of Delegation to Officers

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

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

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

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

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

Agreements

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

Administration

In consultation with the Director of Financial Resources:

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

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

Local Pensions Partnership Ltd (LPPL):

Guarantees and Indemnities

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

Disputes and proceedings

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

Matters reserved to S.151 Officer

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

Accounts and Records

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

Local Pensions Partnership Ltd (LPPL):

Shares, shareholder loans and constitutional:

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

Matters reserved to the Head of the Lancashire County Pension Fund

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

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

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

Local Pensions Partnership Ltd (LPPL):

To approve the following:

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

Compliance with Good Practice in Engagement and Representation

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

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

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

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

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

With Employing Authorities

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

- Scheduled bodies 93%
- Admitted Bodies 7%

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

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

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

With Employees

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

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

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

Pension Board of the Lancashire County Pension Fund

Terms of Reference and Delegated Authorities

1. Role of the Local Pension Board

The role of the Lancashire Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013, is to –

- (a) To assist Lancashire County Council as Administering Authority in its role as Scheme Manager; –
 - (i) to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS
 - (ii) to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator
 - (iii) in such other matters as the LGPS regulations may specify
- (b) To secure the effective and efficient governance and administration of the LGPS for the Lancashire County Pension Fund
- (c) To provide the Scheme Manager with such information as it requires to ensure that any member of the Pension Board or person to be appointed to the Pension Board does not have a conflict of interest.

The Pension Board will ensure it effectively and efficiently complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

The Pension Board will also help ensure that the Lancashire County Pension Fund is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of public service pension schemes issued by the Pension Regulator.

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

1. Membership and Appointment Process

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

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

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

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

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

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

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

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

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

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

2. Quorum

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

3. Conflicts of Interest

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

4. Board Review Process

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

5. Advisers to the Board

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

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

7. Knowledge and Skills

A member of the Pension Board must be conversant with –

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

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

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

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

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

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

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

8. Board Meetings – Notice Minutes and Reporting

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

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

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

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

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

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

9. Remit of the Board

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

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

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

10. Standards of Conduct

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

These principles are –

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

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

11. Decision making

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

12. Publication of Pension Board information

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

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

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

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

13. Accountability

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

14. Expense Reimbursement and Remuneration

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

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

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

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

(a) Reporting Breaches

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

(b) Definitions

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

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

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

“Scheme”

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

Review

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

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

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

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

Notes - Reasons for partial compliance

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

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

your
pension
service

LANCASHIRE COUNTY PENSION FUND

Annual Administration Report 2016



Administered by



Fund membership

Lancashire County Pension Fund	31/03/16	31/03/16
Number of active scheme members		
County council	27,106	27,405
Other employers	29,223	26,774
Total	56,329	54,179
Number of pensioners		
County council	22,414	21,765
Other employers	22,093	21,446
Total	44,507	43,211
Number of deferred pensioners		
County council	33,253	29,148
Other employers	28,377	26,665
Total	61,630	55,813
Total membership	162,466	153,203

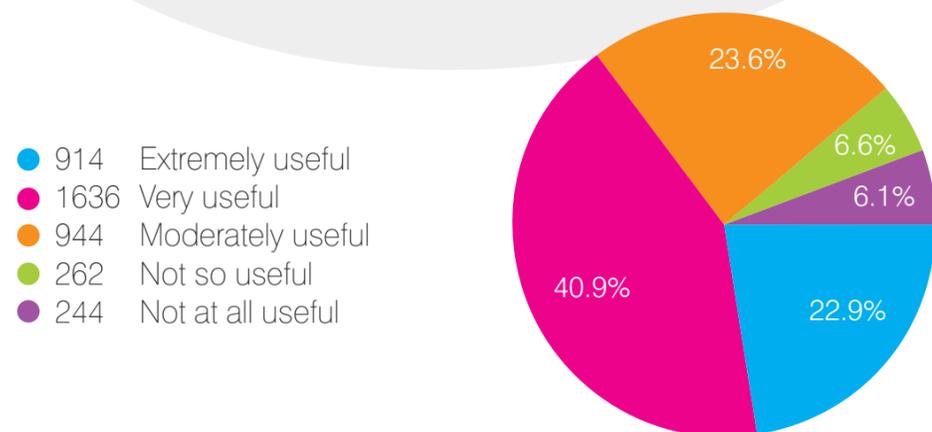
3. Customer Service

During July 2015 Your Pension Service was re-accredited with the Governments Customer Service Excellence Award. This award focuses on developing customer insight, understanding scheme members' experience and delivering a first class service. The Service has held this award since 2008. This section reports the ongoing work being undertaken to develop further customer insight, to better understand the customers experience and to consider improvements in service provision.

My Pension Online Survey

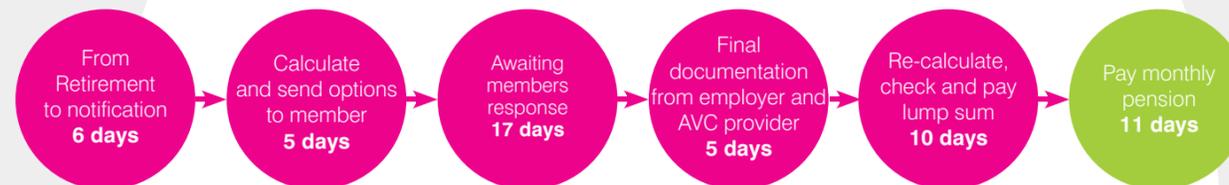
Members who are signed up to the online service were surveyed and below are the most recent results. The results are used to consider improvements to the user experience.

If you are registered for the "My Pensions Online" system how useful do you find this?



Retirement Experience

The average time spent to complete each part of the retirement process has been analysed. A guide to the retirement process has been produced to aid the members understanding. (See annex A)



(average 54 days) Work is underway to streamline the retirement process.

Compliments/Complaints

During the period the service received 17 compliments that related to the excellent online services and the helpful service provided by the staff within Your Pension Service.

There were 10 complaints received with the majority of them relating to the late payment of pension.

Complaints in this context are complaints received by the Chief Executives/Leaders Office as well as complaints received directly to YPS.

Telephone helpdesk

A dedicated helpdesk, AskPensions provides the first point of contact for members and employers. The helpdesk has a target to answer 90% of calls offered. Between 1 April 2015 and 31 March 2016, 60,444 calls were offered and 96% of them were answered. The average wait time was 40 seconds.

99.5% of the 28,800 emails received were answered, with 157 emails outstanding as at 31 March 2016.

4. Appeals

Members who disagree with decisions taken by their employer or administering authority may appeal using the Internal Dispute Resolution Procedure (IDRP) under the LGPS rules. The IDRP is a formal appeal procedure which contains two stages. The first stage allows the person to ask the body who originally made the decision to review it, i.e. either the employer or the administering

authority. The second stage allows the person, if they are not satisfied with the outcome at the first stage, to ask the Appeals Officer at the administering authority to review the disagreement.

Current appeals relate to ill health, and are currently being dealt with under stage 1 of the appeals process.

Period 01/04/2015 - 31/03/2016



5. Admissions

The Local Government Pension Scheme is open to 2 main types of employers, "Scheduled Bodies and Admissions Bodies". Scheduled Bodies are listed within the LGPS regulations and if they meet criteria are eligible to participate. During the period 38 employers applied to join the scheme (2 parish councils, 15 academies and 21 contractors).

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

Admissions to fund – 01/04/2015 – 31/03/2016



6. Communications

The Team

Communications are delivered by the Partnerships Team. The team consists of a Manager and three Client Liaison Officers. They are the link between Your Pension Service scheme members and employers. The Team have been very busy lately hosting a wide range of events and services for both employers and scheme members alike.

Employers

The second edition of the employer e-zine was issued to all employers, this included articles on the 2016 Valuation, fund discretions, the redundancy cost cap and upcoming events. The Partnerships Team completed the Annual Visits to over 30 employers, these are provided automatically to all employers who have at least 100 active members and are a very popular method of communication. The visits provide the opportunity to build and maintain excellent working relationships with scheme employers.

Employees/Scheme Members

During the period member communications have been around the annual benefit statements and the Scheme Talk newsletter. The communications included details on booking an appointment at one of the many pension surgeries held throughout the County.

As well as the routine presentations that are carried out which include attending pre-retirement courses and ad-hoc 'Scheme Basics' presentations, particularly at schools across the County, who find it difficult to get time away from work to attend main events, The Partnerships Team have continued to deliver roadshow presentations for active Members across the county, highlighting the flexibility of the LGPS. A series of presentations were delivered to coincide with the new rules

surrounding contracting out and proved very popular with members.

With many organisations going through restructures, The Partnerships Team have produced the tailored presentations at the request of scheme employers to support staff and provide information on how pension benefits may be effected.

The first annual Fund Members Meeting was held at the Guildhall in Preston on 11 November with over 250 members in attendance and proved a great success. The agenda included delivery of the Fund Annual Report, investments, the Local Pension Board and the Local Pensions Partnership.

The annual practitioner conference for fund employers was held at Woodlands on 12 October with over 100 delegates in attendance.

The day included a presentation from Pensionwise and an update on the new regulations.

Coming up

As this year is the triannual valuation the fund is planning a series of engagement sessions to communicate with the employers. The annual Directors Brief is also planned to be held at County Hall in December. This meeting is the annual update to Chief Executives and Chief Finance Officers from the Director of Administration and the Head of the Pension Fund. There will also be presentations on investments, administration and an update from the Fund Actuary.

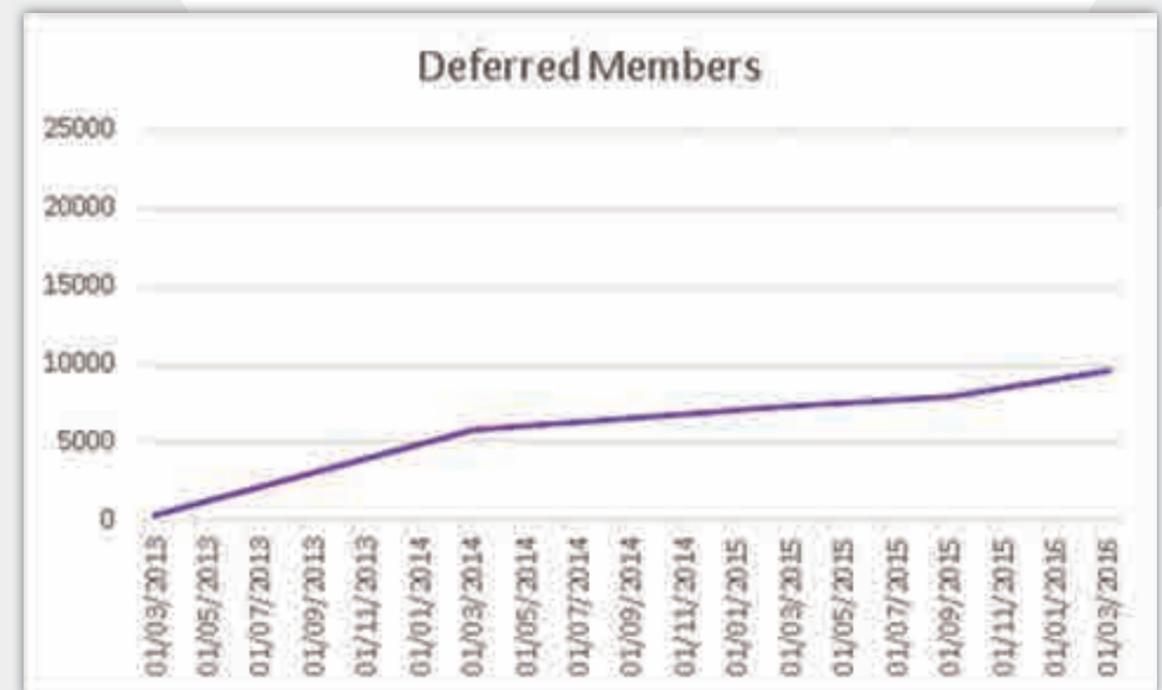
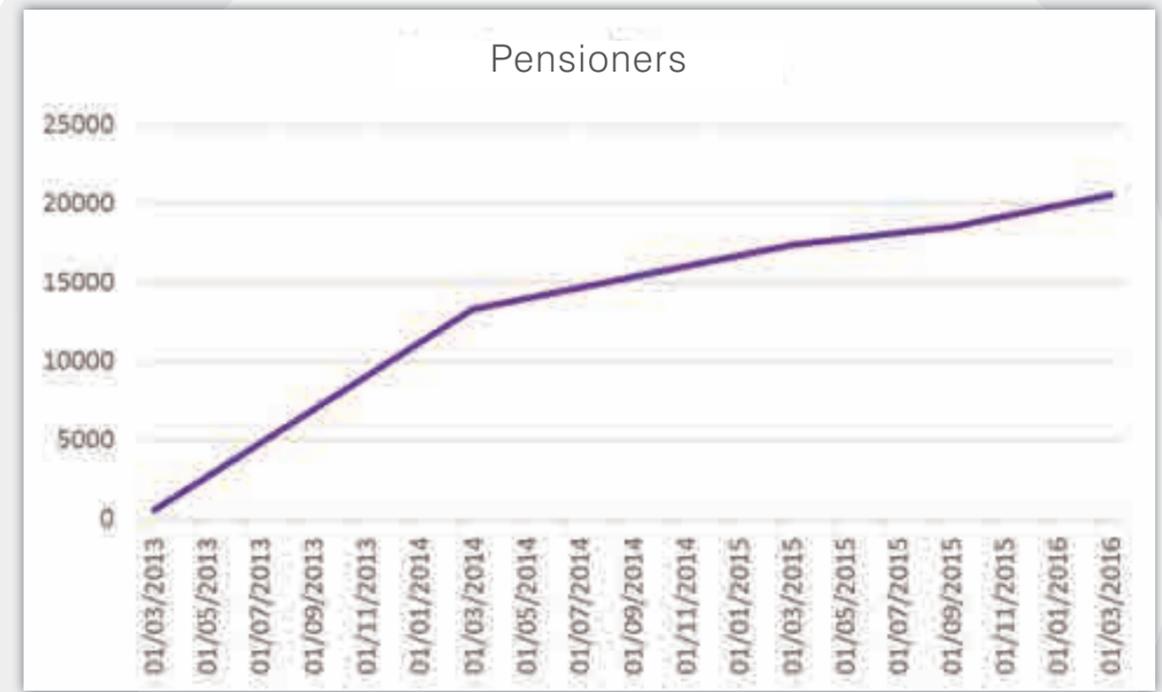
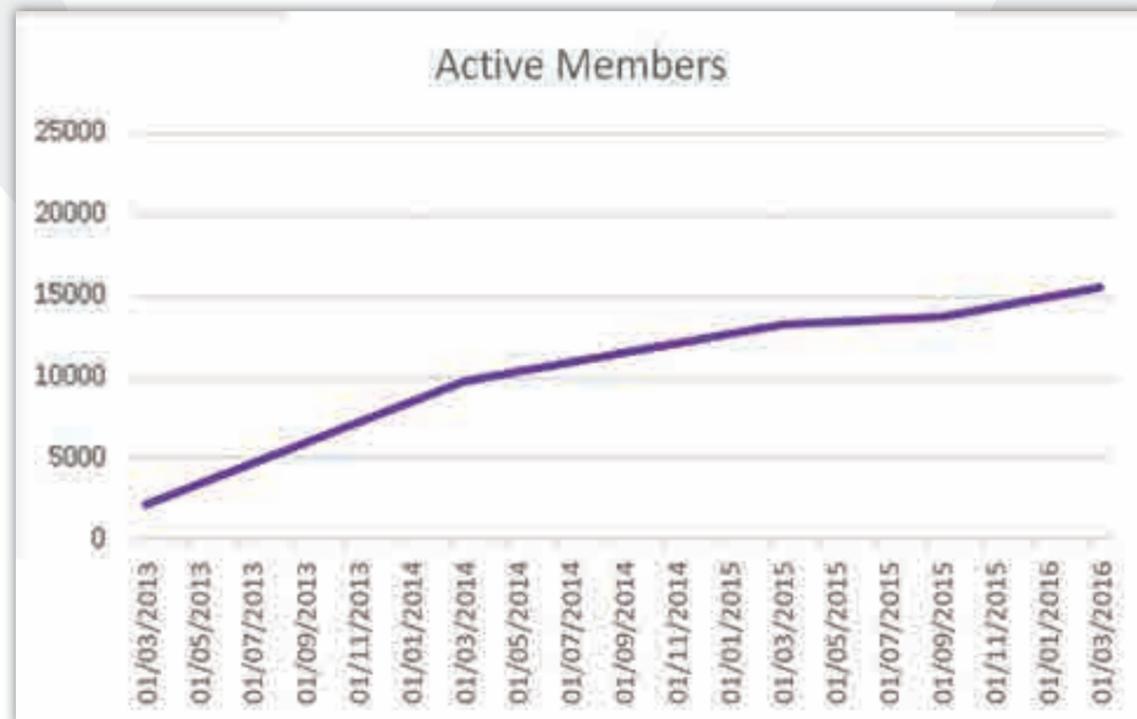


My Pension Online (MPO)

My Pension Online is an online facility that was developed in 2012 and launched comprehensively throughout 2013. Through 'My Pension Online' members can view their details and also securely update any changes in contact details. As well as this members can run various pension estimates assisting with planning for retirement. Members can also view their annual benefit statement via My Pension Online. Other benefits of the system include: allowing members to view their nominated beneficiaries; access to a host of forms and guides and also means that Your Pension Service can communicate with registered members via email. Currently over 45,000 members are registered online.

At every opportunity The Partnerships Team promote 'My Pension Online' always encouraging members to get signed up online, also including the benefits of 'My Pension Online' in all presentations. Throughout the period the team continued to deliver "drop in sessions" where members can sign up and be shown how to navigate the service and these have been held throughout the county.

Below is a summary of how membership of 'My Pension Online' has grown since 01/03/2013.



7. Legislative changes

The 2015/16 year has been another year of significant change in the world of pensions law. The following are some of the changes that had an impact on the Scheme that came into force during the year:

- At the 2014 Budget, the Chancellor announced huge changes allowing people with defined contribution pension savings greater freedom and choice as to how and when they may access those savings. The changes, in the main, took effect from April 2015. The LGPS gives 'defined benefit' savings rather than 'defined contribution' savings' so the changes did not directly impact on our members. However, the changes had a number of indirect impacts. To give one example, generally speaking, a member must now receive financial advice before they can transfer out their LGPS benefits to a defined contribution scheme.
- The Hutton Report in March 2011 made a number of recommendations as to how public sector pension schemes should be reformed to which government agreed. In response, the new LGPS CARE scheme was introduced in April 2014. Further changes were introduced in April 2015, as part of which a local pension board for each fund was set up and the Pensions Regulator began its new role of overseeing public sector schemes.
- During the first few months of operating the new CARE scheme rules, LGPS funds had found that various parts were not working well in practise or needed further clarification. To address these issues, Government made The Local Government Pension Scheme (Amendment) Regulations 2015. The changes came into force on 11 April 2015, but in the main had effect back to April 2014.
- Government announced further changes to pension tax relief. In particular, they have reduced the Lifetime Allowance from £1.25 million to £1 million and the Annual Allowance for high earners. Though these changes came into force in April 2016, there were some transitional changes to the Annual Allowance rules impacting on the 2015/16 year.

8. Charges

Your Pension Service makes a charge to the Pension Fund on a per member basis which falls within to the lower quartile as reported in national benchmarking returns. For 2015/16

this charge was set at £21.08 per member as against a benchmark of £22.



Lancashire County Pension Fund

**Local Government Pension Scheme
Communication Policy Statement**

1 April 2014

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



Local Government Pension Scheme

Communication Policy Statement

Introduction

This is the Communication Policy Statement of Lancashire County Pension Fund which is administered by Lancashire County Council; the administering authority. All Local Government Pension Scheme (LGPS) administering authorities in England and Wales are required to prepare maintain and publish a written statement setting out their policy concerning communications with: -

- **Members;**
- **Representatives of members;**
- **Prospective members; and**
- **Scheme Employers**

In particular, the statement must set out their policy on: -

- ***The provision of information and publicity about the Scheme to members, representatives of members and Scheme Employers;***
- ***The format, frequency and method of distributing such information or publicity; and***
- ***The promotion of the Scheme to prospective members and their employers.***

Policy

Lancashire County Pension Fund recognises the government's objective to help people save for their retirement and will aim to: -

- ***Actively encourage the provision of good pension information and the promotion of pensions in the workplace.***
- ***Increase transparency and build trust, confidence and engagement in pension saving as the norm.***

To achieve its aim the administering authority will undertake to: -

- ***Provide clear, accurate and timely communication about the Local Government Pension Scheme to all stakeholders.****
- ***Actively promote the Scheme to prospective members and their employers.***
- ***Take a multimedia approach in recognition that different styles and methods of communication suit different stakeholders***
- ***Use and encourage the use of electronic/online communication and information sharing.***
- ***Support Scheme employers, providing publicity and information toolkits, to enable employers to fulfil their responsibility to communicate and share information with members in relation to the Scheme.***
- ***Treat information security with the upmost importance.***

Communication Policy Statement

Communication Programme

The Fund will regularly review the format, frequency and method of communication. The following programme is currently in use.

Information	Stakeholder*	Format	Frequency	Method of distribution
Actuarial Valuation	All Stakeholders	Presentation, formal report,	Triennial with annual updates	Email, mail, website and face to face briefings.
Fund Policy and Statements	All Stakeholders	website	As amended	Mail/email
Annual Benefit Statements	Members	Online self service	Annual	Online/email alert
Customer Satisfaction Survey	All Stakeholders	Website	Ongoing	Click question
Member Guides	Members	website	On or before employment. On request	Via employer HR/payroll departments Mail/intranet
Employer Updates	Employer	Website, online	As required	email/internet
Pensioner payslips/P60's	Member	Online self service, paper	Annually	email/mail
Employer Guide	Employer	Website,	As amended	email /internet
Employer Training	Employer	Presentation Webcast	On request in line with SLA	Face to face – In house Employer locations. Website
Factsheets	All members	Paper/website	On request / as required	Mail/email/ internet

Communication Policy Statement

Individual member information	All Stakeholders	Paper, Online self service	As required	Mail, email
Employer information pack	Employer	Paper/website	On Admission	Face to Face
Newsletters	Members	Paper/website	Annual	Online
Scheme change and legislative change	All Stakeholder	Presentation/webcast Website	As required and on request	Face to face/internet
Fund Report and Accounts	All Stakeholders	Paper/website	Annually	Mail/email/ internet
Service Level Standards	All Stakeholders	website	As amended	Internet /intranet
Query	All Stakeholders	Telephone/email/online	Mon – Fri	Telephone/email/ Online

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

Scheme Regulations and Overriding Legislation

Lancashire County Pension Fund undertakes to comply with Local Government Pension Scheme Regulations and the relevant Overriding Legislation; In particular, the Fund undertakes to comply with the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 [2013/2734]. A full list of Scheme and related legislation is set out below: -

Local Government Pension Scheme Regulations 2013 [2013/2356]

Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 [2014/]

Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 [2013/2734]

And the following Acts (including relevant secondary legislation made under each Act not mentioned above)

Communication Policy Statement

Finance Act 2004 [c.12]

Pension Schemes Act 1993 [c.48]

Pensions Act 1995 [c.26]

Pensions Act 2008 [c.30]

Public Service Pensions Act 2013 [c.25]

Welfare Reform and Pensions Act 1999 [c.30]

Pensions (Increase) Act 1971 [c.56]

Date Protection Act 1998 [c.29]

Review

This statement will be reviewed where there is any material change to the Funds policy in respect of communication.

Lancashire County Pension Fund

Pension Administration
Strategy Statement
2014

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



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Your Pension Service Undertakings	5 – 13
Scheme Employer Undertakings	14 – 21
Annex A – Regulation 59	22 – 23

Acknowledgement & Review

This statement will be reviewed by Your Pension Service on an annual basis.

Signed and dated

Diane Lister

Date

Head of Your Pension Service

Employer Acknowledgement

Signed and dated

Signature of Fund Employer

Date

_____ Employer

_____ Name

_____ Designation

Background

Lancashire County Council as 'Administering Authority' is required by law to administer the Local Government Pension Scheme in Lancashire.

The Council delegates its functions in respect of Scheme to its Pension Fund Committee who further delegates the administration of the Scheme to Your Pension Service under the terms of a Service Level Agreement.

Purpose

Regulation 59 of the Local Government Pension Scheme Regulations 2013 allows for the Administering Authority to prepare and publish, following consultation with Fund Employers, a 'Pension Administration Strategy' to facilitate best practices and efficient customer service in respect of the following:-

- Procedures for liaison and communication with Scheme employers;
- The establishment of performance levels which the administering authority and fund employers are expected to achieve;
- Procedures to ensure compliance with statutory requirements in connection with the administration of the LGPS;
- Procedures for improving the methods of passing information between the administering authority and fund employers;
- The circumstances when the administering authority may consider recovering additional costs that have been incurred due to the unsatisfactory performance of a Scheme employer;
- Any other matters that the administering authority consider suitable for inclusion in the 'Pension Administration Strategy.'

Regulation 59 is set out fully at Annex A.

Compliance

The undertakings set out within this Pension Administration Strategy will be reviewed annually. Scheme employers will be consulted on any changes to the Strategy. In no circumstance does this Strategy override the contents of the Service Level Agreement with Lancashire County Pension Fund nor does it override any provision or requirement of the Regulations set out at Section 1.6, nor is it intended to replace the more extensive commentary provided by the Employers Guide to the day to day procedures of the LGPS.

1. Your Pension Service' Undertakings

1.1. Liaison and Communication

a) Your Pension Service has a dedicated Partnerships Team who will act as primary contact for employers in respect of all areas of pension administration. The Team are responsible for all aspects of communication and employer liaison.

The Service will:

b) Ensure that Employer Forums and Conferences are held on a regular basis and actively seek to promote the Local Government Pension Scheme via attendance at the following events, in conjunction with the employer:

- Pre Retirement courses
- New Starters Induction courses
- Benefit Statement and AVC surgeries

Attendance by Your Pension Service will be subject to a maximum of 10 working days in any financial year. Attendance in excess of 10 working days will be provided at a daily rate to be determined on request.

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

d) Provide Scheme information: Annual newsletters will be made available to members and potential members of the scheme.

e) Provide employer training in the following areas (as appropriate):

- Pension basics and general employer administration functions
- Changes to the regulations
- New technological developments
- Navigation of systems

f) Develop, promote and encourage electronic/online communication.

g) Carry out annual employer visits for employers with more than 100 employees.

1.2. Performance Levels

A Service Level Agreement is in place for the provision of a range of pension administration services.

The minimum performance targets set are shown below. Performance against these targets is reported to the Pension Fund Committee. The Annual Administration Report as reported to the Pension Fund Committee is available in the Employers area of the Your Pension Service website.

www.yourpensionservice.org.uk

1.2.1. Pensioner Members

<u>Performance Standard</u>	<u>Minimum Target</u>
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. | 90% |
| g) Calls to the Pensions Helpdesk answered. | 90% |
| h) Undertake annual reviews to establish continuing entitlements to pension for all children over age 17. | 100% |

1.2.2 Active & Deferred Members

<u>Performance Standard</u>	<u>Minimum Targets</u>
a) Amend personal records within 10 working days of receipt of required documentation.	90%
b) Providing an annual statement of benefit entitlement to all active and deferred members.	100%
c) Calculation of additional membership for transfer values within 10 working days of receipt of transfer details.	90%
d) Action agreed transfer values within 10 working days of receipt of acceptance.	90%

- | | |
|--|------|
| 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 Your Pension Service. 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

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

- a)** Collect and reconcile employer and employee contributions (plus interest as appropriate).
- b)** Maintain and update members' records regarding additional contributions.
- c)** Calculate service credits, additional pensions or maximum cash on retirement where appropriate based on fund values received from the Additional Voluntary Contribution (AVC) providers.
- d)** Maintain and keep up to date additional contracts for members' contributions and provide information to employers on request on members' contributions regarding breaks in service / maternity/paternity/adoption and leave of absence.
- e)** Account to Her Majesty's Revenue and Customs in respect of income tax on pensions, refunds of AVCs and commutation of pensions where appropriate.
- f)** Send quarterly and annual event reports to HRMC in respect of lifetime and annual allowance reporting requirements.

1.3.2. Year End Information

- a)** Your Pension Service will process pensioner payroll year end routines and comply with HRMC PAYE legislation
- b)** Your Pension Service will update its systems and member records each year
- c)** At each Actuarial Valuation period, Your Pension Service will forward the required data in respect of each member and provide statistical information on member movements over the valuation period in order that the Fund Actuaries can determine the assets and liabilities of the Fund.
- d)** Your Pension Service will communicate the results of each Actuarial Valuation to Fund Employers within 12 months of the end of the relevant Valuation period.

1.3.3. Processing

Your Pension Service will ensure the following functions are carried out:

a) Data Collection File

Reconcile contributions and update scheme member personal and financial data received from employers in the LGPS2014 Data Collection File every pay period.

b) New Starters / Disclosure of Information

Create member records for all new starters admitted to the LGPS. Send a welcome letter to all members, by email if possible.

c) Adjustments of Career Average Pay

Apply any retrospective adjustments to career average pay and accrual rates as informed by employers.

d) Change in circumstances

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

e) Absence

Update member records in line with absence notifications, and set up APC arrangements to cover lost absence as appropriate.

f) Benefit Estimates & Annual Benefit Statements

Provide every active, deferred and pension credit member a benefit statement each year.

g) Early Leavers

Process early leavers (deferred benefits / refunds) within 15 working days of the receipt of form YPS Employer – Leaver form. Pensions Increase Order will be applied to all deferred benefits each year in line with the annual Pensions Increase (Review) Order.

h) Payment of Benefits where employment is continuing

Arrange payment of retirement benefits and create a new record for ongoing pension scheme membership if applicable.

i) Retirements

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

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

Make payment of compensatory added years pensions as agreed on behalf of the employer in connection with redundancy retirements and recover these amounts via direct debit collection on the date payment is made to the former employee or by an annual payment in advance as agreed with Your Pension Service. Statements will be provided annually to the relevant employer.

Produce and distribute P60s to pensioners by the 31 May each year.

Apply Pensions Increases to pensions on the due date.

Implement changes in pensioner's circumstances by payment due date in the month of the receipt of the information.

j) Death in Service

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

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

Make payments to the member's estate / nomination within one month of receipt of the required documentation.

Produce and distribute P60s to pensioners by the 31st May each year.

Apply Pensions Increases to pensions on the due date.

Implement changes in spouse / dependants circumstances.

1.4. Online Communication and Information Sharing

1.4.1 Electronic/online systems

YPS will develop and actively promote the use of electronic/online facilities for data sharing and communication purposes between employers, scheme members and the Service.

1.4.2 Self Service

Your Pension Service will develop and actively promote the use of member and employer online self service systems and provide day to day access and query support.

1.5. Circumstances for recovery of Additional Costs

See section 2.5 Employer Undertakings.

1.6. Other Matters

1.6.1. Decisions

Your Pension Service will ensure that members are notified of any decisions made under the scheme regulations in relation to their benefits within 10 working days of the decision being made and will ensure the member is informed of their right of appeal.

1.6.2. Policies (Administering Authority Discretions)

Your Pension Service will ensure the appropriate policies are formulated, reviewed and publicised in accordance with the scheme regulations

1.6.3. The Regulations

Your Pension Service will comply with the principal regulations (as amended from time to time) relevant to this Pension Administration Strategy Statement as shown:

- Local Government Pension Scheme Regulations 2013 [2013/2356]
- Local Government Pension Scheme (Transitional Provisions and Savings) Regulations 2014 [2014/]
- Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 [2013/2734]

And the following Acts (including relevant secondary legislation made under each Act not mentioned above)

- Finance Act 2004 [c.12]
- Pension Schemes Act 1993 [c.48]
- Pensions Act 1995 [c.26]
- Pensions Act 2008 [c.30]
- Public Service Pensions Act 2013 [c.25]
- Welfare Reform and Pensions Act 1999 [c.30]
- Pensions (Increase) Act 1971 [c.56]
- Date Protection Act 1998 [c.29]
- Freedom of Information Act 2000 [c.36]

2. Employer Undertakings

2.1. Liaison and Communication

- a) The employer shall nominate a person / persons who will act as the primary contact(s) for general administration, HR & payroll, financial and regulatory/discretionary issues with Your Pension Service.
- b) The employer will facilitate an annual visit by Your Pension Service with the appropriate primary contact.
- c) The employer shall nominate an authorised signatory/signatories in respect of all documents and instructions received by Your Pension Service
- d) The employer shall ensure representation at Employer Forums and Practitioner Conferences as specified in Section 1.1.
- e) The employer shall undertake to ensure that all personnel dealing with the Local Government Pension Scheme as part of their day to day role undergo appropriate training as noted in Section 1.1.
- f) Where an employer contracts a third party HR or payroll provider the employer must authorise Your Pension Service if they wish YPS to deal directly with the payroll provider in matters of pensions administration.

2.2. Performance Levels

Performance achieved by the Employer in relation to the following will be monitored by Your Pension Service: - .

- Payment of contributions collected, completion and submission of YPS Employer - Contributions Payment form;
- Payment of AVCs to Prudential;
- Submission of YPS LGPS 2014 Payroll Data Collection File every pay period
- Notification of leavers

An annual statement of employer performance will be produced by Your Pension Service.

2.3. Administration of the LGPS and Compliance

2.3.1. Contributions

The employer will ensure that both employee and employer contributions are deducted at the correct rate (plus any additional contributions as Your Pension Service may request the employer to collect). The employer must record the scheme section (50/50 or Main) in accordance with any election made by the scheme member, and deduct contributions as appropriate. The employer must maintain a policy to review employee tiered contribution rates, and notify Your Pension Service of any changes (see 2.3.3c).

All contributions, but not Prudential or Equitable Life AVC's, must be paid to the Lancashire County Pension Fund on a monthly basis and in any case ***before the 19th of the month following that in which they were deducted.*** Non-compliance may result in a fine on the employer.

Form 'YPS Employer – Contributions Payment' must be completed and returned each month to pensionsfinance@lancashire.gov.uk by 6th of the calendar month following the month in which the contributions were deducted. The amounts specified on the form will then be recovered by direct debit on 19th of that month (or the banking day before if 19th is a non-banking day).

Where the 'YPS Employer – Contributions Payment' form is not received in time the direct debit will be recovered based on the previous month's payment and an adjustment made in the following month. Interest may be charged on any shortfall.

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

2.3.2 Pension Strain

Each quarter YPS will issue an invoice to the employer reflecting the cost of any non-ill health early retirements processed in the previous quarter. The employer must pay the amount within one month of the date of the invoice.

2.3.3 Rechargeable Pensions

Where amounts of discretionary pension are paid by YPS on the employer's behalf, the monthly amounts will be recharged to the employer and will be recovered by direct debit on 28th of the month following the month of payment (or the next banking day if 28th is a non-banking day).

This also applies in respect of other rechargeable pension e.g. where the employer has liability to pay for pre 1.4.1974 pensions increase payments and other unfunded pensions.

2.3.4. Year End Information

The employer will provide information requested by YPS at year end by no later than 31 May.

2.3.3 Processing

a) Data Collection file

Employers must submit the YPS LGPS2014 Payroll Data Collection file promptly at the end of every pay period. Data on this file must reconcile to contributions paid over each month, and must contain accurate figures of pensionable pay, including assumed pensionable pay where appropriate, for YPS to post to individual member records. Files should be at the latest submitted by 6th of the month following pay period end.

b) New Starters / Disclosure of Information

At the latest, on the first day of employment, the employer will provide all new starters with LGPS information and request that the employee completes a YPS Member – Enrolment Form.

The employer will notify the member of their formal admittance to the scheme, and the contribution rate they will pay.

If the employee opts out of the LGPS with less than three months active membership, the employer must refund contributions through payroll. The employer must not encourage employees not to join, or to opt out of the scheme.

The employer must continue to monitor the workforce in line with Automatic enrolment legislation, and re-enrol eligible employees to the LGPS at their re-enrolment date.

Employers must submit the YPS LGPS2014 Payroll Data Collection file promptly every pay period, from which YPS will arrange for scheme membership for any new starters.

c) Adjustments of Career average pay

Employers must submit form YPS Employer – Pension Pot Adjustments in the following circumstances

- Where a retrospective change is made to the scheme section and the scheme section was reported incorrectly in a previous pay period;
- Where a member is brought into the scheme retrospectively and arrears of contributions are recovered;
- Where a leaver is overpaid, and pensionable pay has been reported incorrectly in a previous pay period.

d) Changes in circumstance

Employers must submit the YPS LGPS2014 Payroll Data Collection file promptly every pay period, from which YPS will arrange for the update of scheme member records in the following circumstances -

- Change of hours / weeks;
- Change of name;
- Change of marital status;
- Change of contract;
- Change of tiered contribution rate;
- Change of title;
- Change of address.

e) Absence

Employers must submit the YPS LGPS2014 Payroll Data Collection file promptly every pay period, which will provide YPS with information regarding employees who are absent, including assumed pensionable pay where relevant. On return from the following absences, the member will have suffered a loss of pension benefits, and the employer must write to the member with information on how to buy back these benefits through payment of an Additional Pension Contribution (APC).

- Additional Maternity, Paternity or Adoption Leave on no pay
- Unpaid Leave of absence
- Strike

If the member elects to pay APCs to buy lost pension within 30 days of returning from unpaid leave, the employer must fund 2/3rds of the cost. The exception to this is strike where the employee must pay the full cost.

The employer must submit form YPS Employer – Return from Absence within 10 days of return from unpaid leave.

f) Benefit Estimates & Annual Benefit Statements

Employers must submit the YPS LGPS2014 Payroll Data Collection file promptly every pay period. Where YPS have queries on the data or status of any member these must be dealt with by the employer within 5 working days, so that YPS data is always correct and up to date ready for benefit estimate requests.

Where a scheme member requests a benefit estimate for voluntary retirement, they should be directed by the employer to My Pension Online in the first instance. Once registered, the member can process their own estimate, or view their most recent benefit statement.

Employers are also required to use Altair Employer Services to run ad hoc benefit estimates when requested by their scheme members.

If the member requests a more complex estimate, or is retiring within the next 12 months, then the employer can request the estimate from YPS by completing the eform YPS Employer – Estimate request. Or the member can request this themselves

Where a scheme member or employer requires an early retirement estimate which requires the employer's consent there is likely to be a cost to the employer. Therefore the estimate request must be made by the employer, through completion of eform YPS Employer – Estimate request.

g) Early Leavers

The employer will send completed form YPS Employer – Leaver Form to Your Pension Service when an employee leaves employment (or 'opts out' of the scheme) with no entitlement to immediate payment of retirement benefits. The employer will send the form as soon as reasonably practicable and no later than 10 working days of the final payment of salary following termination from the scheme membership.

h) Payment of benefits where employment is continuing

The employer will send YPS Employer – Confirmation of Flexible Retirement form to Your Pension Service as soon as the flexible retirement has been approved.

Completed YPS Employer – Leaver form and YPS Member – Personal Details form will also be forwarded to Your Pension Service together with all supporting documentation, as soon as reasonably practicable and no more than 5 working days of the final payment of salary following the date of termination.

If the member elects to rejoin the Pension Scheme, the employer will set up a new employment record with a new pay reference number to enable separate reporting of pension cumulative and membership from the retired post.

i) Retirements

Employers must always request an estimate of retirement benefits where they are considering allowing a scheme member to retire with early payment of pension (e.g. redundancy and employer consent retirements). There is likely to be a cost to the employer which should be considered before allowing the retirement. This does not apply to ill health retirements.

The employer will send a YPS Employer – Intention to Retire form to Your Pension Service as soon as it is known that an employee is leaving with an entitlement to immediate payment of pension benefits or is aged 60 or over.

Completed YPS Employer – Leaver forms and YPS Member – Personal Details forms will also be forwarded to Your Pension Service together with all supporting

documentation, as soon as reasonably practicable and no more than 5 working days of the final payment of salary following the date of leaving.

Where an employer determines that preserved pension benefits are to be paid early, notification, including the date that benefits are to be brought into payment, will be provided to Your Pension Service within 5 working days following the date of the decision together with all supporting documentation.

Likewise, the employer should notify the member within 5 working days following the date of the decision, if their application has been refused.

j) Death-in-service

The employer will send a completed YPS Employer – Leaver form to Your Pension Service following the death of a member within 5 working days of being informed of the employees' death. The YPS Employer – Leaver form must provide details of informant and next of kin, if known.

2.4 Online Communication and Information Sharing

2.4.1. Data Sharing

Your Pension Service undertakes to develop alternative methods of data capture to automate processes and ensure that scheme member data held is accurate and up to date. The employer will commit to the online/electronic requirements of Your Pension Service.

2.4.2. Self service

Your Pension Service undertakes to develop member and employer self service system functionality to improve customer service and provide instant access to pension information. The employer will commit to the use of the self service system.

2.4.3. e- forms

Your Pension Service undertakes to develop alternative methods of data capture to automate processes and ensure that scheme member data held is accurate and up to date, including the development of e-forms. The employer will commit to the online/electronic requirements of Your Pension Service, including the requirement to use e-forms.

2.4.2. Access

The Employing Authority can authorise that specified employees are granted access to all scheme member records for that employer using Altair Employer Services. The employer must be satisfied that the individuals that are authorised have received appropriate information security training, and that system access is used for pension administration purposes only. The employer must observe its obligations under the Data Protection Act 1998 (or any legislation which amends or replaces this Act) arising in connection with use of the account and must not do anything which might imply a breach by Your Pension Service of such Act. The employer shall comply with obligations equivalent to those imposed on a data controller by the seventh principle of the Data Protection Act.

2.5 Circumstances for recovery of Additional Costs

2.5.1. Underperformance

Where the Administering Authority considers that the Employer has underperformed against the performance levels set out at section 2.2 of this statement, the Administering Authority will seek to recover additional costs under regulation 70 of the Local Government Pension Scheme Regulations 2013.

2.5.2. Late Payment

In addition the Authority will seek to recover interest on late payment of contributions under the terms of regulation 71 of the Local Government Pension Scheme Regulations 2013 calculated at 1% above base rate on a day to day basis from the due date to the date of payment and compounded with 3 monthly rests.

2.6 Other Matters

2.6.1. Employer Decisions

Any decision made by the employer under the scheme regulations should be notified to the member within 10 working days of the decision being made and must be accompanied by a statement in respect of their right of appeal.

2.6.2. Policies (Employer Discretions)

The employer will ensure that policies are formulated, kept under review and publicised in accordance with the scheme regulations.

Annex A – Regulation 59 Local Government Pension Scheme Regulations 2013

Pension administration strategy

Regulation 59

(1) An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.

(2) The matters are—

(a) procedures for liaison and communication with Scheme employers in relation to which it is the administering authority ("its Scheme employers");

(b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by—

(i) the setting of performance targets,

(ii) the making of agreements about levels of performance and associated matters,
or

(iii) such other means as the administering authority considers appropriate;

(c) procedures which aim to secure that the administering authority and its Scheme employers comply with statutory requirements in respect of those functions and with any agreement about levels of performance;

(d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

(e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

(f) the publication by the administering authority of annual reports dealing with—

(i) the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and

(ii) such other matters arising from its pension administration strategy as it considers appropriate; and

(g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

(3) An administering authority must—

(a) keep its pension administration strategy under review; and

(b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.

(4) In preparing or reviewing and making revisions to its pension administration strategy, an administering authority must consult its Scheme employers and such other persons as it considers appropriate.

(5) An administering authority must publish—

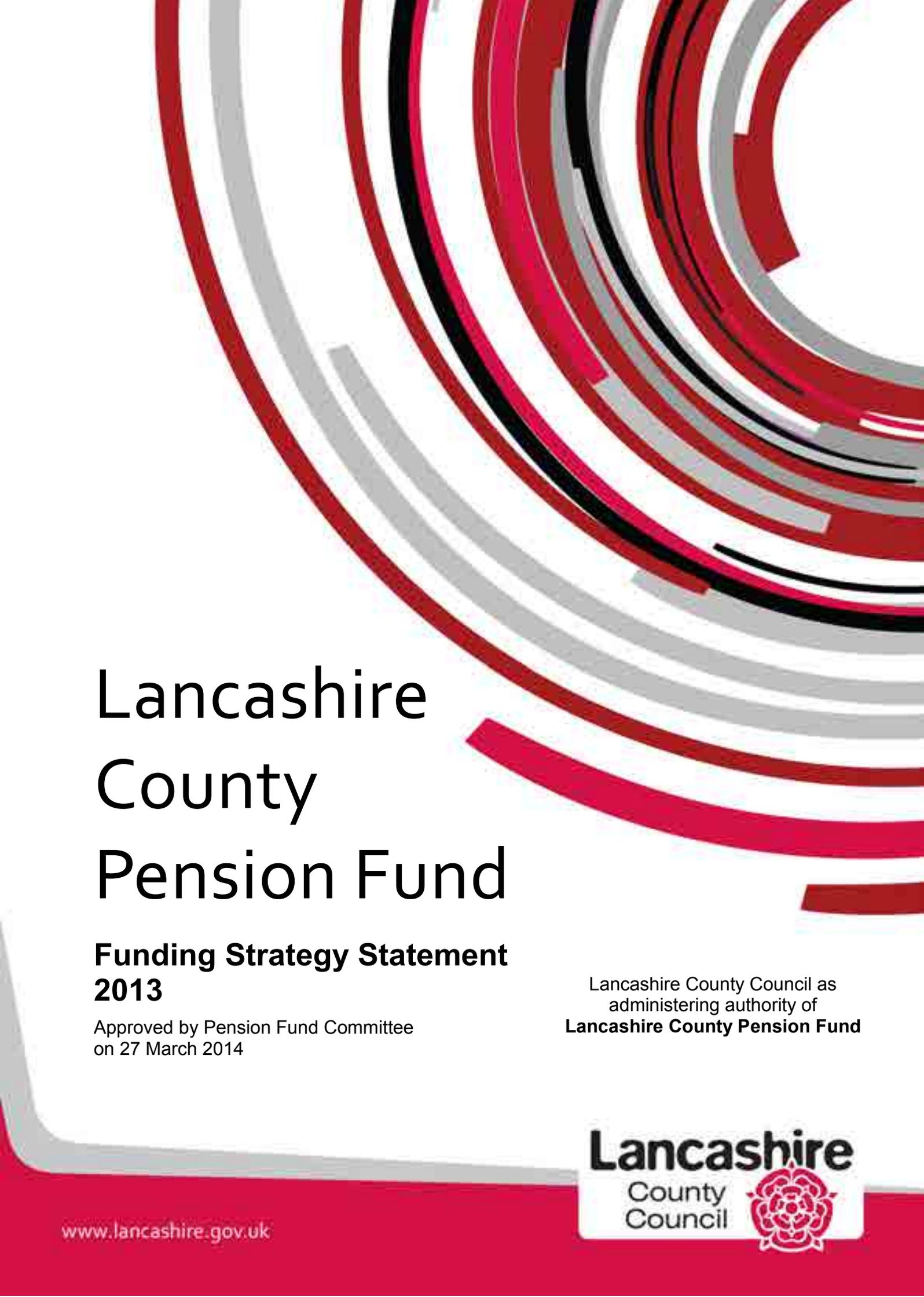
(a) its pension administration strategy; and

(b) where revisions are made to it, the strategy as revised.

(6) Where an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its Scheme employers and to the Secretary of State as soon as is reasonably practicable.

(7) An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.

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



Lancashire County Pension Fund

Funding Strategy Statement 2013

Approved by Pension Fund Committee
on 27 March 2014

Lancashire County Council as
administering authority of
Lancashire County Pension Fund

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Lancashire County Pension Fund

Funding Strategy Statement (FSS)

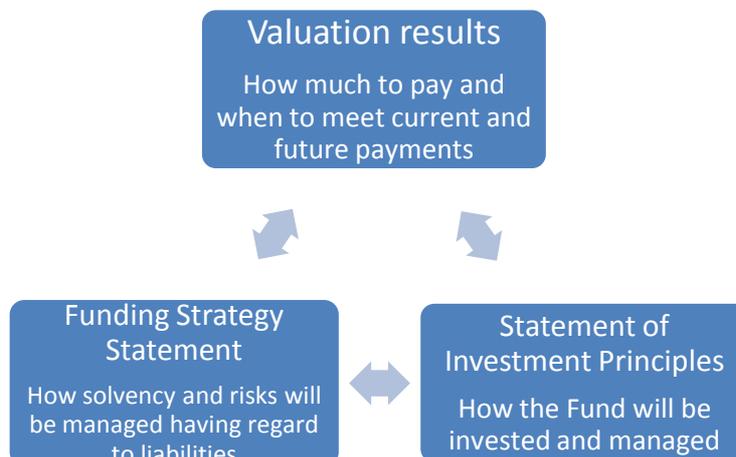
This Statement has been prepared by Lancashire County Council (as Administering Authority) to set out the funding strategy for the Lancashire County Pension Fund (the Fund), in accordance with the Local Government Pension Scheme Regulations and the guidance paper issued in March 2012 by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

1. Introduction

The Local Government Pension Scheme (LGPS) Regulations provide the statutory framework within 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 fund the administering authority will prepare and publish its 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.
- The FSS should be complete and approved by the Pensions Committee (or equivalent) prior to the completion of each valuation.
- The fund actuary must have regard to the FSS as part of the fund valuation process.

The statements relate as follows:



Benefits payable under the Scheme are guaranteed by statute and therefore 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.

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.

The Fund 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. The Fund, like many other similar public and private sector funded schemes, has a gap between its assets and pension liabilities which this strategy addresses.

A number of factors have contributed to the funding gap and contribution rates for employers:

- Investment returns relative to movements in liabilities;
- Increases in longevity of pensioners;
- Falling long-term interest rates.

There are some steps that the actuary can take to assist employing bodies. These include:

- Recognising the long-term nature of local government, so that deficits are recovered over time;
- Phasing increases in contributions where appropriate;
- Recognising such financial 'improvements' as a reduction in ill-health retirements, prevalence of spouse's and dependants' benefits on a members' death, and anticipated changes to the LGPS being finalised;
- Giving weight to a balanced investment strategy.

The Fund, since it was established in its current form in 1974, has seen variations in its funding level. The funding level has previously been below 70% and subsequently recovered. Over this long period, there has been a consistent approach with the actuarial valuation process, the link to an investment strategy, and balanced management of the risks. The current arrangements continue this approach, and are focussed upon securing diversified investment market returns from global markets. The approach adopted prioritises the achievement of at least market return and, in line with best practice, utilises asset management to deliver a substantial element of the investment target.

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 desirability to maintain as nearly constant a common contribution rate as possible; and
- to take a prudent longer-term view of funding those liabilities.

The Fund currently has a strong net cash inflow (including investment income). The FSS supports the process of ensuring adequate funds are put aside on a regular basis to meet future benefit liabilities. Whilst the LGPS regulations specify the approach and requirements, the implementation of the funding strategy is the responsibility of the Fund acting upon expert advice and following consultation.

The intention is for this strategy to be both cohesive and comprehensive for the fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, its focus should at all times be on those long-term interests of the fund as a whole.

The solvency of the Fund is a long-term management issue. It is essential that funds are made available to ensure that all future pension payments can be met when they become due.

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 (subject to the administering authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies, whilst achieving and maintaining fund solvency, which should be assessed in light of the risk profile of the fund and the risk appetite of the administering authority and employers alike;
- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due; and
- seek returns on investment within reasonable risk parameters.

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 and as required in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

4. Responsibilities of the key parties

The LGPS regulations set out the responsibilities of the key parties, which are summarised below:

The administering authority (Lancashire County Council) is required to:

- collect employer and employee contributions, investment income and other amounts due to the pension fund as stipulated in LGPS Regulations;
- pay from the pension fund the relevant entitlements as stipulated in LGPS regulations;
- invest surplus monies in accordance with the LGPS Regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- take measures as set out in the regulations to safeguard the fund against the consequences of employer default;
- manage the valuation process in consultation with the fund's actuary;
- prepare and maintain a Funding Strategy Statement and a Statement of Investment Principles, both after proper consultation with interested parties;
- monitor all aspects of the fund's performance and funding and amend Funding Strategy Statement/ Statement of Investment Principles accordingly;
- effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and scheme employer.

The individual employer is required to:

- deduct contributions from employees' pay correctly
- pay all contributions, including their own as determined by the actuary, promptly by the due date
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of scheme benefits, early retirement strain, and
- notify the administering authority promptly of all changes to active membership which affect future funding.

The fund actuary should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure fund solvency after agreeing assumptions with the administering authority and having regard to the Funding Strategy Statement and LGPS Regulations
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc
- provide advice and valuations on the termination of admission agreements
- provide advice to the administering authority on bonds or other forms of security against the financial effect on the fund of employer default
- assist the administering authority in assessing whether employer contributions need to be revised between valuations as required by the regulations
- ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the fund.

5. Solvency issues and target funding levels

Including income received from investments, the Fund currently has a strong net cash inflow and can, therefore, take a medium to long-term view on determining employing body contribution rates to meet future liabilities through operating a fund with an investment strategy that reflects this long-term view. It allows short-term investment market volatility to be managed so as not to cause volatility in employing body contribution rates.

The Fund recognises the different characteristics of the variety of participating employer organisations, and will set funding strategy appropriately having regard to factors such as:

- strength of covenant, and security of future income streams;
- support or guarantor arrangements from other Scheme employers, particularly those with tax raising powers;
- prospective period of participation in the Fund, and specifically the implications if the employer has closed membership of the scheme to new employees.

Taking these factors into account, case-by-case assessment and review of contribution requirements may, in some cases, prove necessary as part of the triennial valuation process.

In line with its Admissions and Terminations Policy the Fund will continue to seek either guarantees from existing scheduled employers or external insurance in the form of bonds when considering admitting new employers to the Fund.

In cases where an element of an existing Scheme employer's deficit is transferred to a new employer on its inception, the Scheme employer's deficit recovery contributions, as shown on the schedule to the Rates and Adjustments Certificate, may be reallocated between the Scheme employer and the new employer to reflect this, on advice of the Actuary and as agreed with the Administering Authority.

LGPS Regulations require the long-term funding objectives to achieve and maintain assets sufficient to cover 100% of the projected accrued liabilities. The level of assets necessary to meet this 100% funding objective is known as the 'funding target'. The role of the actuary in performing the necessary calculations and determining the key assumptions used, is an important feature in determining the funding requirements.

Individual employers have a range of discretions available to them in terms of the benefits available to scheme members. Where the exercise of these discretions results in the potential for there to be a loss of future contributions to the Fund or an increased deficit a "strain payment" calculated by the Fund's actuary becomes due to the Fund from the employer immediately.

The approach to the actuarial valuation process and key assumptions used at each three-yearly valuation are consulted upon and the valuation forms part of the consultation undertaken with the FSS.

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.

This allows us to take a longer term view when assessing the contribution requirements for certain employers. As part of this valuation when looking to potentially stabilise contribution requirements we will consider whether we can build into the funding plan the following:-

- some allowance for changes in market conditions that have occurred since the valuation date;
- some further allowance for interest rates and bond yields to revert to higher levels over the medium to long term.

In considering this the Administering Authority, based on the advice of the Actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful.

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 arising from the 2013 actuarial valuation:

- 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 2014, following completion of the 2013 actuarial valuation, the increase from the rates of contribution payable in the year 2014/15 may be implemented in equal steps, over a maximum period of 3 years.

The employer contributions will be expressed and certified as two separate elements:

- a percentage of pensionable payroll in respect of the future accrual of benefit
- a schedule of lump sum amounts over 2014/17 in respect of the past service deficit (subject to the review from April 2017 based on the results of the 2016 actuarial valuation).

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

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.

However, the Administering Authority has ultimate discretion where the particular circumstances of any given Employer warrant a variation from these objectives.

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 annual monetary lump sums, subject to review based on the results of each actuarial valuation.

In determining the actual recovery period to apply for any particular employer or employer grouping, the Administering Authority may take into account some or all of the following factors:

- the size of the funding shortfall;
- the business plans of the employer;
- the assessment of the financial covenant of the Employer and the security of future income streams;
- any contingent security available to the Fund or offered by the Employer such as guarantor or bond arrangements, charge over assets, etc.
- length of expected period of participation in the Fund.

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 2013 valuation show the liabilities to be 78% covered by the current assets, with the funding deficit of 22% 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 (or return seeking) based strategy, so that actual asset out-performance between successive valuations could diverge significantly from the overall out performance assumed in the long term.

What are the risks?

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 employer's contribution rate on service delivery and admitted/scheduled bodies.

Demographic

- Longevity horizon continues to expand;
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health).

Regulatory

- Further changes to Regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees;
- Changes to national pension requirements and/or HMRC rules.

Governance

- Administering Authority unaware of structural changes in employer's membership (e.g. 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 a bond;
- Changes in Committee membership.

These risks are incorporated as part of a comprehensive Fund risk register referred to in Annex 3 below. Such risks will be monitored and reviewed in line with the monitoring and review guidelines identified elsewhere within the Funding Strategy Statement.

Investments

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 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 representatives of scheme members and a representative of the Higher and Further Education Sectors in Lancashire.

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.

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 compliance activities.

The Panel meets at least quarterly, or otherwise as necessary. The Panel may operate through sub groups to undertake particular tasks. It formulates 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:

- a. Recommendations to the Pension Fund Committee in relation to the Investment Strategy for the Fund;
- b. The broad composition of the Fund's investment portfolio, management style and types of investment;

- c. 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.
- d. The selection and appointment of any required external support (subject to the role of the Pension Fund Committee), their remit and terms of office;
- e. The allocation of ranges and thresholds within which the Investment Managers should operate;
- f. Review of the Statement of Investment Principles and compliance with investment arrangements;
- g. Recommendations on the detailed management of the investment portfolios including the selection of pooled funds; and
- h. To oversee the performance of the investment managers appointed by the Fund and to report on the Fund's performance.

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.

All Fund managers are subject to investment due diligence and all the segregated fund managers are UK FCA or equivalent organisation. New allocations may be made from time to time and Investment Managers are added to, removed or changed as necessary.

The Fund's Investment Managers are listed in its Annual Report.

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 1.6% p.a.

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.

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 (an "inflation risk premium") is incorporated and
- An allowance for pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index.

The overall reduction to RPI inflation as implied by the investment markets at the valuation date is 1.0% per annum.

Salary increases

The assumption for real salary increases (salary increases in excess of price inflation) in the long term will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases.

In addition to the long term salary increase assumption allowance has been made for expected short term pay restraint for all employers in the fund. This results in a total salary increase of 1% per annum for 3 years.

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 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 mortality tables used are set out below, with a loading reflecting Fund specific experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 4 years older whereas for existing ill health retirees we assume this is at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a 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 1.5% per annum.

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

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of Fund experience carried out by the Actuary, the incidence of retirement in normal health and in ill health and the proportions married/civil partnership assumption have been modified from the last valuation. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.4% 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

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 CPI price inflation) of 3% per annum, with a long term average assumption for price inflation of 2.6% per annum. These two assumptions give rise to an overall discount rate of 5.6% 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 2013 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 2013 actuarial valuation

Long-term gilt yields	
Fixed interest	3.2% p.a.
Index linked	-0.4% p.a.
Past service Funding Target financial assumptions	
Investment return/Discount Rate	4.8% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.
Pension increases/indexation of CARE benefits	2.6% p.a.
Future service accrual financial assumptions	
Investment return	5.6% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.
Pension increases/indexation of CARE benefits	2.6% p.a.

Demographic assumptions

The post retirement mortality tables adopted for this valuation are as follows:

Life expectancy at 65 in 2013		Base table	Adjustment	Improvement model	Long term rate
CURRENT ANNUITANTS	Normal health	S1PxA	100% / 98%	CMI_2012	1.5%
	Ill health	S1PxA	Normal health + 3 years	CMI_2012	1.5%
	Dependants	S1PMA/S1QFA	158% / 115%	CMI_2012	1.5%
	Future dependants	S1PMA/S1QFA	114% / 105%	CMI_2012	1.5%
CURRENT ACTIVES / DEFERREDS	Actives normal health	S1PxA	100% / 98%	CMI_2012	1.5%
	Actives ill health	S1PxA	Normal health + 4 years	CMI_2012	1.5%
	Deferreds	S1PxA	100% / 98%	CMI_2012	1.5%
	Future dependants	S1PMA/S1QFA	114% / 105%	CMI_2012	1.5%

Other demographic assumptions are noted below

Withdrawal	As for 2010 valuation
Other demographics	Based on LG scheme specific experience.
50:50 Option	Allowance for certain employers

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 which are considered by the Administering Authority to provide a high level of financial covenant and are required to increase contributions (compared to the 2014/15 levels that would have been payable under the previous funding plan), an allowance may be made as part of the recovery plan for interest rates and bond yields to revert to higher levels over a period of 5 years.

In isolation, the effect of this increase in yields is to reduce the funding deficit by primarily lowering the value of the fund's liabilities over time, thus reducing the level of deficit contributions required by the employer during the recovery period.

Increases in yields on fixed and index linked gilts

The impact of the assumed yield reversion described above is taken to be equivalent to an immediate increase in fixed and index linked gilt yields of up to 0.5% p.a.

As indicated above, this variation to the assumptions in relation to the recovery plan can only be applied for those employers which the Administering Authority deems to be of sufficiently high financial covenant to support the anticipation of increased gilt yields 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 a funding deficit exists the impact of the anticipated increases in gilt yields will be limited so that the total employer contributions emerging from the valuation will be no less the 2014/15 levels that would have been payable under the previous funding plan.

Annex 2

SIP INVESTMENT STRATEGY

The current investment strategy may be revised in light of the latest actuarial valuation, but will largely follow the same direction set out when the strategy was significantly overhauled in 2010.

In addition, 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 strategy sets out a balance between different asset classes as follows:

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 Active Public Equity and Fixed Interest Managers have full discretion to invest within each investment category 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.

With pooled funds, the manager of the investment fund operates within the constraints imposed by the constitution of the pooled fund, as reviewed and approved by the Investment Panel.

A separate strategy has been approved by the Pension Fund Committee in relation to each of the individual asset classes described in the above table.

Performance Targets

Each manager is expected to achieve an excess return on the assets under their management greater than the relevant benchmark. In assessing performance of each manager the Investment Panel takes in to account the long-term nature of the investment process and returns are judged primarily on an annualised basis over a rolling three-year period. The Investment Panel reviews the appointment of each manager at least every three years or such shorter period as may be necessary.

The targets and benchmarks, where such assets are held, are as follows:

- ✦ The Global Equity specialist managers have a target to outperform the MSCI All World index by 2.5% p.a. (net of fees) on a rolling three year basis. They are benchmarked against the MSCI All World index.
- ✦ The Government Bonds manager is expected to outperform the FTSE All Stocks benchmark performance return by 0.75% p.a. (net of fees) on a rolling three year basis.
- ✦ The Corporate Bonds manager is expected to outperform the IBOXX sterling Non Gilts benchmark on a rolling three year basis.
- ✦ Bonds and cash held for treasury management purposes are expected to outperform the FT 7 day LIBID.
- ✦ The Private Equity Manager has a target to outperform the median return in the British Venture Capital Association (BVCA) survey of Private Equity returns by 3%. Historically, the Private Equity benchmark has been the FTSE All Share. Going forward, an absolute return target may be more appropriate, and the Fund's independent advisers have suggested a target in the range 8-12% per annum, with a natural mid-point of 10%.
- ✦ The Infrastructure managers are expected to outperform an 8% per annum absolute benchmark on a rolling three year basis.
- ✦ The credit and fixed income funds have individual targets and benchmarks relating to their specific sub-class within the overall asset allocation.
- ✦ The UK direct property manager is expected to outperform the IPD All Property Index Benchmark return on a rolling three year basis. Overall, and as set out in the property strategy above, the core property strategy targets an Internal Rate of Return (IRR) of 6-8% per annum, whilst the specialist income/ opportunity strategies would be expected to return IRRs of 8-12% per annum.

Annex 3

Key Risks Identified

The following risks, as set out in the Fund's Risk register, will be monitored and reviewed in line with the monitoring and review guidelines identified elsewhere within the Funding Strategy Statement:

- Investment and funding risk;
- Employer risk;
- Skill and resource risk;
- Governance and compliance risk;
- Reputational risk;
- Administration risk.

The measures in place to mitigate the key risks in these areas are detailed below.

Risks and mitigations

Ref	Area	Risk	Cause	Impact	Mitigation in place
I001	Investment and funding risk	Asset / liability mismatch	Assets insufficient to fund liabilities	Inability to make benefit payments, meaning cash injections required from employers	Increasing focus on liability management, new investment strategy, diversified portfolio
I002	Investment and funding risk	Inflation risk	Increases in commodity prices push up the level of inflation	Inflation increases pension payments but assets do not grow at required level	Hold some index linked assets
I003	Investment and funding risk	Concentration of assets	Over reliance of assets in one particular area	A significant allocation in a particular type asset will lead to an over exposure in that area and therefore vulnerability to significant changes.	New investment strategy is moving away from a large investment in equities. Amount of the fund in particular assets is governed by the pension fund regulations. Monthly monitoring of asset allocations by Investment Panel.
I004	Investment and funding risk	Falling share prices and therefore asset value	Actions of companies in who the pension fund invests (fraud, poor corporate governance)	Falling share prices and therefore a decrease in the assets held by the fund.	Investment portfolio is diverse in order to minimise such risks. Member of LAPFF and PIRC to promote engagement.
I005	Investment and funding risk	Under performance by fund managers	Fund managers not meeting required returns	Returns achieved lower than those anticipated in funding strategy leading to a greater funding gap	Mixture of active and passive managers, monitoring of investment manager performance, new investment strategy moving to a greater reliance on the internal team.
I006	Investment and funding risk	Liability risk: Discount rate	Market conditions between valuation dates produces a lower discount rate than expected by the actuary	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	Increasing focus on liability management, new investment strategy, diversified portfolio
I007	Investment and funding risk	Liability risk: Inflation rate	Assumed inflation rate within liability valuation applied to future pension increases and salary rises is lower than actual rate	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	Increasing focus on liability management, new investment strategy, diversified portfolio
I008	Investment and funding risk	Liability risk: Salary increase	Salary increases higher than expected (and maybe linked to inflation expectations)	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	Provision for employers to top-up contributions to offset the increasing liabilities.
I009	Investment and funding risk	Liability risk: Longevity	The assumptions of future life expectancy and improvements in life expectancy may be lower than actual. Members may live longer and benefits may be paid for	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	
I010	Investment and funding risk	Liability risk: Early retirement/ ill-health retirement	Members retiring earlier than normal retirement age with no reduction in benefit will require employers to make greater contributions	The estimated value of liabilities will be higher than expected and therefore assets insufficient to fund them	Provision for employers to top-up contributions to offset the increasing liabilities.
I011	Investment and funding risk	Liability risk: Diversification	Diversification of asset portfolio less than expected	Assets move in unpredictable directions, potentially increasing the funding gap between assets and liabilities	Increasing focus on liability management, new investment strategy, diversified portfolio
I012	Investment and funding risk	Liability risk: LGPS Regulations	Pension benefits are governed by statute, and any changes will impact on the fund's liabilities causing them to either increase or decrease	Liabilities are affected by statutory changes to LGPS	Increasing focus on liability management, new investment strategy, diversified portfolio. Lobbying of Government.
I013	Investment and funding risk	Custody risk	Custodian does not adequately meet the requirements of their contract	Problems with custodian leading to missed dividends or corporate actions.	Subscribe to services of Thomas Murray as custodian monitor
I014	Investment and funding risk	Investment returns below peer groups	Investment managers do not meet the required returns	Reputational risk, increasing gap between assets and liabilities	Regular monitoring and review
I015	Investment and funding risk	Missed investment opportunities	Lack of awareness or slow decision making	Missed investment opportunities could result in reduced returns for the fund	Maintain a good relationship with investment managers and build strength in the internal team. Awareness of timetables and protocols
I016	Investment and funding risk	Mismatch of funding plan and investment strategy	Incorrect assumptions made regarding assets and liabilities	Incorrect contribution rates could be set	Funding strategy and investment strategy to be linked to triennial reviews
I017	Investment and funding risk	Insufficient cash available to meet requirements	Poor management of liquidity	If liquidity is not managed, assets may need to be sold quickly meaning the best price is not achieved	Implement effective cash management strategies
I018	Investment and funding risk	Transition risk of the new investment strategy	Unforeseen events	Incurring unexpected costs while moving the assets	Specialist transition manager has been appointed to oversee this process on behalf of the pension fund.

Ref	Area	Risk	Cause	Impact	Mitigation in place
E001	Employer Risk	Inability of an employer to meet its contribution requirements due to legislative or actuarial changes.	Increased level of contributions required from employer	Overall fund faces increasing liabilities	Monitor risk picture of the employers, particularly with reference to the size of their liability
E002	Employer Risk	Employer ceasing to exist	Employer closes	If there is insufficient funding, bond of guarantee in place any shortfall will be attributed to the whole fund, thereby increasing the level of	Monitor employers risk profiles and ensure bonds are sufficient
S001	Skill and Resource risk	Key person risk	Someone leaving the organisation and only a limited market from which to seek their replacement	Knowledge gap which it may be difficult to fill	Maintain a system of staff cover, succession planning and development
S002	Skill and Resource risk	Lack of expertise / resources of officers involved in the Pension Fund	Insufficient training or continuous development	Either inappropriate staffing or insufficient resources in a particular area meaning that the fund cannot be managed or administered properly and mistakes are made.	Regular performance appraisals and training plans in place. On the job training.
S003	Skill and Resource risk	Insufficient knowledge of pension fund committee members	Insufficient training or continuous development	Inappropriate decisions taken at committee meetings or inability to make decisions through lack of understanding	Implement training for new members. Have an on-going training requirement for members and officers to ensure knowledge remains up to date. Mixture of in-house and external sessions. Officer expert advice
S004	Skill and Resource risk	Insufficient external expertise	Failure to employ specialist advisers when their skills are required	Under performance of fund	Employ specialists where appropriate from consultancy bench and develop in-house expertise
S005	Skill and Resource risk	Inappropriate decision making	Production of poor or inappropriate performance management information	Incorrect decisions being taken due to the reliance on this information	Use of independent Custodian. Implement regular monitoring in an agreed format. Regular monitoring of performance information and on-line access to NT Passport system.
G001	Governance and compliance risk	Non compliance with LGPS regulations	Lack of technical expertise / staffing to research any regulation changes	Non compliance with legislation change could result in penalties or sanctions leading to financial loss	Monitor legislative changes, engage in consultations, attend pension update briefings / courses.
G002	Governance and compliance risk	Non compliance with investment policies	Lack of understanding of investment policies	Non compliance with investment policies could increase the risk profile of the fund.	Periodic monitoring of investment types against regulations. Individual investments checked in advance of commitment as part of internal Due diligence.
G003	Governance and compliance risk	Production of incorrect financial statements	Production of misleading information and misleading stakeholders	Misunderstanding or wrong decisions	Review and sign off process in place
G004	Governance and compliance risk	Conflict of interest	Officers or members fail to declare a conflict of interest leading to decisions that are not in the best interest of the fund	Inappropriate decisions taken	Training on what constitutes a conflict and ensuring register of interests/ gift and hospitality entries are made where appropriate.
G005	Governance and compliance risk	Failure to minute meetings correctly	Important decisions are not documented and then there is no record of them when evidence of the decision is	Unable to prove that a decision has been taken	All meetings to be minuted and agreed by members
G006	Governance and compliance risk	Failure to implement an proper monitoring system	Performance of the fund cannot be monitored over time	Incorrect decisions are taken.	Implement a regular monitoring system
G007	Governance and compliance risk	Information loss (intellectual property and confidential information)	Sensitive information could be lost, damaging the reputation of the fund and putting the fund members at risk	Damaged reputation / litigation risk	Ensure confidential information is secure
G008	Governance and compliance risk	Information governance	Loss of information which means that the fund is unable to operate	Unable to undertake day to day functions	Back up of ICT network. Use of Northern Trust web-based Passport system.
G009	Governance and compliance risk	Non-existent assets	The risk that assets purchased by the pension fund do not exist, or fund managers are not bona fide.	Misrepresentation of assets held. Reputational damage.	Due diligence undertaken as part of investment review process either by Fund officers or investment consultants.
R001	Reputational risk	Actions damage the perception of the fund	Reputation of the fund will be damaged which may impact on participation rates and investment strategies		Good governance, open communication. Use of PIRC/ LAPFF to engage with shareholder companies to encourage good governance.
A001	Administration risk	Failure to process pension payments and lump sums on time	Unavailability of IT / staff, or errors	Maintenance of IT, staff cover and training	Testing of system including audit
A002	Administration risk	Failure to collect contributions from employers and employees	Unavailability of IT / staff, or errors or poor communication	Maintenance of IT, staff cover and training	Robust back-up systems in place
A003	Administration risk	Inability to provide service due to loss of facilities	Fire, flood etc	Unable to provide service	Business continuity
A004	Administration risk	Loss of funds through fraud	Fraud or misappropriation of funds	Financial loss to fund	Internal controls – separation of duties. Internal and external audit reviews
A005	Administration risk	Failure to hold personal data securely	Poor procedures for data transfer, data retention and back	Data is lost or compromised	Internal ICT controls. Information governance awareness.
A006	Administration risk	Failure to keep records up to date	Poor or non-existent notification of changes	Incorrect records held and therefore incorrect pensions paid	Documented internal controls. Robust training. Regular monitoring

Appendix 'A'

Lancashire County Pension Fund

**Statement of Investment
Principles**

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



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Lancashire County Pension Fund

Statement of Investment Principles

1. Introduction

Lancashire County Council (“LCC”) is the administering authority of the Lancashire County Pension Fund (the “Fund”). This Statement of Investment Principles (“SIP”) sets out the principles governing its decisions about investments made by the Fund. It has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

The Fund has produced the SIP following consultation with the Fund’s Investment Panel, and a representative of the Fund’s Actuary.

2. Responsibility for Investment Management

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

- ◆ The Pension Fund Committee;
- ◆ The Fund's Investment Panel;
- ◆ The Fund's Custodian
- ◆ The Local Pensions Partnership Investments Limited (“LPP I”)
- ◆ The Head of the Fund

The division of responsibility is set out in detail in the Governance Policy Statement, which is available at www.yourpensionservice.org.uk or on request from the Fund, but in summary, responsibilities are allocated as follows:

3. 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 representatives of scheme members and a representative of the Higher and Further Education Sectors in Lancashire.

4. Investment Panel

The Investment Panel consists of two independent advisors and the head of the Fund (as Chair),

The Panel meets at least quarterly, or otherwise as necessary. The Panel may operate through sub groups to undertake particular tasks. It formulates recommendations to the Head of the Fund and/or the Pensions Fund Committee through meetings of the full Panel.

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

- a. review the Fund's long term investment strategy and where necessary make recommendations to the Pension Fund Committee;
- b. advise on strategic asset allocations proposed by LPP I
- c. Restrict and control the range of asset allocations used by LPP I as set out in the Statement of Investment Principles
- d. consider appropriate risk management strategies to include the matching of pension liabilities with suitable investments, possibly involving derivatives, and where necessary make recommendations to the Pension Fund Committee;
- e. consider foreign exchange hedging strategies relating to the equity and/or other asset allocations and where necessary make recommendations to the Pension Fund committee;
- f. monitor and review the investment activity; and
- g. Review and report on the performance of the Fund and where necessary make recommendations to the Pension Fund Committee.
- h. The proposed procurement process, tender award criteria and evaluation methodology for external advisers and other external assistance including corporate governance adviser, Fund Custodian, performance measurement advisers, the Fund Actuary and the Fund's AVC Provider ("external support") to enable the Head of Fund to the Fund to seek the approval of the Pension Fund Committee to commence the procurement of any required external support.
- i. The selection and appointment of any required external support (subject to the role of the Pension Fund Committee), their remit and terms of office;
- j. Review of the Statement of Investment Principles and compliance with investment arrangements;

5. 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 implementation of all investments and selection of all investment managers is delegated to Local Pensions Partnership Investments Limited ("LPP I"), an FCA authorised company. The partnership was set up by the Lancashire County Pension Fund and the London Pension Fund Authority. The partnership brings the benefit of scale, improved resources, lower costs and a broader opportunity set.

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 Head of 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 Funds) Regulations 2009, with regard to the requirement to review the investments made by the Fund Managers. The Head of the Fund reports to each meeting of the Pension Fund Committee.

Staff within financial resources also support Head of the Fund in respect of their 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;
- 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 LPP I and custodians;
- The provision of data for performance monitoring and interpretation of performance results;
- The conducting of procurement exercises to secure the services of service providers on behalf of the Fund.
- Verification, monitoring and payment of Pension Fund fee invoices;
- Monitoring the receipt of income due to the Fund;
- Representing the Head of fund 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; and

6. Investment Objectives

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

1. To ensure that resources are available to meet the Fund's liabilities through achieving investment performance at least in line with actuarial assumptions.
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 1.6% p.a.

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.

7. Types of Investment

The Pension Fund Committee ("the Committee") has delegated all implementation activities to Local Pensions Partnership Investments Limited ("LPP I"). LPP I manages eight different investment mandates covering a wide range of asset classes:

- Public Equities
- Private Equities
- Fixed Income
- Alternative Credit
- Property
- Infrastructure
- Total Return
- Liquidity

LPP I will also provide advice to the Committee and the Investment Panel on management of foreign exchange risk and liability hedging strategies.

8. Balance between Different Types of Investment

The investment strategy sets out a balance between different asset classes as follows. The strategic asset allocation (SAA) was approved by the Investment Panel.

Asset Class	Strategic Asset Allocation %	Tolerance range top limit
Global Equities	42.5%	50.0%
Fixed Income	2.5%	5.0%
Private Equity	7.5%	10.0%
Infrastructure	12.5%	15.0%
Alternative Credit	20.0%	25.0%
Property	15.0%	20.0%
Total Return	0.0%	5.0%
Liquidity	0.0%	5.0%
Total	100.0%	

Global Equities

The objective is to outperform the MSCI All Country World, net dividends reinvested, in GBP Index over the full market cycle which is considered to be at least seven years (the “Benchmark”). All equity investments are made via LPP I by investing in underlying funds which may be managed by LPP I (“Internal Mandates”), or by external third parties (“External Mandates”).

Fixed Income

LCPF will seek to outperform the Barclays Global Aggregate Bond Index GBP Hedged. The LPP I Pool will pursue this aim by investing in underlying funds which may be managed by LPP I (“Internal Mandates”), or by external third parties (“External Mandates”) which are consistent with the FI Pool’s investment objectives and restrictions.

Private Equity

The objective is to outperform the MSCI World, net dividends reinvested, in GBP Index and provide investors with access to attractive private equity opportunities. All new investments will include but not be limited to the following sectors: Buyout, Venture Capital, Growth Equity, Special Situations/Distressed and Upstream Energy.

Infrastructure

The objective is to gain cost effective, diversified exposure to global infrastructure assets located predominantly in OECD nations. These investments need to meet LCPF’s aims including: to generate a satisfactory risk adjusted return; improve diversification; provide predictable cash flows; and indirectly hedge against inflation.

Alternative Credit

The credit allocation will seek to gain cost effective exposure to diverse sources of return linked to global credit markets and credit instruments. The LPP I investment pool will pursue this aim primarily by allocating capital to investment vehicles, mandates or pooled funds managed by external third parties (“External Mandates”).

Property

LCPF will seek to gain cost effective, diversified exposure to UK and international property assets that meet its investment objectives: to generate a return in excess of the benchmark; earn predictable cash flows; and provide a partial hedge against

inflation. The largest exposure of the portfolio will be to traditional sectors of the UK commercial real estate market. A smaller allocation will be made to value-added and opportunistic investments.

Total Return

The LPP I total return pool seeks to gain cost effective exposure to diversifying sources of return distinct from global equity beta and bond duration. The LPP I pool will pursue this aim primarily by allocating capital to investment strategies managed by external third parties (“External Mandates”).

Cash/ Liquidity

The LPP I Liquidity pool will manage in a cost effective manner any cash balances by allocating capital to securities or funds directly in appropriate markets and in relevant currencies or hedged back to relevant currencies. The benchmark for the Liquidity pool is 1 month GBP LIBOR.

Investment Limits imposed under the Local Government Pension Scheme (Management and Investment of Fund’s) Regulations 2009

The 2009 regulations laid down the limits shown in Column 1 and Column 2 below, having consolidated the previous 1998, 2003, and 2005 Regulations. The limits in Column 2 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 Fund's Investment Panel and Pension Fund Committee have previously reviewed the 2009 Regulations limits and have adopted the increased limits for **any single insurance contract** and also for **all contributions to partnerships**.

The 2013 amendment to the 2009 Regulations increased the maximum proportion of a local government pension fund which can be invested in contributions to partnerships from 15% to 30%.

	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%	30%
4. with the sum of - (a) all loans; 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	10%	-

	Column (1) Limits under regulation 14 (2)	Column (2) Limits under regulation 14 (3)
all loans.		
5. All investments in unlisted securities of companies.	10%	15%
6. Any single holding.	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.	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	25%	35%
10. Any single insurance contract.	25%	35%
11. All securities transferred under stock lending arrangements.	25%	35%

Stock Lending

Stock lending is undertaken up to the 35% limit above. The programme is run by the Fund's Custodian, which monitors performance, limit and counterparty credit adherence, and voting requirements.

9. Policy on Risk

The consideration of investment risk forms part of the Pension Fund's overall risk register, which is presented to Pension Fund Committee on a bi-annual basis. The key risks and associated mitigations are replicated in the Funding Strategy Statement.

The first line of defence is diversification. As described in the section on Asset Allocation, the scheme will seek to maintain a diversified exposure to several different asset classes, geographies, and currencies. The Pension Fund Committee expect this to provide (at least) two levels of protection: first, in periods of market turmoil some assets will preserve capital better than others, allowing the portfolio to better withstand a shock. Second, in periods of rising markets, some assets will do better than others, and since we don't know with absolute certainty which ones will do best, it is better to diversify.

The second line of defence at the scheme level is to examine how the portfolio would perform under different scenarios including stress scenarios. The objective is to ensure that the losses that the portfolio endures will not cause future contributions to increase.

The asset class pools described in section 7 are also subject to a number of constraints to allow for intra-asset class diversification, including sector, country, manager, and maximum exposure to a single asset. When appropriate, the pools will use value at risk or volatility measures to monitor specific investments.

Operational risk is minimised by having custody of the Fund's financial assets provided by a regulated, external, third party, professional custodian.

The Fund's Global Custodian is Northern Trust. All public market investments are held in nominee accounts of Northern Trust.

All private market investments, including interests in private equity, property and other pooled funds are held directly in the name of Lancashire County Council as administering authority of the Lancashire County Pension Fund. Northern Trust provides detailed investment accounting and reconciliation services for all private market investments.

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

10. The expected return on investments

Each LPP I asset class pool is expected to achieve an excess return on the assets under their management greater than the relevant benchmark. In assessing performance of each LPP I pool the Investment Panel takes in to account the long-term nature of the investment process and returns are judged primarily on an annualised basis over a full market cycle of seven years. The targets and benchmarks in place are as follows:

Asset Class	Benchmark	Target Return
Global Equities	MSCI All Country World, net dividends reinvested, in GBP Index	Benchmark + 2% p.a. net
Fixed Income	Barclays Global Aggregate Bond Index GBP Hedged	Benchmark + 50bps p.a. net
Private Equity	MSCI All Country World, net dividends reinvested, in GBP Index	Benchmark + 2-4% p.a. net
Infrastructure	UK CPI + 4% - 6% p.a. net	UK CPI + 4-6% p.a. net
Alternative Credit	1 Month GBP LIBOR	1 Month GBP LIBOR + 3-5% p.a. net
Property	UK CPI + 4% - 6% p.a. net	UK CPI + 4-6% p.a. net
Total Return	1 Month GBP LIBOR	1 Month GBP LIBOR + 4% p.a. net
Cash	1 Month GBP LIBOR	1 Month GBP LIBOR

11. Monitoring and Review

The investment activities of LPP I are reviewed at each Investment Panel meeting and reported on to the Pension Fund Committee. At these meetings, asset allocation and investment performance of LPP I 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 S151 Officer 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).

12. Policy on Realisation of Investments

As the Fund is cash flow positive after including investment income, there is no need to realise investments in order to pay for benefits.

LPP I will decide when to realise investments as and when they consider appropriate in accordance with their management discretion.

13. Corporate Governance and Responsible Investment

Corporate Governance

As a long term investor, the Fund recognises the importance of good corporate governance practices in the companies in which it invests. The Fund believes that good corporate governance contributes to business prosperity by encouraging well run companies and an alignment of interests between boards, shareholders, customers, employees and wider society.

The Fund's approach to Corporate Governance

The Fund has a longstanding policy of supporting good corporate governance in the companies in which it invests and seeks to actively exercise ownership rights as a route for protecting the long-term investment interests of Fund's beneficiaries. Ownership activities will vary by asset class but include representation on company boards and advisory panels, shareholder voting, engagement with companies and regulatory or representative bodies and membership of investor organisations such as the Local Authority Pensions Fund Forum and the Pensions and Lifetime Savings Association. The implementation of the Fund's ownership activities is delegated to LPP I and is focussed on protecting ownership rights, minimising risk to companies from corporate governance failure, enhancing long-term value and encouraging corporate social responsibility.

Responsible Investment

Responsible Investment is an investment approach in which investors recognise the importance of the long-term health and stability of the market as a whole; seeking to incorporate material extra-financial factors alongside other financial performance and strategic assessments within investment decisions; and utilise ownership rights and responsibilities attached to assets to protect and enhance shareholder value over the long term – primarily through voting and engagement. The objective of responsible investment is decreasing investor risk and improving risk-adjusted returns.

Examples of potentially material risks to be considered as part of the Fund's voting and engagement activity are set out below:

Governance risks:

- Board independence – Non-Executive Directors play a vital role in overseeing the executive management and safeguarding the interests of shareholders;
- Succession planning – An ineffective policy can have implications for a company's performance, including uncertainty over its sustainability;
- Board diversity – Research suggests that shareholders, companies and boards are not best served by an overly homogenous board prone to group think;
- Auditors – The independence of auditors plays a crucial role in protecting shareholders.

Environmental risks:

- High intensity industries will incur additional financial costs from carbon regulations in different jurisdictions. Changes in climate will affect company supply chains and fixed assets;
- Energy use – Through effective management of energy use, companies are able to reduce energy costs as well as build security of supply;
- Natural resources – Demand for raw materials is ever increasing, this has implications including increasing regulation around sourcing and use of resources;
- Water – A growing global population is leading to rising consumption – this in turn increases costs and creates tensions or conflicts.

Social risks:

- Human rights – Companies operating in companies with poor human rights records may face significant challenges, such as legal challenges or reputational damage;
- Employment – Research indicates that well managed employee relations improve worker productivity and effectiveness in turn benefitting shareholders;
- Health and safety – Companies with poor health and safety records may face prosecutions, fines and in extreme cases, the withdrawal of licences to operate;
- Supply chain – Companies are increasingly reliant on a large, global workforce, exposing them to increased risks of disruptions.

Implementing a responsible investment policy helps a pension fund to adhere to the UK Stewardship Code. The Fund's current position relating to the UK Stewardship Code can be found in a separate statement on its website.

Lack of good governance interferes with a company's ability to function effectively and is a threat to the Fund's financial interest in that company.

The Fund's approach to responsible investment

The Fund is a signatory to the UN-supported Principles of Responsible Investment and is committed to developing an approach aligned with fulfilling the six principles. The Fund's approach to responsible investment divides into three areas of focus.

a) Voting Globally

The first approach, voting, is certainly not a 'boxticking' exercise, as the Fund regularly votes against resolutions. The Fund, through a proactive voting policy, in partnership with proxy voting consultants, votes its share rights constructively based upon a comprehensive analysis of company voting issues.

Votes are cast in accordance with the proxy voting consultant's guidelines unless an Investment Manager requests a different vote for investment management reasons.

b) Engagement through Partnerships

The Fund's second approach involves working in partnership with like-minded bodies. The Fund recognises that to gain the attention of companies in addressing governance concerns, it needs to join other investors with similar concerns. It does this through:

- Local Authority Pension Fund Forum (LAPFF);
- Voting on shareholder resolutions;
- Joining appropriate lobbying activities.

In terms of its engagement approach with other investors, it is most significant through LAPFF. This Forum exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance among the companies in which they invest. See the LAPFF website for further details: www.lapfforum.org

c) Shareholder Litigation

The third approach, adopted by the Fund in order to encourage corporate management to behave responsibly and honestly, is through shareholder litigation. The Fund, in partnership with two US law firms and other shareholders, submits class actions globally where possible and where appropriate.

14. Principles of Investment Practice

The Fund's compliance with the six principles of investment practice laid out in Local Government **Pension** Scheme (Management and Investment of funds) regulations 2009 is described 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.

Principle 2: Clear Objectives

Fully compliant: The overall objective for the Fund is outlined in the Statement of Investment Principles. The Investment Panel sets benchmarks for measuring the performance of each investment and an overall benchmark for the Fund as a whole in order to monitor the attainment of the objectives.

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 and decided upon an investment strategy involving a diversification of investments amongst equities, property and investments offering the prospect of acceptable returns with lower volatility.

Principle 4: Performance assessment

Fully compliant: Investment performance reports are produced by the Custodian monthly for consideration by the Investment Panel and the Pension Fund Committee..

Principle 5: Responsible ownership

Fully compliant: PIRC has been appointed the Fund's proxy to vote the Fund's shares at shareholder meetings. PIRC votes in accordance with its voting guidelines unless an Investment Manager requests differently, in which case the Treasurer to the Fund would decide how the vote should be cast in the best interests of the Fund. The Fund 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.

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.

The Fund provides all of its Members with regular information bulletins. The Annual Report and the Fund's statutory statements are made available to all the Fund's employers and members through the web site www.yourpensionservice.org.uk.

FUNDING REPORT OF THE ACTUARIAL VALUATION AS AT 31 MARCH 2013 LANCASHIRE COUNTY PENSION FUND

31 MARCH 2014

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1

Introduction

This report is addressed to Lancashire County Council as the Administering Authority of the Lancashire County Pension Fund (“the Administering Authority”) and is provided to meet the requirements of Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended). It describes the factors considered when carrying out the actuarial valuation as at 31 March 2013 and the decisions reached as a result.

The purpose of the actuarial valuation is for the Administering Authority to determine:

- The expected cost of providing the benefits built up by members at the valuation date (the “liabilities”), and compare this against the funds held by the Fund (the “assets”).
- An appropriate plan for making up the shortfall if there are less assets than liabilities.
- The contributions needed to cover the cost of the benefits that active members will build up in the future and other costs incurred in running the Fund.

Signature:



Date of signing: 31 March 2014

Name: John Livesey

Qualification: Fellow of the Institute and Faculty of Actuaries

This report has been prepared in accordance with the version of the *Pensions Technical Actuarial Standard* current at the date this report is signed. It also complies with the relevant requirements of *Technical Actuarial Standards R: Reporting Actuarial Information, D: Data and M: Modelling*, where they apply to this report. These Standards are all issued by the Financial Reporting Council. The calculations referred to in the report use methods and assumptions appropriate for reviewing the financial position of the Fund and determining contribution rates for the future for participating employers. The funding updates referred to in this report are not as accurate as those that would arise from a full actuarial valuation as some approximations have been made and they are not based on updated individual membership data. Mercer does not accept liability to any third party in respect of this report; nor do we accept liability to the Administering Authority if the information provided in this report is used for any purpose other than that stated. The report may be disclosed to members and others who have a statutory right to see it. It may also be disclosed to any participating employer and, if the Administering Authority and Mercer consent, it may be disclosed to other third parties.

2

Key results of the funding assessment

2.1. Past service funding position

The table on the right compares the assets and liabilities of the Fund at 31 March 2013. Figures are also shown for the last valuation as at 31 March 2010 for comparison.

The table shows that at 31 March 2013 there was a shortfall of £1,378m. An alternative way of expressing the position is that the Fund's assets were sufficient to cover 78% of its liabilities – this percentage is known as the funding level of the Fund.

At the previous valuation at 31 March 2010 the shortfall was £993m, equivalent to a funding level of 80%. The key reasons for the changes between the two valuations are considered in section 3.2.

	£m	
	31 March 2013	31 March 2010
Total assets	5,011	3,962
Liabilities:		
Active members	2,440	2,221
Deferred pensioners	1,088	614
Pensioners	2,860	2,120
Total liabilities	6,388	4,955
Past service surplus / (shortfall)	(1,377)	(993)
Funding level	78%	80%

The liability value at 31 March 2013 shown in the table is known as the Fund's "funding target". The funding target is calculated using assumptions that the Administering Authority has determined are appropriate, having consulted with the actuary, and are also set out in the Administering Authority's Funding Strategy Statement (FSS).

Further details of the way in which the funding target has been calculated are set out in Appendix A.

2.2. Normal contribution rate

The valuation looks at the normal employer contribution rate required to cover the cost of the benefits (including death benefits and expenses) that will be built up over the year after the valuation date (the “Common Contribution Rate”). A summary of the assumptions used is provided in Appendix A.

The table on the right gives a breakdown of the Common Contribution Rate at 31 March 2013 and also shows the corresponding rate at 31 March 2010 for comparison. In calculating the average Common Contribution rate we have made no allowance for existing and future members to opt for the 50:50 scheme. For individual employers allowance has been made in line with the Funding Strategy Statement.

	% of Pensionable Pay	
	31 March 2013	31 March 2010
Normal contribution rate for retirement and death benefits	19.1	18.5
Allowance for administrative expenses	0.4	0.4
Total normal contribution rate	19.5	18.9
Average member contribution rate	6.4	6.4
Common Contribution rate	13.1	12.5

The benefits earned under the LGPS change with effect from 1 April 2014, and the Common Contribution Rate at 31 March 2013 allows for these changes. The impact of these benefit changes on the Common Contribution Rate is given in section 3.3.

Active members pay contributions to the Fund as a condition of membership in line with the rates required under the governing Regulations (see Appendix D).

2.3. Correcting the shortfall

The funding objective as set out in the FSS is to achieve and maintain a funding level of 100% of liabilities (the Funding Target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall (or contribution reductions to refund any surplus). The maximum deficit recovery period for the Fund has been set as 19 years.

Adopting the same method and assumptions as used for calculating the funding target, the deficit of £1,377 million could be eliminated by a contribution addition of £81m per annum increasing at 4.1% per annum (equivalent to 9.5% of projected Pensionable Pay at the valuation date) for 19 years. This would imply an average employer contribution rate of 13.1% plus £81m per annum increasing at 4.1% per annum. The average employer contribution at the previous valuation was 19.1% of Pensionable Pay.

2.4. Allowance for post valuation market changes

Since 31 March 2013 there have been significant changes in the financial market position. In particular there has been an increase in gilt yields, which underpin the assessment of the past service liability values and therefore the long term funding target. As the new contribution rates are effective from 1 April 2014, if required, it is appropriate to allow for this improvement as part of the stabilisation of contribution requirements for individual employers.

Considering changes in the major financial factors only, as at 31 August 2013 the impact of market changes had meant the funding level has increased to approximately 82% (from 78% at 31 March), equivalent to an approximate reduction at a whole Fund level of £289m in the shortfall disclosed in 2.1 above leaving a net shortfall of £1,088m to recover via employer contributions. As an illustration this would imply a deficit contribution of £65m per annum increasing at 4.1% per annum for 19 years.

This improvement has largely been maintained up to the date of signing of this report, and as part of the consultation with employers, myself and the Administering Authority have agreed that the improvement can be built into the recovery plan to stabilise contribution requirements if appropriate. Additionally, for certain employers which are considered by the Administering Authority to provide a high level of financial covenant and are required to increase contributions (compared to the 2014/15 levels that would have been payable under the previous valuation funding plan), a further allowance may be made as part of the recovery plan for yields to revert to higher levels over a period of 5 years. In isolation, the effect of allowance is to reduce the funding deficit by primarily lowering the value of the Fund's projected liabilities over time, thus reducing the level of deficit contributions required by the employer during the recovery period, roughly equivalent to allowing for an increase in discount rate of 0.5% p.a. as at 31 August 2013. However, employers which make use of this allowance would be required to continue to pay at least what they would have paid under the existing 2010 valuation contributions plan.

In practice, each employer's position is assessed separately. The Schedule to the Rates and Adjustments Certificate (attached as Appendix H) sets out the contributions for each employer over the three year period to 31 March 2017. The individual rates take into account the differing circumstances of each employer or employer group and the funding plan, as laid down in the FSS. Contribution requirements for the period from 1 April 2017 onwards will be revised as part of the next actuarial valuation as at 31 March 2016 and will be confirmed in the Rates and Adjustments Certificate and Schedule accompanying that valuation report.

3

Experience since last valuation

3.1. Summary of key inter-valuation experience

The last actuarial valuation was carried out with an effective date of 31 March 2010. Since the last valuation the Government announced that the benefit structure under the LGPS will change with effect from 1 April 2014. The changes do not affect benefits earned prior to 1 April 2014, and so do not directly affect the funding level or shortfall of the Fund as detailed in section 2.1, but do affect the Common Contribution Rate for the Fund as quoted in section 2.2 (the impact of the changes is given below). Details of the benefits are given in Appendix D.

The average salary increase (weighted by liability) for the Fund members who were in service for the whole of the inter-valuation period was 2.0% per annum.

Pensions in payment (in excess of Guaranteed Minimum Pensions (GMPs)) were increased as guaranteed under the Fund as follows:

- April 2011 3.1%
- April 2012 5.2%
- April 2013 2.2%

During the inter-valuation period, the gross investment return on the Fund's assets has averaged 8.3% per annum.

3.2. Reasons for the change in funding position since the last actuarial valuation

As noted in section 2.1, the shortfall at 31 March 2010 was £993m. The table below sets out the main reasons for the change in the shortfall between 31 March 2010 and 31 March 2013.

Analysis of changes in funding position	£m
Shortfall at 31 March 2010	(993)
<i>Unwinding of interest on 2010 shortfall</i>	<i>(201)</i>
<i>Investment returns versus expectations</i>	<i>271</i>
<i>Deficit Contributions Paid</i>	<i>66</i>
<i>Salary increases versus expectations</i>	<i>235</i>
<i>Change in demographic assumptions</i>	<i>(76)</i>
<i>Change in financial assumptions</i>	<i>(569)</i>
<i>Member movements and other factors</i>	<i>(110)</i>
Shortfall at 31 March 2013	(1,377)

The above analysis highlights the key factors affecting the Fund since the previous valuation:

- Experience over the inter-valuation period has been largely positive, with improvements in the position due to positive investment performance, the impact of contributions paid by employers and lower than expected pay increases for active members.
- The shortfall increased significantly due to changes in underlying financial conditions, principally reductions in real gilt yields.
- Certain changes made to the underlying assumptions to reflect the current economic climate and the current state of public sector finances have also had a positive impact on the shortfall. These changes are discussed in detail in Appendix A.
- As discussed in section 2.4, the financial conditions have improved since 31 March 2013 (although not to 31 March 2010 levels), reducing the impact on shortfalls to some degree and this has been allowed for in the assessment of contribution requirements as per the FSS parameters.

3.3. Reasons for the change in Common Contribution Rate since the last actuarial valuation

The table below sets out the various factors affecting the Common Contribution Rate between 31 March 2010 and 31 March 2013.

Analysis of changes in Common Contribution Rate	%
Common Contribution Rate at 31 March 2010	12.5
<i>Change in membership profile</i>	<i>(0.3)</i>
<i>Change in demographic assumptions</i>	<i>0.2</i>
<i>Change in financial assumptions</i>	<i>3.5</i>
<i>Impact of LGPS changes from 1 April 2014</i>	<i>(2.8)</i>
Common Contribution Rate at 31 March 2013	13.1

- The change in the long-term assumptions adopted has caused a significant increase in the employer contribution requirement. This has been driven in large part by the significant fall in gilt yields over the inter-valuation period (the assumptions used to calculate the contribution rate, and their derivation, are discussed in Appendix A).
- This effect has been offset to some degree by the upcoming changes to the LGPS, which produce a significant reduction in employer costs at a Whole Fund level. At an individual employer level, the impact varies depending on profile and in some cases can result in an increased cost. Employers have been notified separately of the impact.

4

Variability and risk

The contributions for participating employers set out in the Schedule to the Rates and Adjustments Certificate (Appendix H) have been determined as described in Appendix A of this report and in line with the parameters as set out in the Funding Strategy Statement.

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.

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 as at 31 March 2013. As noted in section 2.4 allowance has been made for post valuation date experience.

It should be borne in mind that the valuation results set out in section 2 of this report, and the assumptions on which they are based, represent only one outcome, and measures which are set for funding purposes might well not be appropriate in other circumstances.

4.1. Projected funding position at next actuarial valuation

As part of this valuation, the Fund have agreed with the Employers to put in place a recovery plan to pay off the shortfall allowing for an updated position as set in section 2.4. The next actuarial valuation will take place with an effective date of 31 March 2016. If experience up to that date from 31 August 2013 is in line with the assumptions made for this current actuarial valuation and the illustrative average contributions are paid assuming a 19 year recovery period, the expected funding level would be 84% at 31 March 2016.

4.2. Least risk basis

In assessing the value of the Fund's liabilities (the funding target), allowance has been made for asset out-performance and an Inflation Risk Premium as described in Appendix A, taking into account the investment strategy adopted by the Fund, as set out in the Fund's Statement of Investment Principles (SIP).

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.

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 or an Inflation Risk Premium. On this basis of assessment, the assessed value of the Fund's liabilities at the 2013 valuation would have been significantly higher, by approximately 44% and the declared funding level would be correspondingly reduced to approximately 54% and an equivalent deficit of £4,197 million at 31 March 2013.

4.3. Material risks faced by the Fund

This section provides a broad overview of the risks faced by the Fund and their potential mitigation. However, this issue is covered in greater detail in the Funding Strategy Statement.

The Fund is subject to some potentially material risks that are, to an extent, outside the Administering Authority's control, but could affect the funding level. Any material worsening of the funding level will mean more contributions are needed (either at an increased rate or at the same rate over a longer period) to be able to provide the benefits built up in the Fund – unless experience acts in other ways to improve the funding level.

Examples of such risks, and how the Administering Authority manages them, are:

- If 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 reviews, 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 any guarantor or all other employers in the Fund. If an employer terminates participation and becomes an Exiting Employer under the Regulations then the shortfall will be determined in line with advice from the Fund Actuary taking into account of the circumstances of the employer.
- If market levels and/or gilt yields change such that the liability values increase by more (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 below illustrates the quantitative impact of such changes.
- If future investment returns on assets are lower than assumed in the valuation, the Fund's assets will be lower, and the funding level worse, than expected. The Administering Authority has a process in place to monitor investment performance, and they review the Fund's investment strategy alongside each actuarial valuation to ensure it is consistent with the funding strategy adopted.
- If members make decisions around their options such that those decisions increase 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.

4.4. Sensitivity of funding position to changes in key assumptions

The value placed on the Fund's liabilities is critically dependent on the assumptions used to carry out the calculations. If future experience differs from the assumptions used, then the projected future funding level will be different from the level described above in section 4.1.

To illustrate how sensitive the funding level is to experience being different from the assumptions, the table below shows how the valuation results at 31 March 2013 would have differed given small changes in the key assumptions.

	Increase in shortfall at 31 March 2013 (£m)	Increase in the average future service contribution rate at 31 March 2013 (% of Pensionable Pay)
Discount rate reduces by 0.25%	+300	+1.2
Long-term inflation is 0.25% higher than assumed	+285	+1.2
Pensionable Salary growth is 0.5% higher than assumed	+128	Nil
Members live one year longer than assumed	+139	+0.3
Growth assets fall by 25%	+946	Nil

The same changes in the opposite direction would reduce the shortfall and the average future service contribution rate.

APPENDIX A

Assumptions

A.1. How the benefits are valued

In order to calculate the liabilities, there is a need to make assumptions about various factors that affect the cost of the benefits provided by the Fund – for example, how long members will live, or the future level of inflation. The table below explains the key assumptions being made in the valuation.

Assumption	Why it is important and how it impacts on the liabilities
Discount rate	<p>The majority of benefits in a pension scheme are paid many years in the future. In the period before the benefits are paid, the Administering Authority invests the funds held by the scheme with the aim of achieving a return on those funds. When calculating how much money is needed now to make these benefit payments, it is appropriate to make allowance for the investment return that is expected to be earned on these funds. This is known as “discounting”.</p> <p>The higher the investment return achieved, the less money needs to be set aside now to pay for benefits. The calculation reflects this by placing a lower value on the liabilities if the discount rate is higher.</p> <p>The discount rate adopted to set the Funding Target is derived by mapping projected cashflows arising from accrued benefits to a yield curve (which is based on market returns on UK Government gilt stocks and other instruments of varying durations), in order to derive a market consistent gilt yield for the profile and duration of the Scheme’s accrued liabilities. To this an Asset Out-performance Assumption (“AOA”) of 1.6% per annum is added to reflect the Fund’s actual investment strategy.</p> <p>Details of the discount rate used to calculate the cost of future service are detailed in section A.3.</p>

Assumption	Why it is important and how it impacts on the liabilities
Inflation	<p>Pensions in payment increase in line with price inflation. Salary growth is also normally linked to price inflation in the long term. A higher inflation assumption will, all other things being equal, lead to a higher value being placed on the liabilities.</p> <p>The inflation assumption will be taken to be the investment market's expectation for RPI inflation based on the difference between yields derived from conventional and index-linked UK Government gilts as at 31 March 2013, reflecting the profile and duration of the Scheme's accrued liabilities but subject to the following two adjustments.</p> <ul style="list-style-type: none"> • An allowance for supply/demand distortions in the bond market and • An adjustment due to retirement pensions being increased annually by the change in the Consumer Price Index rather than the Retail Price Index. <p>The overall reduction to market implied RPI inflation at the valuation date is 1.0% per annum, compared to 0.8% per annum in 2010. The increase in this assumption reflects a general increase in expectations of the long term difference between RPI and CPI. Of this 1% per annum reduction, 0.3% per annum relates to the "Inflation Risk Premium" i.e. representing the allowance for supply/demand distortions in the bond market.</p>
Pensionable Salary growth	<p>Benefits earned prior to 1 April 2014 for active members are based on their salaries immediately before retirement, so it is necessary to make an assumption about future Pensionable Salary growth. The higher this assumption, the higher the value placed on the liabilities for active members.</p> <p>The assumption for real salary increases in the long term is 1.5% p.a. over the CPI inflation assumption described above. This includes allowance for promotional increases. This has been modified from the assumption at the previous valuation (of 2.0% p.a. above CPI) to reflect reduced future expectations, averaged over the long-term, for real salary increases in the public sector.</p> <p>However, in the short term, salary increases are assumed to be lower to reflect expectations of further restraint on public sector pay. We have therefore assumed that salary increases for the first three years following the actuarial valuation will be 1% p.a.</p>
Pension increases	<p>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.</p>

Assumption	Why it is important and how it impacts on the liabilities
Life expectancy	<p data-bbox="651 371 1995 432">Pensions are paid while the member (and potentially their spouse or partner) is alive. The longer people live, the greater is the cost of providing a pension. Allowing for longer life expectancy therefore increases the liabilities.</p> <p data-bbox="651 475 1995 596">The mortality assumptions will be based on 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 are adjusted to reflect the Fund's membership profile and recent mortality experience, and are set out in the summary section below.</p> <p data-bbox="651 639 1995 761">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 an allowance for longevity 'improvement' year on year in the future in line with the 2012 CMI projections subject to a long-term improvement trend of 1.5% per annum, an increase from the 1.0% per annum assumed at the 2010 valuation.</p> <p data-bbox="651 804 1995 863">Members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 3 years older for current pensioners, and 4 years older for future pensioners.</p>
Commutation	<p data-bbox="651 879 1995 1007">It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take a 3/80ths cash sum (the standard for pre April 2008 service). The members have the option to commute part of their pension at retirement in return for a lump sum at a rate of £12 cash for each £1 per annum of pension given up.</p>

Assumption	Why it is important and how it impacts on the liabilities
Early retirements (non-ill health)	<p data-bbox="651 368 853 395">Active Members</p> <p data-bbox="651 403 2000 491">Joiners before 1 October 2006 with an eligible retirement age of 65 for receiving unreduced benefits earned prior to 1 April 2008 and all Joiners on or after 1 October 2006: Members are assumed to retire in normal health at age 65.</p> <p data-bbox="651 539 2000 627">Joiners before 1 October 2006 with an eligible retirement age of less than 65 for receiving unreduced benefits earned prior to 1 April 2008: Each member in this category is assumed to retire in normal health prior to age 65 in the proportions shown in section A.2.</p> <p data-bbox="651 675 2000 770">This assumption has changed since 2010, with members retiring at later ages on average (based on analysis of historic trends in the LGPS). The change in the assumption compared to that in 2010 is equivalent to an increase in the average assumed retirement age of around one year.</p> <p data-bbox="651 818 2000 970">For both the liability and Common Contribution Rate calculations, early retirement factors are applied where the assumed retirement age described above is below the member's eligible retirement age for unreduced benefits for the relevant tranche of service (i.e. pre 1 April 2008 and 1 April 2008 – 31 March 2013 for calculation of the liabilities, and 1 April 2013 – 31 March 2014 and post 1 April 2014 for the calculation of the Common Contribution Rate). Factors are in line with the standard Scheme factors produced by the Government Actuary's Department.</p> <p data-bbox="651 1002 887 1029">Deferred Members</p> <p data-bbox="651 1037 2000 1189">It has been assumed that deferred members retire at their earliest retirement age for receiving unreduced benefits. For pre 1 April 2008 service, the retirement age will be at some point between ages 60 and 65 depending on the length of a member's pensionable service and taking into account the "Rule of 85" provisions of the Regulations. For post 1 April 2008 service the retirement age will be 65, except for those members who have protected status under the transitional provisions.</p> <p data-bbox="651 1228 2000 1318">For both active and deferred members, 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.</p>

Assumption	Why it is important and how it impacts on the liabilities
Early retirements (ill-health)	<p>Members can retire before their normal retirement age due to ill-health in certain circumstances. There are three levels of ill-health retirement, with each giving rise to different levels of benefit.</p> <p>A small proportion of the active membership is assumed to retire due to ill-health, as set out in the table in the next section. In addition the proportion assumed to fall into each ill health tier is also shown.</p>
Proportions with dependants on death	<p>The Fund pays benefits to qualifying dependants (spouse/civil partner/dependent child) on the death of a member. Therefore, the proportion of members with a qualifying dependant impacts on the total cost of benefit provision, with a higher proportion of dependants meaning a higher cost. The valuation calculations assume a proportion of the active membership to retire in normal health prior to age 65, as set out in the table in section A.2.</p> <p>The proportion of members assumed to have a qualifying dependant has been increased compared to the 2010 valuation. The change is based on ONS statistics with an underpin at older ages, and allows for the estimated impact of an increase in the number of members with qualifying civil partners/dependants. The impact of this change is to increase the assumption by around 10% (but with the underpin at older ages remaining unchanged).</p>
Expenses	<p>Expenses are met out of the Fund, in accordance with the Regulations. Expenses of administration are 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.</p>
Discretionary benefits	<p>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.</p>
50:50 option	<p>From 1 April 2014 there is a 50:50 option available to members, whereby they can opt to receive 50% of the standard Fund benefits in return for paying 50% of the standard employee contributions. When calculating the average Common Contribution Rate for the whole fund we have made no allowance for active members to select this option. At individual employer level an allowance for take up of the 50:50 option is made as per the Funding Strategy Statement and the individual employer rates shown in the Rates & Adjustments Certificate have been adjusted accordingly.</p>

The liabilities of the Fund are calculated by projecting forward all of the future benefit cash flows and discounting them back to the effective date of the valuation, using these assumptions. For example, the liability for a single pensioner is calculated by estimating the amount of each pension payment they will receive in the future, multiplying by the probability that the member will be still be alive by the date of each payment, and then discounting each payment back to the effective date of the valuation; and then summing up all of these discounted amounts. The liabilities for the whole Fund are calculated by summing the liabilities for each of the individual members.

A.2. Assumptions used to calculate the funding target

The tables below summarise the key assumptions used in the calculation of the Funding Target and those used for the 31 March 2010 actuarial valuation.

Financial assumptions	31 March 2013	31 March 2010
Discount rate:	4.8 % p.a.	6.05% p.a.
Assumed long term CPI inflation	2.6 % p.a.	3.0 % p.a.
Salary increases – Long term	4.1 % p.a.	5.0 % p.a.
– Short term (3 years)	1.0 % p.a.	N/A
Pension increases in payment	2.6 % p.a.	3.0 % p.a.
Demographic assumptions		
	31 March 2013	31 March 2010
Pre retirement mortality – base table	AC00 tables with adjustments of 73% (male) and 60% (female) to reflect the Fund's membership profile	PA92 year of birth tables adjusted by +1 year to reflect the Fund's membership profile
Pre retirement mortality – future improvements:		
Males	N/A	Medium cohort projections

Demographic assumptions	31 March 2013	31 March 2010
Females	N/A	Medium cohort projections
Post retirement mortality – base table	CMI Self Administered Pension Schemes (SAPS) tables with scheme and member category specific adjustments (see further detail below)	CMI Self Administered Pension Schemes (SAPS) tables with scheme and member category specific adjustments (see further detail in 2010 valuation report)
Post retirement mortality – future improvements:		
Males	CMI_2012_M [1.5%]	CMI_2009_M [1%]
Females	CMI_2012_F [1.5%]	CMI_2009_F [1%]
Ill health retirement	(see further detail below)	(see 2010 valuation report)
Withdrawal	(see further detail below)	(see 2010 valuation report)
Proportions married	(see further detail below)	(see 2010 valuation report)

Post retirement mortality

		Base Table	Improvements	Adjustment (M / F)
Current pensioners	Normal health	S1PA	CMI_2012 [1.5%]	100% / 98%
	Ill-health	S1PA	CMI_2012 [1.5%]	Normal health + 3 years
	Dependants	S1PMA / S1DFA	CMI_2012 [1.5%]	158% / 115%
	Future dependants	S1PMA / S1DFA	CMI_2012 [1.5%]	114% / 105%
Current active / deferred	Active normal health	S1PA	CMI_2012 [1.5%]	100% / 98%
	Active ill-health	S1PA	CMI_2012 [1.5%]	Normal health + 4 years

	Base Table	Improvements	Adjustment (M / F)
Deferred	S1PA	CMI_2012 [1.5%]	100% / 98%
Future dependants	S1PMA / S1DFA	CMI_2012 [1.5%]	114% / 105%

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 “98%” weighting would mean beneficiaries have mortality rates 2% lower than the unadjusted table which increases the assessed value of the corresponding liabilities.

The mortality assumptions used for the 31 March 2013 valuation result in the following life expectancies.

	Years
Life expectancy for a male aged 65 now	22.7
Life expectancy at 65 for a male aged 45 now	24.9
Life expectancy for a female aged 65 now	25.2
Life expectancy at 65 for a female aged 45 now	27.6

Early retirement

For those members who are entitled to receive their accrued benefits (or part of those benefits) prior to the Fund's normal pension age, a proportion of the active membership is assumed to retire in normal health prior to age 65, as set out below:

% retiring per annum		
Age	Males	Females
60	10	20
61	8	15
62	8	15
63	8	15
64	8	15
65	100	100

The appropriate early retirement factors applied to the relevant tranche of benefits are in line with GAD guidance.

Ill health retirement

A small proportion of the active membership has been assumed to retire owing to ill health. As an example of the rates assumed, the following is an extract from the decrement table used:

% retiring per annum		
Age	Males	Females
35	0.03	0.03
45	0.09	0.09
55	0.41	0.36

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%

	Conditions	Benefits based on
Tier 1	No reasonable prospect of undertaking gainful employment before age 65	Accrued membership plus prospective membership to age 65
Tier 2	Unlikely to undertake gainful employment within 3 years, but likely to be able to before age 65	Accrued membership plus 25% of prospective membership to age 65
Tier 3	Likely to undertake gainful employment within 3 years	Accrued membership only. Reviews are made after 18 months.

Withdrawal

This assumption relates to those members who leave the scheme with an entitlement to a deferred pension or transfer value. It has been assumed that active members will leave the Scheme at the following sample rates:

% leaving per annum		
Age	Males	Females
25	13.50	14.92
35	3.39	4.18
45	1.69	2.59

Partners and Dependants Proportions

It has been assumed that the proportions of members below will on death give rise to a dependant's pension (spouse's and partner), and that spouses/partners of female (male) members are three years older (younger), on average than the member.

% spouse/partner		
Age	Males	Females
25	45	25
35	45	52
45	59	61
55	66	66
65	72	64

A.3. Assumptions used to calculate future service cost

The cost of future accrual (normal cost) has been calculated using the same actuarial assumptions as used to calculate the funding target and recovery plan as set out above except that the financial assumptions adopted are as described below.

The financial assumptions for assessing the future service contribution rate should take account of the 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 so the base yield is currently higher due to the shape of the yield curve.

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% per annum. This represents a reduction of 0.75% per annum compared to the 2010 valuation, to reflect the reduction in gilt yields (and so the increase in the expected cost of providing LGPS benefits) over the period. With a long term average assumption for price inflation of 2.6% per annum, this gives rise to an overall discount rate of 5.6% p.a.

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.

	31 March 2013	31 March 2010
Discount rate	5.6 % p.a.	6.75 % p.a.
Salary increases	4.1 % p.a.	5.0 % p.a.
Pension increases in payment	2.6 % p.a.	3.0 % p.a.

A.4. Assumptions used to calculate the contributions payable under the recovery plan

Post valuation improvements in market conditions

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, as noted in section 2.4, allowances has been made for post valuation date changes in the funding position where appropriate when determining the contributions payable to recover the shortfall. In terms of assumptions the major change is that the discount rate has increased by 0.4% per annum to 5.2% per annum.

Additionally, for certain employers which are considered by the Administering Authority to provide a high level of financial covenant and are required to increase contributions (compared to the 2014/15 levels that would have been payable under the previous valuation funding plan), a further allowance may be made as part of the recovery plan for yields to revert to higher levels over a period of 5 years. In isolation, the effect of this allowance is to reduce the funding deficit by primarily lowering the value of the Fund's projected liabilities over time, thus reducing the level of deficit contributions required by the employer during the recovery period, roughly equivalent to allowing for an increase in discount rate of 0.5% p.a. as at 31 August 2013. However, employers which make use of this allowance would be required to continue to pay at least what they would have paid under the existing 2010 valuation contributions plan.

APPENDIX B

Summary membership data

The membership data is summarised in the table, with figures at the previous valuation shown for comparison.

Data in relation to members of the Fund were supplied by the Administering Authority. The accuracy of the data provided has been relied on. While reasonableness checks on the data have been carried out, they do not guarantee the completeness or the accuracy of the data. Consequently Mercer does not accept any liability in respect of its advice where it has relied on data that is incomplete or inaccurate.

In addition to the current pensioners and spouses in the table, there were 433 current dependant pensioners as at 31 March 2013 with pensions totalling £544,216 per annum.

	31 March 2013	31 March 2010
Active members		
Number	51,439	50,595
Total Pensionable Salaries (£000s p.a.) ¹	854,743	847,620
Average Pensionable Salary (£ p.a.)	16,617	16,753
Average age ²	49.2	49.1
Average past service ³	10.5	11.3
Deferred pensioners⁴		
Number	52,039	42,124
Total deferred pensions revalued to valuation date (£000s p.a.)	60,697	43,398
Average deferred pension (£ p.a.)	1,166	1,030
Average age ²	48.3	47.8
Current Pensioners and Spouses		
Number	40,682	35,907
Total pensions payable (£000s p.a.)	183,461	146,139
Average Pension	4,510	4,070
Average Age ²	69.6	69.3

¹ Including actual pay for part time members

² Weighted by accrued pension/deferred pension/pension

³ Weighted by salary

⁴ Including frozen refunds

APPENDIX C

Assets

The market value of the Fund's assets was £5,011.0m on the valuation date.

The Administering Authority's investment strategy is to proportion the Fund's assets by asset class as shown in the table below. The actual distribution of assets will vary over time due to changes in financial markets. The table also shows the distribution of assets at the valuation date.

The Administering Authority also holds additional voluntary contributions (AVCs), which are separately invested. These assets have been excluded from the market value shown as they exactly match the value of the benefits they cover.

	Actual market value of assets at 31 March 2013	
	£m	%
Fixed interest securities	843.6	16.8
Equities	1,749.3	34.9
Index linked securities	164.9	3.3
Pooled investments	1,601.2	32.0
Property	434.9	8.7
Forward currency contracts	3.0	0.1
Cash & investment accruals	192.1	3.8
Net current assets/(liabilities)	22.0	0.4
Total	5,011.0	100.0

The details of the assets at the valuation date and the financial transactions during the inter-valuation period have been obtained from the audited accounts for the Fund. Details of the investment strategy can be found in the Statement of Investment Principles.

APPENDIX D

Scheme Benefits

The benefits valued within our calculations are those in force at the effective date of the valuation. Full details of these can be found in the Local Government Pension Scheme Regulations 2007/2008 (as amended). The principal regulations relating to benefits earned up to 31 March 2014 are:

The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007
(<http://timeline.lge.gov.uk/LGPS2008Regs/SI20121989/20071166.htm>)

The Local Government Pension Scheme (Administration) Regulations 2008
(<http://timeline.lge.gov.uk/LGPS2008Regs/SI20121989/20080239.htm>)

The Local Government Pension Scheme (Transitional Provisions) Regulations 2008
(<http://timeline.lge.gov.uk/LGPS2008Regs/SI20121989/20080238.htm>)

The benefits offered under the LGPS will change with effect from 1 April 2014, and the regulations relating to benefits earned after that date are:

The Local Government Pension Scheme Regulations 2013 (<http://www.legislation.gov.uk/ukSI/2013/2356/contents/made>)

The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
(<http://www.legislation.gov.uk/ukSI/2014/525/contents/made>)

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

The benefits arising from the award of compensatory added years (CAY) of service on premature retirement have been treated as follows:

- The general position is that the CAY benefits (together with associated pension increases) are recharged to the relevant employer. These benefits are therefore excluded from the valuation. However, in cases where an employer has opted to discharge part or all of their liability in respect of CAY and convert them instead into benefits payable from the Fund, this has been allowed for when assessing the contribution requirements. Where appropriate, the contributions certified in the Rates and Adjustments Certificate allow for the additional costs.

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.

APPENDIX F

Analysis of experience of the membership of the Fund for the period 1 April 2010 to 31 March 2013

The analysis below compares the actual experience over the 3 year period with the assumptions used for the 2013 valuation.

	Actual	Expected	%
Ill Health Retirements	324	325	100
Withdrawals	17,415	4,991	349
Pensioner Deaths	3,478	2,974	117

Note that actual withdrawals can include members moving to another LGPS Fund, bulk transfers and also transfers under the special transfer club terms.

APPENDIX G

Rates and Adjustments Certificate issued in accordance with Regulation 36 of the Administration Regulations

Name of Fund

Lancashire County Pension Fund

Primary Contribution Requirements

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 2014 should be at the rate of 13.1 per cent of Pensionable Pay (including those in respect of members of the LGPS under the 50:50 option).

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 2014, as set out above, should be individually adjusted as set out in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically) unless otherwise noted in a separate agreement with an individual employer, and the contributions in the attached schedule take account of any such agreements.

Further Adjustments

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

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

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

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

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

Regulation 36(8)

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

Signature:



Date of signing: 31 March 2014

Name: John Livesey

Qualification: Fellow of the Institute and Faculty of Actuaries

APPENDIX H

Schedule to the Rates and Adjustment Certificate dated 31 March 2014

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Academy at Worden	1.4% plus £12,100	14.5% plus £12,100	1.4% plus £12,600	14.5% plus £12,600	1.4% plus £13,100	14.5% plus £13,100
Accrington & Rossendale College	0.0% plus £254,200	13.1% plus £254,200	0.0% plus £285,700	13.1% plus £285,700	0.0% plus £317,600	13.1% plus £317,600
Accrington Academy	-2.6%	10.5%	-2.6%	10.5%	-2.6%	10.5%
Albany Academy	2.2% plus £21,800	15.3% plus £21,800	2.2% plus £22,700	15.3% plus £22,700	2.2% plus £23,600	15.3% plus £23,600
All Saints C.E. Primary School (Academy)	-2.5% plus £13,700	10.6% plus £13,700	-2.5% plus £14,300	10.6% plus £14,300	-2.5% plus £14,900	10.6% plus £14,900
Alternative Futures Group Ltd	-9.3%	3.8%	-9.3%	3.8%	-9.3%	3.8%
Andron	0.8%	13.9%	0.8%	13.9%	0.8%	13.9%
Andron (Kennington Primary School)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Andron (Ribblesdale High School)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Arnold Schools Ltd	6.5% plus £22,900	19.6% plus £22,900	6.5% plus £23,800	19.6% plus £23,800	6.5% plus £24,800	19.6% plus £24,800

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Bacup Rawtenstall GS (Academy)	0.6% plus £20,500	13.7% plus £20,500	0.6% plus £21,300	13.7% plus £21,300	0.6% plus £22,200	13.7% plus £22,200
Balfour Beatty (Blakewater/Crosshill)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Balfour Beatty (Pleckgate School)	0.5%	13.6%	0.5%	13.6%	0.5%	13.6%
Balfour Beatty Ltd (Darwen Vale)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Balfour Beatty Ltd (Witton Park Cleaning)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Belthorn Primary Academy	4.3% plus £3,700	17.4% plus £3,700	4.3% plus £5,600	17.4% plus £5,600	4.3% plus £7,500	17.4% plus £7,500
Bishop Rawstome High Academy	1.9% plus £19,100	15.0% plus £19,100	1.9% plus £23,500	15.0% plus £23,500	1.9% plus £27,900	15.0% plus £27,900
Blackburn College	-1.0% plus £215,200	12.1% plus £215,200	-1.0% plus £225,200	12.1% plus £225,200	-1.0% plus £235,500	12.1% plus £235,500
Blackburn St Mary's	-0.1% plus £19,500	13.0% plus £19,500	-0.1% plus £23,400	13.0% plus £23,400	-0.1% plus £27,400	13.0% plus £27,400
Blackburn With Darwen Borough Council	-0.7% plus £4,403,900	12.4% plus £4,403,900	-0.7% plus £4,584,500	12.4% plus £4,584,500	-0.7% plus £4,772,500	12.4% plus £4,772,500
Blackpool & The Fylde College	-0.8% plus £358,400	12.3% plus £358,400	-0.8% plus £373,100	12.3% plus £373,100	-0.8% plus £388,400	12.3% plus £388,400
Blackpool Airport (post 07/04)	6.7% plus £9,000	19.8% plus £9,000	6.7% plus £13,200	19.8% plus £13,200	6.7% plus £17,500	19.8% plus £17,500

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Blackpool Borough Council - excluding schools	-0.8% plus £2,667,000	12.3% plus £2,667,000	-0.8% plus £2,926,000	12.3% plus £2,926,000	-0.8% plus £3,190,000	12.3% plus £3,190,000
Blackpool Borough Council - schools	5.0%	18.1%	5.9%	19.0%	6.8%	19.9%
Blackpool Coastal Housing	-1.5%	11.6%	-1.5%	11.6%	-1.5%	11.6%
Blackpool Fylde Wyre Society for the Blind	7.5% plus £97,300*	20.6% plus £97,300*	7.5%	20.6%	7.5%	20.6%
Blackpool MAT (Anchorholme Academy)	-0.8% plus £27,500	12.3% plus £27,500	-0.8% plus £28,600	12.3% plus £28,600	-0.8% plus £29,800	12.3% plus £29,800
Blackpool MAT (Devonshire Academy)	-0.8% plus £29,600	12.3% plus £29,600	-0.8% plus £30,800	12.3% plus £30,800	-0.8% plus £32,100	12.3% plus £32,100
Blackpool MAT (Park Academy)	-0.8% plus £33,800	12.3% plus £33,800	-0.8% plus £35,200	12.3% plus £35,200	-0.8% plus £36,600	12.3% plus £36,600
Blackpool Sixth Form College	-3.2% plus £4,800	9.9% plus £4,800	-3.2% plus £5,000	9.9% plus £5,000	-3.2% plus £5,200	9.9% plus £5,200
Blackpool Transport Services Ltd	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Blackpool Zoo (Grant Leisure)	5.6%	18.7%	5.6%	18.7%	5.6%	18.7%
Bootstrap Enterprises Ltd	-7.8%	5.3%	-7.8%	5.3%	-7.8%	5.3%
Bowland High Academy Trust	2.8% plus £16,500	15.9% plus £16,500	2.8% plus £22,200	15.9% plus £22,200	2.8% plus £27,900	15.9% plus £27,900
Bulloughs (Our Lady)	4.4%	17.5%	4.4%	17.5%	4.4%	17.5%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Bulloughs (St Augustines)	0.4%	13.5%	0.4%	13.5%	0.4%	13.5%
Bulloughs (St Mary's)	-2.9%	10.2%	-2.9%	10.2%	-2.9%	10.2%
Bulloughs (Whalley Primary)	2.4%	15.5%	3.0%	16.1%	3.7%	16.8%
Bulloughs Cleaning (our lady0	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Burnley Borough Council	0.2% plus £1,365,500	13.3% plus £1,365,500	0.2% plus £1,421,500	13.3% plus £1,421,500	0.2% plus £1,479,800	13.3% plus £1,479,800
Burnley College	-0.4% plus £84,900	12.7% plus £84,900	-0.4% plus £111,200	12.7% plus £111,200	-0.4% plus £137,600	12.7% plus £137,600
Burscough Parish Council	TBC	TBC	TBC	TBC	TBC	TBC
Calico Housing Ltd	-0.8% plus £223,600	12.3% plus £223,600	-0.8% plus £232,800	12.3% plus £232,800	-0.8% plus £242,300	12.3% plus £242,300
Capita (transfer from Rossendale B.C)	5.6% plus £2,200	18.7% plus £2,200	5.6% plus £5,300	18.7% plus £5,300	5.6% plus £8,400	18.7% plus £8,400
CAPITA Business Services	5.0% plus £258,500	18.1% plus £258,500	5.0% plus £311,100	18.1% plus £311,100	5.0% plus £364,200	18.1% plus £364,200
Cardinal Newman College	0.0% plus £46,500	13.1% plus £46,500	0.0% plus £48,400	13.1% plus £48,400	0.0% plus £50,400	13.1% plus £50,400
Caritas Care Limited	1.9% plus £67,500	15.0% plus £67,500	1.9% plus £70,300	15.0% plus £70,300	1.9% plus £73,200	15.0% plus £73,200
Caterlink Limited (pleckgate catering)	6.6%	19.7%	6.6%	19.7%	6.6%	19.7%
Caterlink Ltd (Ripley St Thomas)	4.9%	18.0%	4.9%	18.0%	4.9%	18.0%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Catterall Parish Council	8.2%	21.3%	8.2%	21.3%	8.2%	21.3%
CG Cleaning (Heysham High)	0.7%	13.8%	0.7%	13.8%	0.7%	13.8%
CG Cleaning (St James the Less)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
CG Cleaning Ltd (Balladen)	4.9%	18.0%	4.9%	18.0%	4.9%	18.0%
CG Cleaning Ltd (St Patrick's)	3.5%	16.6%	3.5%	16.6%	3.5%	16.6%
Chorley Borough Council	-2.0% plus £709,600	11.1% plus £709,600	-2.0% plus £831,900	11.1% plus £831,900	-2.0% plus £955,600	11.1% plus £955,600
Chorley Community Housing Ltd	1.5%	14.6%	2.0%	15.1%	2.5%	15.6%
Church Road Day Care Unit	12.7% plus £3,100	25.8% plus £3,100	12.7% plus £11,900	25.8% plus £11,900	12.7% plus £20,700	25.8% plus £20,700
Clitheroe Royal Grammar School (Academy)	2.9% plus £43,100	16.0% plus £43,100	2.9% plus £51,500	16.0% plus £51,500	2.9% plus £60,000	16.0% plus £60,000
Community and Business Partnership	-0.3%	12.8%	-0.3%	12.8%	-0.3%	12.8%
Community Council of Lancs	7.7% plus £4,400	20.8% plus £4,400	7.7% plus £9,200	20.8% plus £9,200	7.7% plus £13,900	20.8% plus £13,900
Community Gateway Association Ltd	1.8% plus £16,300	14.9% plus £16,300	1.8% plus £20,600	14.9% plus £20,600	1.8% plus £24,900	14.9% plus £24,900
Consultant Caterers Ltd	4.1%	17.2%	4.1%	17.2%	4.1%	17.2%
Contour Housing Group	-6.5%	6.6%	-6.5%	6.6%	-6.5%	6.6%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Creative Support Ltd	-5.2%	7.9%	-5.2%	7.9%	-5.2%	7.9%
Creative Support Ltd (Midway)	1.1%	14.2%	1.2%	14.3%	1.3%	14.4%
CX Ltd	-1.5%	11.6%	-1.5%	11.6%	-1.5%	11.6%
Darwen Aldridge Community Academy	-1.5%	11.6%	-1.5%	11.6%	-1.5%	11.6%
Darwen Town Council	TBC	TBC	TBC	TBC	TBC	TBC
E ON UK PLC	0.0%	13.1%	0.0%	13.1%	0.0%	13.1%
Edge Hill University	-0.7% plus £660,200	12.4% plus £660,200	-0.7% plus £853,900	12.4% plus £853,900	-0.7% plus £1,049,300	12.4% plus £1,049,300
Elite Cleaning and Environment	-0.6%	12.5%	-0.6%	12.5%	-0.6%	12.5%
Enterprise Managed Services	2.8% plus £4,600	15.9% plus £4,600	2.8% plus £4,800	15.9% plus £4,800	2.8% plus £5,000	15.9% plus £5,000
Eric Wright (Highfield HS Catering)	5.6%	18.7%	5.6%	18.7%	5.6%	18.7%
Eric Wright (Highfield HS Site supervisors)	5.6%	18.7%	5.6%	18.7%	5.6%	18.7%
Four Seasons Health Care Group	-2.8%	10.3%	-2.8%	10.3%	-2.8%	10.3%
Fulwood Academy	-1.7%	11.4%	-1.5%	11.6%	-1.3%	11.8%
Fylde Borough Council	-0.6% plus £484,500	12.5% plus £484,500	-0.6% plus £512,900	12.5% plus £512,900	-0.6% plus £542,000	12.5% plus £542,000
Fylde Coast Academy Trust	-8.5%	4.6%	-8.5%	4.6%	-8.5%	4.6%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Fylde Coast Academy Trust MAT (Unity Academy)	-0.8% plus £55,300	12.3% plus £55,300	-0.8% plus £57,600	12.3% plus £57,600	-0.8% plus £60,000	12.3% plus £60,000
Fylde Coast YMCA	-10.1%	3.0%	-10.1%	3.0%	-10.1%	3.0%
Fylde Community Link	1.4% plus £7,400	14.5% plus £7,400	1.4% plus £8,000	14.5% plus £8,000	1.4% plus £8,500	14.5% plus £8,500
Galloways Society for Blind	5.1% plus £10,300	18.2% plus £10,300	5.1% plus £13,400	18.2% plus £13,400	5.1% plus £16,400	18.2% plus £16,400
Garstang Community Academy	2.7% plus £20,700	15.8% plus £20,700	2.7% plus £25,900	15.8% plus £25,900	2.7% plus £31,100	15.8% plus £31,100
Garstang Town Council	0.9%	14.0%	0.9%	14.0%	0.9%	14.0%
Habergham Eaves Parish Council	TBC	TBC	TBC	TBC	TBC	TBC
Hambleton Primary Academy	-1.7% plus £6,200	11.4% plus £6,200	-1.7% plus £6,500	11.4% plus £6,500	-1.7% plus £6,900	11.4% plus £6,900
Hawes Side Academy	1.7% plus £14,300	14.8% plus £14,300	1.7% plus £15,700	14.8% plus £15,700	1.7% plus £17,100	14.8% plus £17,100
Hodgson Academy	2.8% plus £28,900	15.9% plus £28,900	2.8% plus £36,500	15.9% plus £36,500	2.8% plus £44,100	15.9% plus £44,100
Housing Pendle Ltd	1.3% plus £3,200	14.4% plus £3,200	1.3% plus £8,700	14.4% plus £8,700	1.3% plus £14,200	14.4% plus £14,200
Hyndburn Borough Council	-0.5% plus £816,500	12.6% plus £816,500	-0.5% plus £850,000	12.6% plus £850,000	-0.5% plus £884,900	12.6% plus £884,900
Hyndburn Homes Ltd	1.1%	14.2%	1.3%	14.4%	1.5% plus £800	14.6% plus £800
I Care	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Jewson Ltd (Chorley Homes)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Kirkham Grammar School	2.5% plus £17,600	15.6% plus £17,600	2.5% plus £22,200	15.6% plus £22,200	2.5% plus £26,900	15.6% plus £26,900
Kirkland Parish Council	9.5%	22.6%	9.5%	22.6%	9.5%	22.6%
Lancashire Care Foundation Trust	TBC	TBC	TBC	TBC	TBC	TBC
Lancashire County Branch Unison	4.4% plus £1,900	17.5% plus £1,900	4.4% plus £2,000	17.5% plus £2,000	4.4% plus £2,100	17.5% plus £2,100
Lancashire County Council - excluding schools	-0.5% plus £15,353,000	12.6% plus £15,353,000	-0.5% plus £15,982,000	12.6% plus £15,982,000	-0.5% plus £16,638,000	12.6% plus £16,638,000
Lancashire County Council - schools	6.9%	20.0%	7.2%	20.3%	7.6%	20.7%
Lancashire Probation Committee	6.0%	19.1%	N/A	N/A	N/A	N/A
Lancaster & Morecambe College	-0.1% plus £129,300	13.0% plus £129,300	-0.1% plus £134,600	13.0% plus £134,600	-0.1% plus £140,100	13.0% plus £140,100
Lancaster City Council	-0.1% plus £1,015,100	13.0% plus £1,015,100	-0.1% plus £1,056,700	13.0% plus £1,056,700	-0.1% plus £1,100,000	13.0% plus £1,100,000
Lancaster Girls Grammar School (Academy)	3.3% plus £32,800	16.4% plus £32,800	3.3% plus £34,100	16.4% plus £34,100	3.3% plus £35,500	16.4% plus £35,500
Lancaster Royal Grammar School (Academy)	3.0% plus £49,200	16.1% plus £49,200	3.0% plus £55,500	16.1% plus £55,500	3.0% plus £61,800	16.1% plus £61,800

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Lancaster University	-0.7% plus £561,900	12.4% plus £561,900	-0.7% plus £648,000	12.4% plus £648,000	-0.7% plus £735,200	12.4% plus £735,200
Lancs Fire and Rescue Service	-0.3% plus £229,500	12.8% plus £229,500	-0.3% plus £238,900	12.8% plus £238,900	-0.3% plus £248,700	12.8% plus £248,700
Lancs Sports Partners Ltd	-4.3%	8.8%	-4.3%	8.8%	-4.3%	8.8%
Lancs Workforce Development Partnership	2.5% plus £700	15.6% plus £700	2.5% plus £700	15.6% plus £700	2.5% plus £700	15.6% plus £700
Langdale Free School	-0.8% plus £1,200	12.3% plus £1,200	-0.8% plus £1,200	12.3% plus £1,200	-0.8% plus £1,200	12.3% plus £1,200
Leisure in Hyndburn	-1.3% plus £45,600	11.8% plus £45,600	-1.3% plus £50,000	11.8% plus £50,000	-1.3% plus £54,500	11.8% plus £54,500
Lend Lease construction EMEA	-0.5%	12.6%	-0.5%	12.6%	-0.5%	12.6%
Liberata UK Ltd (Chorley)	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Liberata UK Ltd (Pendle)	4.8% plus £51,000	17.9% plus £51,000	4.8% plus £53,100	17.9% plus £53,100	4.8% plus £55,300	17.9% plus £55,300
Lostock Hall Academy Trust	2.6% plus £21,200	15.7% plus £21,200	2.6% plus £25,200	15.7% plus £25,200	2.6% plus £29,400	15.7% plus £29,400
Lowther Pavilions and Gardens	-13.1%	0.0%	-13.1%	0.0%	-13.1%	0.0%
Lytham Schools Foundation	3.4% plus £12,000	16.5% plus £12,000	3.4% plus £12,500	16.5% plus £12,500	3.4% plus £13,000	16.5% plus £13,000
Mack Trading Ltd	3.8%	16.9%	3.8%	16.9%	3.8%	16.9%
Maharishi School (Free School)	3.6%	16.7%	3.6%	16.7%	3.6%	16.7%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Marketing Lancashire Ltd	-0.2% plus £3,300	12.9% plus £3,300	-0.2% plus £5,100	12.9% plus £5,100	-0.2% plus £7,000	12.9% plus £7,000
May Gurney Fleet & Passenger Services Limited	-0.8%	12.3%	-0.8%	12.3%	-0.8%	12.3%
Mellor's (Bishop Rawstone)	4.5%	17.6%	4.5%	17.6%	4.5%	17.6%
Mellor's (Hambleton Primary)	7.3%	20.4%	8.6%	21.7%	9.8%	22.9%
Mellor's (Worden Sports College)	-1.4%	11.7%	-1.4%	11.7%	-1.4%	11.7%
Mellors Catering (Brinscall St John)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Mellors Catering (Fulwood Academy)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Mellors Catering (Parbold)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Mellors Catering (Trinity, St Michaels)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Montgomery High School Academy	-1.7% plus £48,700	11.4% plus £48,700	-1.7% plus £50,700	11.4% plus £50,700	-1.7% plus £52,800	11.4% plus £52,800
Moorside Community PS Academy	-0.5% plus £16,200	12.6% plus £16,200	-0.5% plus £16,900	12.6% plus £16,900	-0.5% plus £17,600	12.6% plus £17,600
Morecambe Town Council	1.7%	14.8%	1.7%	14.8%	1.7%	14.8%
Myerscough College	-1.6% plus £133,400	11.5% plus £133,400	-1.6% plus £167,800	11.5% plus £167,800	-1.6% plus £202,600	11.5% plus £202,600

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Nelson and Colne College	-0.6% plus £84,600	12.5% plus £84,600	-0.6% plus £88,100	12.5% plus £88,100	-0.6% plus £91,700	12.5% plus £91,700
New Fylde Housing Ltd	11.3% plus £116,900	24.4% plus £116,900	11.3% plus £121,700	24.4% plus £121,700	11.3% plus £126,700	24.4% plus £126,700
NIC Services Group Ltd	2.6%	15.7%	3.4%	16.5%	4.1%	17.2%
Norbreck Primary Academy	1.8% plus £14,500	14.9% plus £14,500	1.8% plus £16,300	14.9% plus £16,300	1.8% plus £18,200	14.9% plus £18,200
NSL Ltd (Lancaster)	-3.4%	9.7%	-3.4%	9.7%	-3.4%	9.7%
NW Inshore Fisheries	2.6% plus £27,000	15.7% plus £27,000	2.6% plus £28,100	15.7% plus £28,100	2.6% plus £29,300	15.7% plus £29,300
Office of the Police and Crime Commissioner	-1.6% plus £2,900,000	11.5% plus £2,900,000	-1.6% plus £2,900,000	11.5% plus £2,900,000	-1.6% plus £2,900,000	11.5% plus £2,900,000
Old Laund Both Parish Council	TBC	TBC	TBC	TBC	TBC	TBC
Parbold Douglas C.E. Academy	2.1% plus £5,700	15.2% plus £5,700	2.1% plus £7,500	15.2% plus £7,500	2.1% plus £9,400	15.2% plus £9,400
Parklands High School Academy	1.8% plus £20,900	14.9% plus £20,900	1.8% plus £21,800	14.9% plus £21,800	1.8% plus £22,700	14.9% plus £22,700
Pendle Borough Council	-0.9% plus £1,247,800	12.2% plus £1,247,800	-0.9% plus £1,299,000	12.2% plus £1,299,000	-0.9% plus £1,352,300	12.2% plus £1,352,300
Pendle Education Trust - Colne Primet	2.3% plus £17,500	15.4% plus £17,500	2.3% plus £18,200	15.4% plus £18,200	2.3% plus £18,900	15.4% plus £18,900
Pendle Education Trust - Walter St	0.8% plus £15,800	13.9% plus £15,800	0.8% plus £16,400	13.9% plus £16,400	0.8% plus £17,100	13.9% plus £17,100

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Pendle Leisure Trust Ltd	-1.3% plus £30,400	11.8% plus £30,400	-1.3% plus £31,600	11.8% plus £31,600	-1.3% plus £32,900	11.8% plus £32,900
Penwortham Priory Academy	1.7% plus £18,500	14.8% plus £18,500	1.7% plus £19,300	14.8% plus £19,300	1.7% plus £20,100	14.8% plus £20,100
Penwortham Town Council	-0.3%	12.8%	-0.3%	12.8%	-0.3%	12.8%
Pilling Parish Council	11.2%	24.3%	11.2%	24.3%	11.2%	24.3%
Places for People	2.8%	15.9%	2.8%	15.9%	2.8%	15.9%
Preesall Town Council	TBC	TBC	TBC	TBC	TBC	TBC
Preston Care and Repair	7.7% plus £600	20.8% plus £600	7.7% plus £600	20.8% plus £600	7.7% plus £600	20.8% plus £600
Preston City Council	-0.3% plus £1,233,600	12.8% plus £1,233,600	-0.3% plus £1,385,600	12.8% plus £1,385,600	-0.3% plus £1,540,100	12.8% plus £1,540,100
Preston College	-1.4% plus £304,000	11.7% plus £304,000	-1.4% plus £316,500	11.7% plus £316,500	-1.4% plus £329,500	11.7% plus £329,500
Preston Council for Vol Servic	11.5%	24.6%	12.0% plus £1,000	25.1% plus £1,000	12.0% plus £2,200	25.1% plus £2,200
Progress Housing Group	2.8% plus £160,300	15.9% plus £160,300	2.8% plus £166,900	15.9% plus £166,900	2.8% plus £173,700	15.9% plus £173,700
Progress Recruitments (se) Ltd	-3.2%	9.9%	-3.2%	9.9%	-3.2%	9.9%
Queen Elizabeth's Grammar School	7.1% plus £15,600	20.2% plus £15,600	7.1% plus £23,900	20.2% plus £23,900	7.1% plus £32,300	20.2% plus £32,300
Ribble Valley Borough Council	0.9% plus £195,900	14.0% plus £195,900	0.9% plus £203,900	14.0% plus £203,900	0.9% plus £212,300	14.0% plus £212,300
Ribble Valley Homes Ltd	2.7%	15.8%	2.7%	15.8%	2.7%	15.8%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Ripley St Thomas C.E. (Academy)	2.9% plus £34,200	16.0% plus £34,200	2.9% plus £39,900	16.0% plus £39,900	2.9% plus £45,600	16.0% plus £45,600
Roseacre Primary Academy	0.3% plus £18,500	13.4% plus £18,500	0.3% plus £19,300	13.4% plus £19,300	0.3% plus £20,100	13.4% plus £20,100
Rosendale Borough Council	0.9% plus £955,000	14.0% plus £955,000	0.9% plus £994,200	14.0% plus £994,200	0.9% plus £1,035,000	14.0% plus £1,035,000
Rosendale Leisure Trust	1.4% plus £10,100	14.5% plus £10,100	1.4% plus £10,500	14.5% plus £10,500	1.4% plus £10,900	14.5% plus £10,900
Rosendale Transport Ltd	12.1% plus £74,600	25.2% plus £74,600	12.1% plus £110,100	25.2% plus £110,100	12.1% plus £145,700	25.2% plus £145,700
Runshaw College	-0.3% plus £140,200	12.8% plus £140,200	-0.3% plus £145,900	12.8% plus £145,900	-0.3% plus £151,900	12.8% plus £151,900
School Lettings Solutions	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Service Alliance Ltd (Altham)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
Service Alliance Ltd (RCC)	6.0%	19.1%	6.0%	19.1%	6.0%	19.1%
South Ribble Borough Council	-0.4% plus £1,778,200*	12.7% plus £1,778,200*	-0.4%	12.7%	-0.4%	12.7%
South Ribble Community Leisure	-1.2% plus £73,800	11.9% plus £73,800	-1.2% plus £78,300	11.9% plus £78,300	-1.2% plus £83,000	11.9% plus £83,000
South Shore Academy	-0.8% plus £48,800	12.3% plus £48,800	-0.8% plus £50,800	12.3% plus £50,800	-0.8% plus £52,900	12.3% plus £52,900
St Annes on Sea Town Council	0.0%	13.1%	0.0%	13.1%	0.0%	13.1%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
St Christopher's C.E. (Academy)	0.6% plus £60,700	13.7% plus £60,700	0.6% plus £67,600	13.7% plus £67,600	0.6% plus £74,600	13.7% plus £74,600
St Michael's C.E. High (Academy)	5.7% plus £10,400	18.8% plus £10,400	5.7% plus £20,700	18.8% plus £20,700	5.7% plus £31,100	18.8% plus £31,100
St Wilfrid's C.E. Academy	0.7% plus £82,200	13.8% plus £82,200	0.7% plus £85,600	13.8% plus £85,600	0.7% plus £89,100	13.8% plus £89,100
Superclean	4.1%	17.2%	4.1%	17.2%	4.1%	17.2%
Sure Start Hyndburn	-0.7% plus £6,200	12.4% plus £6,200	-0.7% plus £13,400	12.4% plus £13,400	-0.7% plus £20,700	12.4% plus £20,700
Tarleton Academy	1.2% plus £22,800	14.3% plus £22,800	1.2% plus £26,700	14.3% plus £26,700	1.2% plus £30,700	14.3% plus £30,700
Tauheedul Free Schools Trust	-5.1%	8.0%	-5.1%	8.0%	-5.1%	8.0%
Tauheedul FST (Olive School Blackburn)	-0.7%	12.4%	-0.7%	12.4%	-0.7%	12.4%
Tauheedul FST (Olive School London)	-0.7%	12.4%	-0.7%	12.4%	-0.7%	12.4%
Tauheedul Islam Boys Free School	-6.5%	6.6%	-6.5%	6.6%	-6.5%	6.6%
Thames Primary Academy	-1.6% plus £25,000	11.5% plus £25,000	-1.6% plus £26,000	11.5% plus £26,000	-1.6% plus £27,100	11.5% plus £27,100
The Heights Free School	-0.7% plus £24,800	12.4% plus £24,800	-0.7% plus £25,800	12.4% plus £25,800	-0.7% plus £26,900	12.4% plus £26,900
The Lancashire Colleges Ltd	4.7%	17.8%	4.7%	17.8%	4.7%	17.8%

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
The Ormerod Home Trust Ltd	6.9% plus £19,100	20.0% plus £19,100	6.9% plus £26,400	20.0% plus £26,400	6.9% plus £33,800	20.0% plus £33,800
Twin Valley Homes Ltd	0.3% plus £157,600	13.4% plus £157,600	0.3% plus £164,100	13.4% plus £164,100	0.3% plus £170,800	13.4% plus £170,800
University of Central Lancashire	-1.0% plus £1,444,400	12.1% plus £1,444,400	-1.0% plus £1,503,600	12.1% plus £1,503,600	-1.0% plus £1,565,200	12.1% plus £1,565,200
University of Cumbria	-1.8% plus £884,000	11.3% plus £884,000	-1.8% plus £914,100	11.3% plus £914,100	-1.8% plus £945,400	11.3% plus £945,400
Vita Lend Lease (BSF ICT)	-0.6%	12.5%	-0.6%	12.5%	-0.6%	12.5%
Vita Lend Lease Ltd	3.3%	16.4%	3.3%	16.4%	3.3%	16.4%
Waterloo Primary Academy	0.5% plus £25,300	13.6% plus £25,300	0.5% plus £26,300	13.6% plus £26,300	0.5% plus £27,400	13.6% plus £27,400
Wensley Fold CE Primary Academy	-0.7% plus £13,500	12.4% plus £13,500	-0.7% plus £14,100	12.4% plus £14,100	-0.7% plus £14,700	12.4% plus £14,700
West Lancashire Borough Council	0.6% plus £841,100	13.7% plus £841,100	0.6% plus £980,500	13.7% plus £980,500	0.6% plus £1,121,700	13.7% plus £1,121,700
West Lancs Community Leisure	-0.7%	12.4%	-0.4%	12.7%	-0.1%	13.0%
Westcliff Primary School (Academy)	1.2% plus £8,500	14.3% plus £8,500	1.2% plus £10,000	14.3% plus £10,000	1.2% plus £11,500	14.3% plus £11,500
Whitworth Town Council	-1.3% plus £1,700	11.8% plus £1,700	-1.3% plus £2,000	11.8% plus £2,000	-1.3% plus £2,400	11.8% plus £2,400
Wyre Borough Council	0.6% plus £764,900	13.7% plus £764,900	0.6% plus £796,300	13.7% plus £796,300	0.6% plus £828,900	13.7% plus £828,900

Employers	2014/15		2015/16		2016/17	
	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %	Individual Adjustment %	Total Contribution Rate %
Wyre Housing Association	5.2% plus £148,400	18.3% plus £148,400	5.2% plus £198,500	18.3% plus £198,500	5.2% plus £249,000	18.3% plus £249,000

Former Employers	Proportion of Pension Increases to be Recharged %
Blackpool & Fylde Society for the Deaf	100
Burnley & Pendle Development Association	100
Burton Manor Residential College	100
Ex Department of Transport	100
Ex National Health Service	100
Fylde Coast Development Association	100
Lancashire South East Probation Committee	100
Spastics Society	100

Notes:

1. The £ lump sum payments for Blackpool Fylde Wyre Society for the Blind and South Ribble Borough Council are payable in April 2014;
2. The percentages shown are percentages of pensionable pay and apply to all members, including those who are members under the 50:50 option under the LGPS from 1 April 2014;
3. The contributions for Liberata UK Ltd (Chorley) assume the contract will terminate in July 2014. If the contract is extended for any reason then the contributions given above will require revision;

4. The contributions for the Office of the Police and Crime Commissioner will need to be reallocated between that employer and the Office of the Chief Constable on its admission to the Fund. The allocation will be determined by the Office of the Police and Crime Commissioner and the Administering Authority acting on actuarial advice;
5. The total contributions payable by each employer each year will be subject to a minimum of zero;
6. In cases where an element of an existing Scheme Employer's deficit is transferred to a new employer on its inception, the Scheme Employer's deficit recovery contributions shown in this certificate may be reallocated between the Scheme Employer and the new employer to reflect this, on advice from the actuary.
7. There are a number of additional employers who no longer had any active members within the Fund as at the valuation date. Any final contribution requirement for these employers will be assessed by the Fund in due course on the basis of actuarial advice.



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Scheme employers with active members as at 31 March 2016

A
Academy @ Worden
Accrington & Rossendale College
Accrington Academy
Albany Academy
All Saints CE Primary School (Academy)
Alternative Futures Group Ltd
Anchorsholme Academy (Blackpool Multi Academy Trust)
Andron (Fairfield)
Andron (Fearn Community Sports College)
Andron (Former Solar Contracts)
Aspire Academy (Fylde Coast Academy Trust)
B
Bacup & Rawtenstall GS Academy
Baines Endowed Primary School
Belthorn Academy Primary School
Bishop Rawsthorpe High Academy
Blackburn College
Blackburn with Darwen BC
Blackpool & The Fylde College
Blackpool Borough Council
Blackpool Coastal Housing
Blackpool Fylde & Wyre Credit Union
Blackpool Fylde & Wyre Society for the Blind
Blackpool Gateway Academy (Fylde Coast Academy Trust)
Blackpool Housing Company Ltd
Blackpool Sixth Form College
Blackpool Transport Services Ltd
Blackpool Zoo (Grant Leisure)
Bootstrap Enterprises Ltd
Bowland High Academy Trust
Bulloughs Cleaning Services Ltd (Carr Head Primary)
Bulloughs Cleaning Services Ltd (Lytham Hall)
Bulloughs Cleaning Services Ltd (Our Lady)
Bulloughs Cleaning Services Ltd (St Patricks)
Burnley Borough Council
Burnley College
Burnley High School (Chapel Street Community Schools Trust)
Burnley Leisure

C
Calico Housing
Capita (Rossendale BC)
Capita Business Services
Cardinal Newman College
Caritas Care Ltd
Catering Academy Ltd
Caterlink Ltd (Mount Pleasant)
Catterall Parish Council
CG Cleaning (Balladen)
CG Cleaning (Kennington)
CG Cleaning (Newton Bluecoat)
CG Cleaning (Our Lady & St Gerards)
CG Cleaning (Ryelands)
CG Cleaning (St Augustines RC)
CG Cleaning (St Pauls)
CG Cleaning (St Peters)
Chief Constable
Chorley Borough Council
Chorley Community Housing Ltd
Christ the King Catholic Academy (Blessed Edward Bamber Multi Academy Trust)
Churchill Contract Services (Holy Family)
Churchill Contract Services (Lancaster Road)
Churchill Contract Services (Moorside)
Churchill Contract Services (St Anne & St Joseph)
Cidari Education Limited (Cidari Multi Academy Trust)
Clitheroe Royal Grammar School Academy
Cliviger Parish Council
Coal Clough Academy (Education Partnership Trust)
Colne Primet Academy (Pendle Education Trust)
Community and Business Partnership
Community Futures
Community Gateway Association Ltd
Compass Contract Services
Consultant Caterers Ltd
Contour Housing Group
County Councils Network
Creative Support Ltd
Creative Support Ltd (Midway)

D
Darwen Aldridge Community Academy (Aldridge North West Education Trust)
Darwen St James Academy (Cidari Multi Academy Trust)
Darwen Town Council
Darwen Vale Academy (Aldridge North West Education Trust)
Devonshire Primary Academy (Blackpool Multi Academy Trust)
E
E ON UK PLC
Eden School (Education Partnership Trust)
Edge Hill University
Elite Clean & Environmental Services Ltd
Engie Services Ltd (Blake-Cross)
Engie Services Ltd (Darwen Vale)
Engie Services Ltd (Lend Lease)
Engie Services Ltd (Pleckgate)
Engie Services Ltd (Witton Park)
Eric Wright Facilities Management
Eric Wright Facilities Management (Site Supervisors)
Essential Fleet Services Ltd
F
FCC Environment Services UK
Fulwood Academy
Fylde Borough Council
Fylde Coast Academy Trust
Fylde Coast YMCA
Fylde Community Link
G
Galloways Society for the Blind
Garstang Community Academy
Garstang Town Council
Great Marsden St John's Primary Academy (Cidari Multi Academy Trust)
H
Habergham Eaves Parish Council
Hambleton Primary Academy (Fylde Coast Academy Trust)
Hawes Side Academy
Hodgson Academy
Housing Pendle Ltd
Hyndburn Borough Council

Hyndburn Home Ltd
I
I Care
Independent Living Fund (Blackpool Council)
J
Jewson KLtd (Chorley Community Housing)
K
KGB Cleaning (Myerscough)
Kirkham Grammar School (Independent)
Kirkland Parish Council
L
Lancashire Care Foundation Trust
Lancashire Colleges Ltd
Lancashire County Council
Lancashire Fire and Rescue Service
Lancashire Sports Partnership Ltd
Lancashire Unison
Lancashire Workforce Development Partnership
Lancaster & Morecambe College
Lancaster City Council
Lancaster Girls Grammar School
Lancaster Royal Grammar School Academy
Lancaster University
Langdale Free School
Leisure in Hyndburn
Lend Lease Con. (EMEA)(ICT)
Lend Lease Con.(EMEA)(Phase 3)
Liberata UK Ltd (Burnley Borough Council)
Liberata UK Ltd (Pendle Borough Council)
Lostock Hall Academy
Lowther Pavillion & Gardens
Lytham Schools Foundation
M
Mack Trading International Ltd
Maharishi Schools Trust
Marketing Lancashire Ltd
Marton Primary Academy (Bright Futures Education Trust)

Mellors Catering Services (Belthorn Academy)
Mellors Catering Services (Bishop Rawsthorne)
Mellors Catering Services (Brinscall St John)
Mellors Catering Services (Fulwood Academy)
Mellors Catering Services (Hambleton)
Mellors Catering Services (Queens Drive)
Mellors Catering Services (Trinity & St Michaels)
Mellors Catering Services (Worden)
Montgomery High School (Fylde Coast Academy Trust)
Moorside Community Primary Academy School
Morecambe Town Council
Myerscough College
N
Nelson & Colne College
Nelson Castercliff Primary Academy
New Progress Housing Association Limited
Norbreck Academy
North Western Inshore Fisheries and Conservation Authority
NSL Ltd (Lancaster)
O
Old Laund Booth Parish Council
Omerod Home Trust
P
Parbold Douglas CE Academy
Park Community Academy (Blackpool Multi Academy Trust)
Parklands High School Academy
Pendle Borough Council
Pendle Leisure Trust Ltd
Penwortham Priory Academy
Penwortham Town Council
Pilling Parish Council
Pleckgate High School (Education Partnership Trust)
Police and Crime Commissioner for Lancashire
Preesall Town Council
Preston Care & Repair
Preston City Council
Preston College
Preston Guild Hall Limited
Progress Care Housing Association Ltd

Progress Housing Group
Q
Queen Elizabeth Grammar School Blackburn Academy Trust
Queen Elizabeth Grammar School Ltd
R
RCCN (Basnett)
RCCN (Leyland)
RCCN (Whitefield)
Regenda
Revoe Learning Academy (Blackpool Multi Academy Trust)
Ribble Valley Borough Council
Ribble Valley Homes Ltd
Ridge Crest Cleaning North
Ripley St Thomas CE Academy
Roseacre Primary Academy
Rossendale Borough Council
Rossendale Leisure Trust
Rossendale Transport Ltd
Runshaw College
S
Service Alliance Ltd (Barnoldswick)
Service Alliance Ltd (Clitheroe Pendle Primary)
Service Alliance Ltd (Edisford PP)
Service Alliance Ltd (Ribblesdale)
Service Alliance Ltd (St James Primary School)
Service Alliance Ltd (St Mary)
Service Alliance Ltd (St Nicholas)
Service Alliance Ltd (Whalley)
South Ribble Borough Council
South Ribble Community Leisure
South Shore Academy (Bright Futures Education Trust)
St Aidan's CE Primary Academy (Cidari Multi Academy Trust)
St Annes on Sea Town Council
St Barnabas CE Primary School (Cidari Multi Academy Trust)
St Christophers CE High School Academy
St Cuthbert's Catholic Academy (Blessed Edward Bamber Multi Academy Trust)
St George's School (Cidari Multi Academy Trust)
St Luke's & St Philip's Primary School (Cidari Multi Academy Trust)
St Mary's Catholic Academy (Blessed Edward Bamber Multi Academy Trust)

St Mary's College
St Michaels CE High Academy
St Wilfrids CE Academy
Sudell Primary School (Academy)(Aldridge North West Education Trust)
Superclean Services Wothorpe Ltd
Sure Start Hyndburn
T
Tarleton Academy
Tauheedul Eden Boys Birmingham
Tauheedul Eden Boys Bolton
Tauheedul Eden Boys Preston
Tauheedul Eden Girls Coventry
Tauheedul Eden Girls Slough
Tauheedul Eden Girls Waltham
Tauheedul Free Schools Trust
Tauheedul Free Schools Trust (The Olive School Blackburn)
Tauheedul Free Schools Trust (The Olive School Hackney, London)
Tauheedul Islam Boys Free School Trust
Tauheedul Islam Girls High School
Thames Primary Academy
The Heights Free School
Twin Valley Homes Ltd
U
United Church School
Unity Academy (Fylde Coast Academy Trust)
University of Central Lancashire
University Of Cumbria
Urbaser Ltd
V
Visions Learning Trust
W
Walter St Primary School (Pendle Education Trust)
Waterloo Primary Academy
Wensley Fold CE Primary Academy
West Lancashire Borough Council
West Lancashire Community Leisure
Westcliff Primary Academy (Fylde Coast Academy Trust)
Whittle-Le-Woods Parish Council

Whitworth Town Council

Witton Park Academy

Wyre Borough Council
